

WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES MEETING
Tuesday, October 25, 2022
5:30 PM
Wellness Center, Room 204

Meeting Called By: David Tuttle(Chair)

Minutes: Nikki Kapurch

Board Members: Lisa Colombo (Vice-Chair) ; Aleta Fazzone; Karen Lafond; Stephen Madaus; William Mosley; Dina Nichols; Amy Peterson; Emma Polak; Marina Taylor (Vice-Chair); Lawrence Sasso

WSU Staff: Barry Maloney; Ashlynn Allain; Nikki Kapurch; Carl Herrin; Kathy Eichelroth; Stacey Luster; Mike McKenna; Maria Gariepy

All documents considered to be **drafts** until discussed and/or approved by the Board

AGENDA		
ITEM	RESPONSIBLE	ACTION
1. <i>Administrative Business</i> A. Call to Order B. Approval of the Minutes: 1. Full Board - September 13, 2022*	David Tuttle	1. vote required
2. <i>Equity, Diversity and Inclusion Presentation - 15 minutes w/ Q&A</i> A. Student Accessibility Services Presentation* B. Counseling Center Presentation*	Maria Gariepy Fran Manocchio Laura Murphy	A. Informational
3. <i>Finance & Facilities Committee Report</i> A. Finance & Facilities Committee Packet*	Marina Taylor	3. Informational and vote required
4. <i>Administrative Updates</i> A. Report of the Chairman I. Next meeting: November 22, 2022 (BLue Lounge) B. Report of the Student Trustee C. Report of the President I. President's Update* II. FSFT Update	David Tuttle Emma Polak Barry Maloney .	I. Informational II. Informational
5. <i>Adjournment</i>	David Tuttle	5. vote required

*Attachments

WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES MEETING
Meeting Minutes

CHAIR:	David Tuttle (Chair)	DATE:	September 13, 2022
LOCATION:	Sheehan Hall, Rm SH109	MINUTES BY:	Nikki Kapurch
TIME:	5:30 PM		
MEMBERS PRESENT:	Lisa Colombo (Vice-Chair); Aleta Fazzone; Karen Lafond; Stephen Madaus; William Mosley; Dina Nichols; Amy Peterson; Emma Polak; David Tuttle; Lawrence Sasso.		
MEMBERS ABSENT:	Marina Taylor (Vice-Chair)		
WSU STAFF:	Barry Maloney; Ashlynn Allain; Nikki Kapurch; Kathy Eichelroth; Carl Herrin; Stacey Luster; Ryan Forsythe; Julie Kazarian; Tom McNamara; Lois Wims; Sandra Olson; Maria Garipey		

The provision of General Laws, Chapter 30A having been complied with and a quorum present, a meeting of the Board of Trustees was held on Tuesday, September 13, 2022, in room SH109, located in Sheehan Hall. Chair Tuttle called the meeting to order at 5:30 p.m.

Chair Tuttle opened the meeting by introducing and welcoming two new board members to the board, Amy Peterson and Emma Polak. Each new member gave a brief introduction.

Administrative Business:

APPROVAL OF THE MINUTES - June 14, 2022

Upon a motion made by Trustee LaFond and seconded by Trustee Nichols, it was

VOTED: **to approve the minutes of the June 14, 2022, meeting as presented.**

8 approved: Aleta Fazzone; Karen Lafond; Stephen Madaus; Dina Nichols; Amy Peterson; Emma Polak; David Tuttle; Lawrence Sasso

2 abstained: Lisa Colombo, William Mosley

EQUITY, DIVERSITY, AND INCLUSION PRESENTATION

LGBTQ+ Advisory Group presentation

- Maria Garipey, Director, Diversity, Inclusion & Equal Opportunity, discussed the LGBTQ+ Advisory Group's charge and committee membership and introduced Sarah Strout, Assistant Vice President for Assessment and Planning, who co-chairs the group, along with co-chair Riley McGuire, Assistant Professor, Department of English.
- Professor McGuire presented the PowerPoint that was included in the packet.

- Discussed the achievements and initiatives that the group has been working on and the recommendations and plans moving forward.
- Continue to use the Campus Pride Index as a rubric to improve the campus experience for our LGBTQ+ members.

PRESENTATION - 15 minutes including Q&A

Midpoint status Financial Sustainability Task Force's Phase Two (FSTF) Report Presentation

- The report is included in the packet.
- Trustee Tuttle mentioned to the group that he attended the Financial Sustainability Task Force Phase Two Midpoint Briefing on Thursday, Sept. 8, at 8 a.m. This was a virtual, 75-minute presentation that was a moderated session with the spokesperson from each of the seven (7) work groups reporting on the progress performed to date over the last several weeks.
- VP Eichelroth gave a detailed overview of the Phase Two report.
- As part of Phase Two, this Mid-Point summary report is intended to provide the Worcester State University Board of Trustees with an overview of the Phase Two work completed thus far, and the structure and process by which it was completed.
- A final FSTF Phase Two report will be delivered on November 21 to President Maloney and the BOT for their review and consideration.
- The report will be presented to the board members at their December 6th meeting.
- Trustee Tuttle mentioned that the work has been very transparent.
- President Maloney mentioned that these are critical conversations that preserve the mission of the university and the student's experience.

Finance & Facilities Committee Report

Trustee Nichols, chair of the committee, reported that the group convened today at 4:30 p.m. Trustee Nichols provided a brief summary of the meeting. Two separate items were discussed.

1. Amendment #1 to the Strategic Plan Trust Fund allocates up to \$50,000 from the Strategic Trust Fund for spending this year on targeted activities that are identified priorities and align with University's 2021-2025 Strategic Plan. VP Elchelroth went through the FY 2023 Operating Budget identifying the breakdown of those dollars and indicating which line item category funds were assigned to.
2. The Sullivan Auditorium Renovation Project study. The Project intends to correct all accessibility deficiencies found at both interior and exterior locations as defined in DCAMM's ADA Strategic Compliance Assessment. Sandra Olson, Assistant Vice President for Facilities Operations and Planning, presented to the trustees the PowerPoint that was included in the packet.

Upon a motion made by Trustee Mosley and seconded by Trustee Nichols, it was unanimously

VOTED: **to accept the recommendation of the Finance and Facilities Committee and approve the FY 2023 Budget Amendment #1 as presented.**

REPORT OF THE CHAIRMAN

- Next meeting: Thursday, October 25, 2022. The meeting will be in-person and the meeting will be held in the Wellness Center, Room 204.
- Committee assignments were presented in the packet with one amendment. Aleta Fazzone has been added to the Finance & Facilities Committee. Also, added a vice chair to each committee, which is new to the committee assignments.

REPORT OF THE STUDENT TRUSTEE

- Classes have started. Went over the Welcome Week events happening on campus.

PRESIDENT'S REPORT

- September 22- 24 is our Homecoming & Family Weekend. Lots of events and activities happening on campus. Link to the events: [Homecoming/Family Weekend](#)
- On Friday, September 23, 2022, the university will be holding our inaugural George H. Albro '65 Memorial Golf Tournament to benefit our athletics department and the athletic teams. The brochure was provided to the trustees at the meeting. The brochure outlines the player and sponsorship opportunities. Link: [Click here to view the tournament website and register online.](#)
- Saturday, September 24, 2022, the Office of Multicultural Affairs (OMA) will celebrate the 50th Anniversary of OMA.
- In place of the usual President's Update, we provided in the packet a pdf of the Academic Year Resource Guide instead. This guide was given to all employees at our Academic Year Kickoff event at the start of the academic year.
- President Maloney gave an update on the Student Loan Forgiveness program. Link provided for additional information: [Student Loan Forgiveness link](#)
- Vice President Ryan Forsythe provided a Fall 2022 overall enrollment update.
- President Maloney talked about the Fair Share Amendment, which is a proposal to amend the Massachusetts Constitution, creating an additional tax of four percentage points on the portion of a person's annual income above \$1 million. The new revenue would be spent on quality public education and affordable public colleges and universities, and for the repair and maintenance of roads, bridges, and public transportation.
- Worcester State University Self Study Report has been submitted to our colleagues at NECHE. A copy of that report was provided to each trustee.
- Unity Day 2022, will be held on Oct 11, 2022, from 9 a.m. to 9 p.m. Events are planned throughout the day and night.
- Assistant Vice President for Employee Services, Chief Human Resources Officer
 - The job description and University organizational charts included in the packet as a reference to show the board that the job title was already approved by the board at their January 20, 2015 meeting.
 - This is the job description that will be posted to replace the Executive Director position that Sue Moore held. The position is Assistant VP for Employee Services/Chief Human Resource Officer. We will be contracting with ACES (Academic Career & Executive Search) to manage a

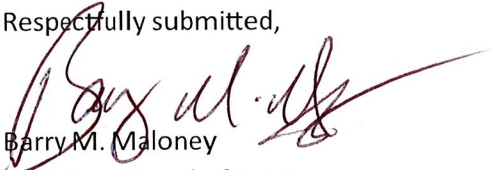
modified search process on our behalf. Resources to fund the services of this search firm will come from the vacancy of this line.

With there being no further business, the WSU Board of Trustees meeting was adjourned.

Upon a motion made by Trustee LaFond and seconded by Trustee Madaus, it was unanimously

VOTED: **to adjourn the meeting at 7:14 pm.**

Respectfully submitted,



Barry M. Maloney
Secretary, Board of Trustees

Worcester State University

Board of Trustees
October 2022

Student Accessibility Services



WSU Policy

Policies for Reasonable Accommodations for Persons with Disabilities

The University is committed to providing equal access to otherwise qualified persons with disabilities. The University recognizes that individuals with disabilities may need reasonable accommodations to have equally effective opportunities to participate in or benefit from educational programs, services, activities and employment.

Legal Obligations

WSU must comply with federal and state civil rights legislation and regulations, including:

- Americans with Disabilities Act, 1990 as amended
- Section 504 of the Rehabilitation Act of 1973
- Massachusetts Fair Education Practices Act

Mission

- Student Accessibility Services (SAS) cultivates an accessible and inclusive community where students with permanent or temporary disabilities have an equal opportunity to participate in all aspects of campus life through appropriate academic accommodations.
- SAS promotes accessibility awareness through the development of student self-advocacy, collaboration and partnerships with faculty, staff and departments, and the broader campus community.

Goals

Student Accessibility Services is committed to:

- establishing a welcoming, respectful, supportive and engaging environment in SAS and on the campus community
- assisting disabled students to increase self-advocacy
- supporting disabled students to achieve their postsecondary education goals
- collaborating with faculty to provide equitable access and the appropriate reasonable accommodations within courses and programs for disabled students
- promoting disability as an aspect of diversity

History

Total Number of Students Served

AY 1993 – 94	29 students
AY 1997 – 1998	101 students
AY 2010 – 2011	240 students
AY 2011 – 2012	313 student
AY 2014 – 2015	449 students
AY 2015 – 2016	514 students
AY 2016 - 2017	602 students
AY 2020 – 2021	656 students
AY 2021 – 2022	680 students

History

Staffing FTE and Location

1 FTE, Student Center

2.8 FTE, Administration Building

4 FTE, OT Grad students, student workers,
Administration Building, Sullivan computer lab

4 FTE, Grad students, student proctors,
Administration Building, Sullivan computer lab

Scope of Work

WHO: any student enrolled in one or more course, includes dual enrollment, matriculated and non-matriculated undergraduate student, graduate students, post-baccalaureate certificate

HOW: prospective or current student, or parent/guardian contact SAS in person, by phone, or email; registration form is completed electronically and accessed through our website

WHAT: student requests accommodations, provides documentation, interactive meeting to evaluate and determine eligibility for reasonable accommodations

Goals

Student Accessibility Services is committed to:

- establishing a welcoming, respectful, supportive and engaging environment in SAS and on the campus community
- assisting disabled students to increase self-advocacy
- supporting disabled students to achieve their postsecondary education goals
- collaborating with faculty to provide equitable access and the appropriate reasonable accommodations within courses and programs for disabled students
- promoting disability as an aspect of diversity

Types of Accommodations

- Academic
 - Extended time for testing, reduced distraction testing location
- Audio-capture of Lectures
- Classroom Accommodations
 - Accessible furniture and locations
- Housing Accommodations, including Assistance Animals
- Communication Access
- Food Allergies and Dietary
- Additional Supports: academic coaching, peer mentoring, DAPi

Collaboration, Presentations, & Training

- Faculty Partners
 - New Faculty Orientation
 - First Year Experience Instructors Orientation/Training
 - Provost Meetings with Deans and Department Chairs
 - Dean's Council with Department Chairs
- Coaches
- Resident Directors and Resident Assistants
- Orientation Leaders

Current Status

- Increase in number of students connecting with SAS
- Students are presenting with greater needs, particularly mental and physical health conditions
- For the first time, SAS has a wait list for academic coaching (1:1 weekly meetings)
- Significant increase in the number of housing accommodations requests, including assistance animals
- Accommodated exam requests are back to pre-Covid numbers

QUESTIONS?



WORCESTER
STATE
UNIVERSITY

Counseling Services 2022

Fall 2022 –CS updates

- Renovation Project
 - Remodeled reception
 - 2 additional office spaces to accommodate additional positions
 - 2nd egress to increase safety and improve flow
 - Increased soundproofing to create more privacy
- Staff Updates
 - Jan,2022- Clinician and Muticultural Mental Health Outreach Specialist
 - Sept.2022- Clinician who identifies with LGBTQ+ community

Fall 2022- Clinical Updates and Data

- Primarily In - Person Model- Brief Treatment Model
 - Average number of sessions per student-3
 - Average wait time for a scheduled appointment-3-5days
 - We do not have a waitlist
- Walk-in Triage- Same day Crisis sessions- Brief/solution focused
- Telehealth as needed(pending student circumstances and clinical appropriateness)

35% increase in students seen FA'21-FA-22(Sept-present)

42% increase in Walk-in/Triage FA'21-FA22(Sept.-present)

Mental Health Campus Outreach Efforts:

- Everfi

Addition of Mental Health and Diversity, Equity and Inclusion modules

- Faculty/Staff Training

Recognize, Respond, Refer- 4x each semester

Coaches and Athletic Trainers- Annually

University Police Protocol Response Training- Annually/as needed

Student Outreach

- Trainings:

- Resiliency Classroom presentations for FYS and Transfer Students
- Life Skills for Athletics
- Resident Assistants (August & January)
- Student Leadership

- 7th Annual FRESH CHECK DAY(10/26/22)

- BLACK+MENTAL HEALTH+MATTERS- Art with an Impact(11/15/22)

- Active Minds

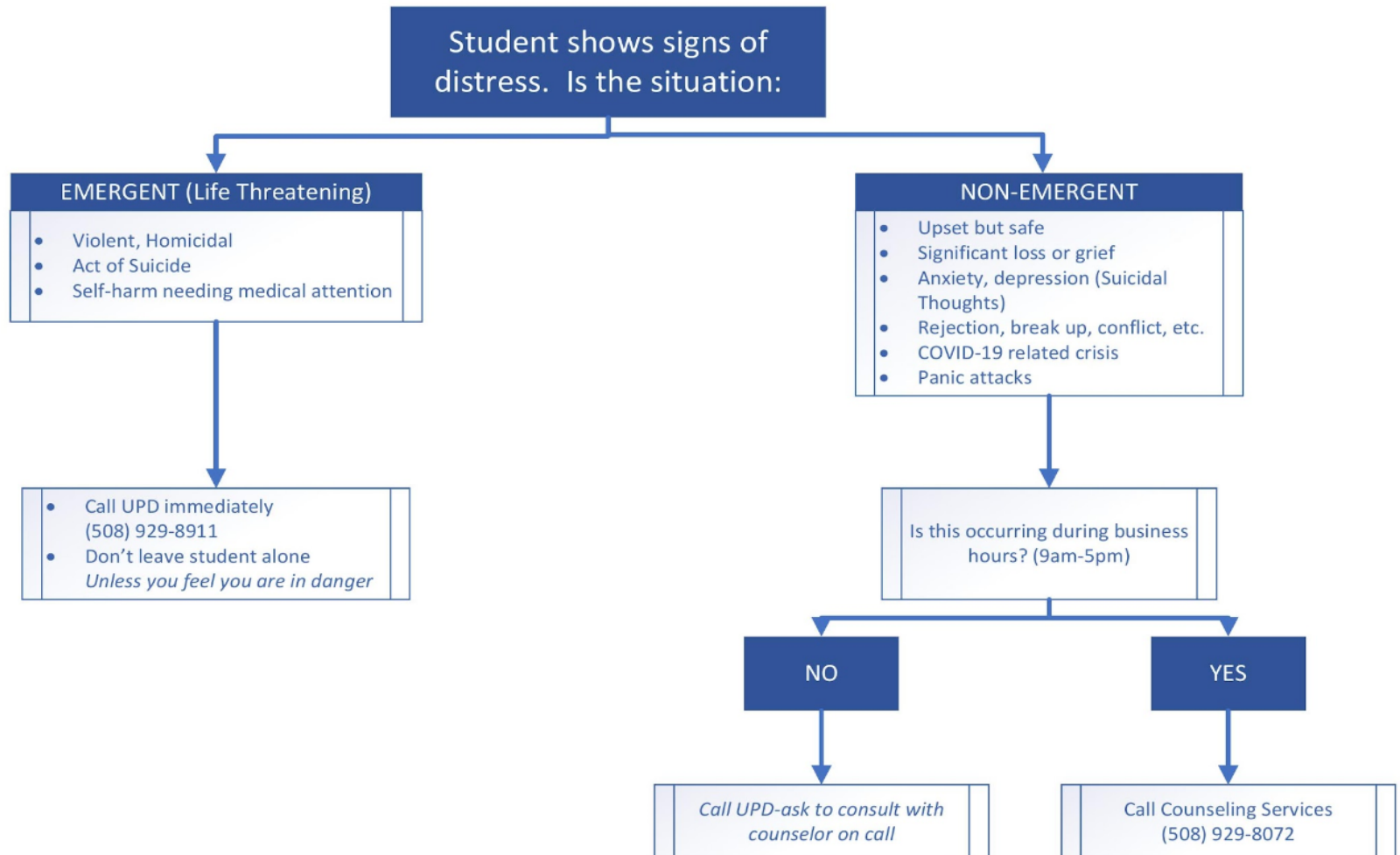
- CS Newsletter

- Multiple social media platforms and campaigns

- MH Screenings

- **Sexual Assault Violence Education(SAVE)**

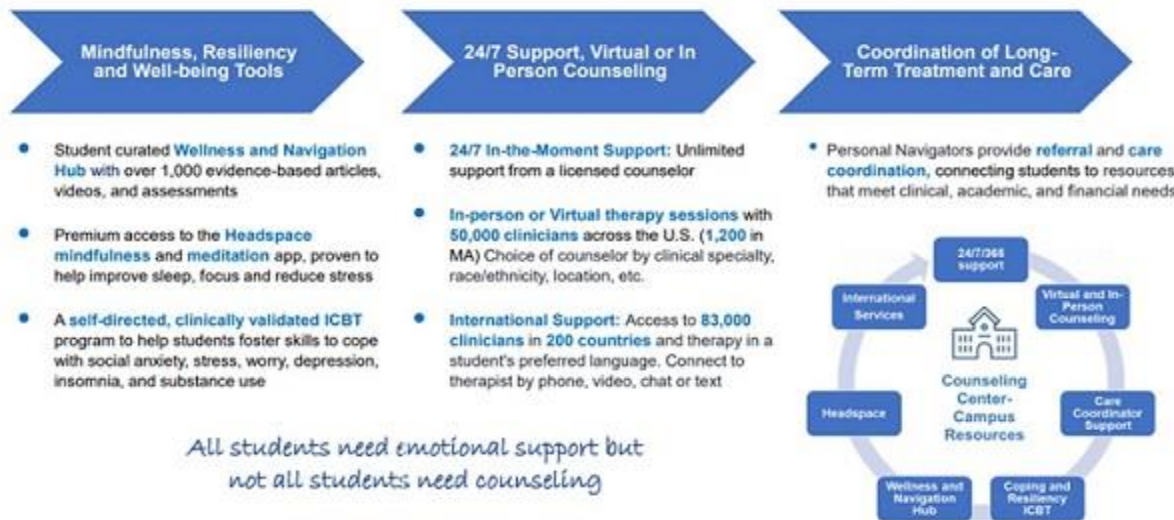
Student Mental Health Response Faculty & Staff Decision Tree



CHRISTIE CAMPUS HEALTH RESILIENTU@woostate

Mental Health and Wellbeing Continuum

Reaching more students will take a multi-modal approach



*All students need emotional support but
not all students need counseling*



WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE & FACILITIES MEETING
Tuesday, October 25, 2022
4:00 PM
Wellness Center, Room 204

Meeting Called By: Marina Taylor (Chair)

Minutes: Nikki Kapurch

Board Members: Lisa Colombo; Aleta Fazzone; William Mosley; Dina Nichols; Marina Taylor; Lawrence Sasso

WSU Staff: Barry Maloney; Carl Herrin; Kathy Eichelroth; Ashlynn Allain

All documents considered to be **drafts** until discussed and/or approved by the Board

AGENDA		
ITEM	RESPONSIBLE	ACTION
1. <i>Administrative Business</i> A. Call to Order B. Approval of Minutes: September 13, 2022*	Marina Taylor	B. vote required
2. <i>Finance & Facilities Committee Report</i> A. FY2022 Draft Financial Statement Audit*	Marina Taylor Kathy Eichelroth	A. Informational and vote required
3. <i>Administrative Updates</i> A. Other Business	Marina Taylor	
4. <i>Adjournment</i>	Marina Taylor	4. vote required

*Attachments

WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES
Finance & Facilities Committee Meeting
Meeting Minutes

CHAIR:	Dina Nichols (Acting Chair)	DATE:	September 13, 2022
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LOCATION:	Sheehan Hall, Room SHR109 (Sheehan Multipurpose Room)	MINUTES BY:	Nikki Kapurch
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TIME: 4:30 PM

COMMITTEE MEMBERS PRESENT: Lisa Colombo; Aleta Fazzone; Dina Nichols; Lawrence Sasso

ABSENT MEMBERS: Marina Taylor

NON-COMMITTEE MEMBERS PRESENT: David Tuttle; Will Mosley

WSU STAFF: Barry Maloney; Nikki Kapurch; Carl Herrin; Kathy Eichelroth; Mike McKenna; Ashlynn Allain; Sandra Olson

The provision of General Laws, Chapter 30A having been complied with and a quorum present, a meeting of the Finance and Facilities Committee was held on Tuesday, September 13, 2022, in room SH109, located in Sheehan Hall. Chair Nichols called the meeting to order at 4:31 pm.

Administrative Business

APPROVAL OF THE MINUTES - June 14, 2022

Upon a motion made by Trustee Fazzone and seconded by Trustee Sasso, it was unanimously

VOTED: to approve the June 14, 2022, minutes of the Finance and Facilities Committee meeting as presented.

FINANCE & FACILITIES COMMITTEE REPORT

FY 2023 Budget Memo Amendment #1

- Trustee Nichols opened up the meeting and called upon VP Kathy Eichelroth, to walk the trustees through the FY 2023 Budget Memo Amendment #1 that was included in the packet.
- Amendment #1 to the Strategic Plan Trust Fund allocates up to \$50,000 from the Strategic Trust Fund for spending this year on targeted activities that are identified priorities and align with University's 2021-2025 Strategic Plan.
- VP Eichelroth went through the FY 2023 Operating Budget identifying the breakdown of those dollars and indicating what each line item category the funds was assigned to.
- President Maloney explained the process and model of the Strategic Plan trust fund that the trustees had approved at a past board meeting.

Upon a motion made by Trustee Colombo and seconded by Trustee Sasso, it was unanimously

VOTED: **to recommend to the full Board the approval of the FY 2023 Budget Amendment #1 as presented.**

Also included in the packet are the FY 2022 Q4 non-accrual Comparative Financial Reports that are in the packet as informational only.

Presentation

Sullivan Auditorium renovations

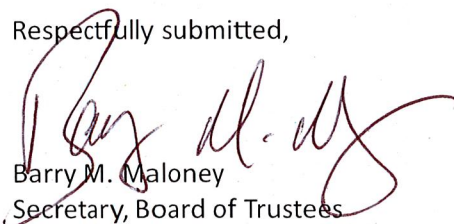
- VP Eichelroth called on Sandra Olson, Assistant Vice President for Facilities Operations and Planning, to present to the trustees the PowerPoint presentation that was included in the packet.
- Ms. Olson provided a project summary and project outcomes.
- The Sullivan Auditorium Renovation Project study was certified by DCAMM in July 2021. The Project intends to correct all accessibility deficiencies found at both interior and exterior locations as defined in DCAMM's ADA Strategic Compliance Assessment.
- No Massachusetts Architectural Advisory Board (MAAB) waivers will be required.
- The estimated TPC contains a change order allowance of 6.5%; typical allowance: 10%-15%
- The question was asked on how will the University manage the contiguous cost.
 - The funding plan if we need to increase costs would be to come back to the Board of Trustees for approval to tap into the Capital Improvement Trust Fund. The revenue from the capital fee goes into that trust fund.
 - We did this in the past when we did the Wellness Center.
 - If we need additional funds before June 30, we would go to the trust fund. Come July 1, we will have enough state funds and will be able to reimburse the Capital Improvement Trust Fund.

With there being no further business, the WSU Board of Trustees Finance & Facilities Committee meeting was adjourned.

Upon a motion made by Trustee Colombo and seconded by Trustee Fazzone, it was unanimously

VOTED: **to adjourn the meeting at 5:01 p.m.**

Respectfully submitted,



Barry M. Maloney
Secretary, Board of Trustees

**WORCESTER STATE UNIVERSITY
(AN AGENCY OF THE COMMONWEALTH OF
MASSACHUSETTS)**

***FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH SUPPLEMENTARY INFORMATION, STATISTICAL
INFORMATION AND OTHER REPORTS***

YEARS ENDED JUNE 30, 2022 AND 2021

AND

INDEPENDENT AUDITOR'S REPORT

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS WITH SUPPLEMENTARY
INFORMATION, STATISTICAL INFORMATION AND OTHER REPORTS

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Worcester State University

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the University adopted GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 opinion. 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 Analysis on pages 4 through 15 and certain information pertaining to liabilities recorded in accordance with Government Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* on pages 47 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise University's basic financial statements. The supplemental schedules on pages 54 through 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the statistical information on pages 60 through 64. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Worcester, Massachusetts
_____, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Worcester State University, we offer readers of Worcester State University's financial statements this narrative overview and analysis of the financial activities of Worcester State University for the fiscal year ended June 30, 2022. This discussion is provided by management and should be read in conjunction with the financial statements and notes thereto.

Worcester State University was founded in 1871 and is one of nine comprehensive public colleges/universities in the Commonwealth of Massachusetts. The University affirms the principles of liberal learning as the foundation for all advanced programs of study and offers programs in the traditional liberal arts and science disciplines, while maintaining its historical focus on teacher education. The University offers 59 undergraduate majors and minors, 29 graduate programs, 82 study abroad programs, and a student-to-faculty ratio of 17:1. The University currently has 4,477 full and part-time undergraduate students and 766 full and part-time graduate and professional students.

Financial Highlights

- The assets and deferred outflows of resources of Worcester State University exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$63,269,610 inclusive of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position) of \$31,194,951.
- The University's total net position increased by \$7,350,266. Pension and insurance expense decreased by \$4,245,427, as a result of recording the University's portion of the Commonwealth's postretirement obligations. When the Commonwealth's postretirement obligation adjustments are removed from the University's operating expenses, Pension and Insurance costs as reported on Schedule 6 of the accompanying supplementary information, increases to \$16,738,234, and the University's total change net position at June 30, 2022 is reduced to \$3,104,839.
- The University's Net Position as June 30, 2022 was \$63,269,610. Unrestricted Net Position from Operations as of June 30, 2022 was \$54,812,359. The healthy operational reserves is offset by the University's allocation of the Commonwealth's accumulated Net Retirement Obligations of \$17,673,734 related to Pensions and \$36,325,782 related to OPEB, resulting in Net Unrestricted Reserves of \$812,843
- The adoption of GASB Statement No. 87, *Leases* (GASB 87), has a significant impact on Auxiliary Services, specifically Residence Life and Housing, in FY 2022. Prior to adoption of the standard, Residence Life and Housing operations reported building assessments of \$4,600,155 as of June 30, 2022 and \$3,693,913 as of June 30, 2021. MSCBA had taken advantage of bond refunding opportunities during the pandemic in an effort to provide financial relief to the residential and housing operations on the State University campuses. The restructuring of outstanding debt by the MSCBA provided Worcester State University the ability to maintain adequate fund balances of \$4,002,454 and \$1,584,710 for the years ended June 30, 2022 and 2021, respectively, prior to the adoption. The effect of adopting GASB 87 is an increase in assets of \$142,080,660 at June 30, 2022 reflecting the value of buildings owned by the MSCBA and leased to Worcester State University. In addition liabilities have increased \$152,459,078 reflecting the value of future lease payments due to the MSCBA as of June 30, 2022. Changes in reporting on the Statement of Revenue, Expenses, and Changes in Net Position include a reclassification of lease payments from Building Assessments to a reduction in liability and straight line amortization of the new asset as interest expense. Interest expense of \$8,829,993 and \$8,995,169 was recorded as of June 30, 2022 and June 30, 2021, respectively. As a result of the adoption of GASB 87, the restated net assets of Residence Life and Housing were (\$5,127,757) and (\$3,892,826) as of June 30, 2022 and June 30, 2021, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Worcester State University's basic financial statements. Worcester State University's basic financial statements comprise two components: 1) the financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Financial Statements are designed to provide readers with a broad overview of Worcester State University's finances in a manner similar to a private sector college. The Statement of Net Position presents information on all of the University's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the University's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the accrual for compensated absences.)

The Statement of Cash Flows is reported on the direct method. The direct method of cash flow reporting 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.) The Government Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used.

The financial statements and related footnotes are presented separately from this Management Discussion and Analysis.

The University reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The University is a component unit of the Commonwealth of Massachusetts. Therefore, the results of the University's operations, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements and are presented separately.

Other information: In addition to the financial statements and accompanying notes, this report also contains certain required supplementary information concerning Worcester State University.

Financial Analysis

As noted earlier, net position may serve over time as a useful indication of Worcester State University's financial position. In the case of Worcester State University, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$63,269,610 at the close of Fiscal Year 2022.

By far the largest portion of the Worcester State University's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding, including capital leases. Worcester State University uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Worcester State University's investment in its capital assets is reported net of related debt and lease obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

**Worcester State University's Net Position as of
June 30, 2022, with comparative data as of June 30, 2021**

	2022	2021
Current and other assets	\$ 79,134,203	\$ 71,611,180
Capital assets	234,386,012	203,818,767
Total assets	<u>313,520,215</u>	<u>275,429,947</u>
Deferred outflows of resources	9,562,053	15,587,867
Non-current outstanding liabilities	203,807,057	193,343,384
Other liabilities	19,942,534	16,962,893
Total liabilities	<u>223,749,591</u>	<u>210,306,277</u>
Deferred inflows of resources	36,063,067	24,792,193
Net position		
Invested in capital assets, net of related debt	60,690,515	64,602,986
Restricted	1,766,252	1,046,341
Unrestricted	812,843	(9,729,983)
Total net position	<u>\$ 63,269,610</u>	<u>\$ 55,919,344</u>

The following schedule presents an analysis of Worcester State University's net position as of June 30, 2022 and 2021, respectively:

	2022	2021
Invested in capital assets, net	\$ 60,690,515	\$ 64,602,986
Restricted reserves, expendable for:		
Other	1,866,205	902,011
Capital projects	(99,953)	144,330
Total restricted reserves, expendable	<u>1,766,252</u>	<u>1,046,341</u>
Unrestricted net position		
Unrestricted reserves from operations	54,812,359	48,514,956
Accumulated Commonwealth of Massachusetts retirement obligations - Pension	(17,673,734)	(19,435,051)
Accumulated Commonwealth of Massachusetts retirement obligations - OPEB	(36,325,782)	(38,809,888)
Total net unrestricted reserves	<u>812,843</u>	<u>(9,729,983)</u>
Total net position	<u>\$ 63,269,610</u>	<u>\$ 55,919,343</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A portion of the Worcester State University's net position (2.8%) as of June 30, 2022, represent funds that are subject to external restrictions on how they must be used. Unrestricted net reserves from operations of \$54,812,359 at June 30, 2022 may be used to meet the University's ongoing obligations to its stakeholders. The University's net position increased by \$7,350,266 during the year ended June 30, 2022. At the end of the current fiscal year, Worcester State University reports a positive balance in restricted reserves, a positive balance in unrestricted reserves from operations and accumulated net negative obligations for the allocated share of the Commonwealth of Massachusetts pension and OPEB plans.

The University's primary reserve ratio, calculated as expendable net position divided by total expenses, is 45.28% and 41.85%, respectively, for the years ended June 30, 2022 and June 30, 2021. This ratio provides a snapshot of financial strength and flexibility by indicating the percent of operating expenses that could be funded by expendable reserves without relying on additional net position generated by operations.

The implementation of GASB 68 and GASB 75 requires the annual accrual of the University's allocation of the Commonwealth's Net Pension and OPEB Liability. The University had a reduction of \$4,245,427 in accrual of pension and insurance expense in FY 2022 and an increase of \$1,259,106 in FY 2021 to reflect the University's allocation of the Commonwealth's accrued obligation of Pension and OPEB liabilities.

The application of GASB 68 and GASB 75 requires certain reporting and disclosures with regard to the Massachusetts State Employees' Retirement System (MSERS) and the Commonwealth of Massachusetts Other Post-Employment Benefit (OPEB) Plan. The authority for establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts. The allocation provided to the University from the Commonwealth of Massachusetts Comptroller's Office reflects the University's proportionate share of the net pension and OPEB liability related to its participation in MSERS and OPEB. The University's participation in MSERS and OPEB is directly related to the share of annual payroll subject to retirement assessment that is funded from campus-based resources in contrast to payroll expended from annual operating appropriations allocated to the University from Commonwealth resources. In FY 2022 annual payroll subject to retirement assessment that was funded from campus-based resources was \$8,249,357; total payroll costs subject to retirement assessment for FY 2021 was \$41,327,584

The University's return on net position ratio, calculated as the change in total net position divided by total net position – beginning of the year, is 13.14% and (4.96)%, respectively, for the years ended June 30, 2022 and June 30, 2021. This ratio measures total economic return including capital investment and positive operating results. An improving trend indicates increasing net position which provides for increased financial flexibility.

The ratios in FY 2022 and FY 2021 are impacted by the GASB required postretirement benefit accruals necessary to reflect the campus share of the Commonwealth's liability related to the third party management of the retirement assets. When the postretirement benefit accruals are removed the return on net position ratios improve respectively, at 7.80% and 1.25%, for the years ended June 30, 2022 and June 30, 2021.

The net operating revenue ratio is .48% and (6.20)%, respectively, for the years ended June 30, 2022, and June 30, 2021. The ratio measures whether an institution is living within its available resources. Worcester State University strives to achieve an annual operating surplus as measured by this ratio as part of its long-term plan to improve its primary reserve and viability ratios and maintain a healthy annual return on net position. These ratios are also deflated as a result of the postretirement benefit accruals at year end

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

In FY 2022 the University experienced a net operating surplus of \$7,350,266, inclusive of the net posting of year end reduction of accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position) of \$4,245,427.

The net operating surplus is partly the results of capital appropriations received from the Commonwealth of Massachusetts as part of a five-year spending plan benefitting public higher education institutions. Despite the ongoing demands of the pandemic, the University continued to provide matching funds to the program in order that grants funds provided by the program would remain available to address critical infrastructure repairs. Critical repair projects completed during the year included the second more extensive phase of wiring upgrades and ceiling replacement in the LRC, in addition to the second phase of a three phased approach to replacing the fume hoods and exhausts in the Ghosh Science and Technology Building. Other critical repairs included replacement of the elevators in the Student Center and boiler and control replacement in the LRC. Major renovations were completed to improve the Counseling Center in response to increased demand for services as students are facing increased challenges post pandemic. Large scale, multi-year, renovations to Eager Auditorium kicked off in FY 2022 and will be completed in FY 2023. The large-scale electrical infrastructure relocation project began in FY 2023 and is being funded with a grant from the Commonwealth through the Department of Capital Asset Management & Maintenance.

Net capital assets other than leased right of use assets increased by \$825,314 in FY 2022, while depreciation expense on capital assets was \$5,723,887. Improvements to the campus electrical infrastructure of \$4,452,358 have been capitalized as construction in progress. Additionally, furnishings and equipment of \$446,215 was capitalized.

The University's viability ratio, calculated as expendable net position divided by long term debt, is 1 : 2.67 and 1 : 2.20 respectively, as of June 30, 2022 and June 30, 2021. The viability ratio measures the availability of expendable net position to cover debt as of the statement of net position date. A ratio of 1:1 or greater indicates an institution has sufficient expendable net position to satisfy its debt obligations as of the statement of net position date.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Worcester State University's Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2022 with comparative data for the year ended June 30, 2021.

	2022	2021
Operating Revenues		
Tuition and fees, net of scholarships discounts and allowances	\$ 48,744,511	\$ 45,695,427
Operating grants and contributions	14,575,427	12,508,421
Sales and services of auxiliary enterprises and other sources	1,882,287	642,714
Total operating revenues	65,182,225	58,846,562
Operating Expenses		
Instruction	44,439,331	43,227,647
Public support	-	350,653
Academic support	6,110,093	5,814,204
Student service	11,403,400	11,193,797
Institutional support	13,241,102	12,973,893
Operations and maintenance of plant	16,756,036	15,387,414
Scholarships	9,813,443	4,801,269
Depreciation	5,723,887	5,600,362
Debt service	1,540,052	1,686,962
Auxiliary enterprises	14,330,551	13,991,283
Total operating expense	123,357,895	115,027,484
Net operating loss	(58,175,670)	(56,180,922)
Non-operating revenues		
State appropriation, including fringe benefits provided to employees by the Commonwealth, net of tuition remitted to the Commonwealth	46,843,303	42,192,196
Federal Assistance	13,392,111	7,525,638
Investment income	(1,334,412)	(217,423)
Other and transfers	(19,561)	(33,387)
Total non-operating revenues	58,881,441	49,467,024
Loss before other revenues, expenses, gains or losses	705,771	(6,713,718)
Capital appropriations	6,644,495	3,792,834
Change in net position	7,350,266	(2,920,064)
Net position - July 1	55,919,344	58,840,408
Net position - June 30	\$ 63,269,610	\$ 55,919,344

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Federal relief grants continued to provide resources to fund the Safe Return to Campus Budget. In FY 2022 the costs associated with the University's pandemic response stabilized with less resources needed to address ongoing costs associated with supporting student learning and providing a safe environment on campus. Institutional CARES Higher Education Emergency Relief Funds (HEERF) II of \$1,645,690 provided resources to address our continued pandemic response. In addition, HEERF II funds were programed as an offset to operating expenditures in the FY 2022 budget in anticipation of sustained curtailment of revenue generating opportunities across University programs due to the continued impact of the pandemic. Realized revenue losses when compared to pre-pandemic program revenue for the same period of time in FY 2019 supported the draw of loss revenue of \$4,196,875 from HEERF II funds. Continued operational relief was available through FEMA as it was in the prior year. WSU was able to avail itself of federal funds reimbursement for its COVID testing plan for the spring semester of 2022 in the amount of \$684,210. As of June 30, 2022, the University has approximately \$3,871,463 of HEERF II funds available for FY 2023. Funds have been set aside for lingering pandemic related costs of \$374,573 and \$3,496,890 has been budgeted to recover a portion of the ongoing loss of revenue since FY 2019.

Direct grants to students of \$6,885,896 were made during FY 2022 as provided for in the CARES Higher Education Emergency Relief Funds to Students.

In FY 2022 the University received its fourth year of funding with regard to the Commonwealth's five-year campus infrastructure critical repair funds in the form of state capital appropriations. During FY 2022 over \$4,500,000 of critical repair, small repairs and deferred maintenance projects were accomplished.

State appropriations are reported net of the amount of in-state day school tuition collected by the University on behalf of the Commonwealth. The in-state day tuition collected is remitted back to the Commonwealth as dictated by Massachusetts General Law. Included in State appropriations are the fringe benefit costs for University employees paid by the Commonwealth. Capital appropriations are funded by Massachusetts General Obligation Bonds which are issued to fund Commonwealth infrastructure improvements. The funds are provided to the campus in the form of a capital grant and as such the University is not responsible for repayment of the funds.

The following schedule details the Commonwealth appropriations received by the University for the years ending June 30, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
State Appropriations	\$ 34,552,580	\$ 31,123,377
Appropriations to cover fringe benefits provided to employees of the Commonwealth	12,738,492	11,571,048
Tuition remitted back to the State	<u>(447,769)</u>	<u>(502,229)</u>
Net appropriations	48,843,303	42,192,196
Additional State capital appropriations	<u>6,644,495</u>	<u>3,792,834</u>
Total appropriations	<u>\$ 55,487,798</u>	<u>\$ 45,985,030</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Loss from Operations

State appropriations are a significant source of funding for the University. Under GASB 35, appropriations are considered non-operating revenue. As such, the University incurs a loss from operations. The Commonwealth's Board of Higher Education sets tuition for the day division. The University's Board of Trustees sets all fees and tuition of the Division of Graduate and Continuing Education. The University's Board of Trustees approves the annual budget with the intention of mitigating losses after consideration of Commonwealth appropriations while balancing educational and operational needs. The following schedule presents Worcester State University's incurred losses from operations for the fiscal years ended June 30, 2022 and 2021, respectively.

	2022	2021	Change
Net Tuition and Fee Revenue	\$ 48,724,511	\$ 45,695,427	\$ 3,029,084
Other Revenue, net of Student Financial Aid	16,457,714	13,151,135	3,306,579
Operational Expenses	<u>(123,357,895)</u>	<u>(115,027,484)</u>	<u>(8,330,411)</u>
Operating loss	(58,175,670)	(56,180,922)	(1,994,748)
Direct State appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth	46,843,303	42,192,196	4,651,107
Federal assistance	13,392,111	7,525,638	5,866,473
Investment and non-operating income	(1,353,973)	(250,810)	(1,103,163)
Capital appropriations	<u>6,644,495</u>	<u>3,792,834</u>	<u>2,851,661</u>
Change in net position	<u>\$ 7,350,266</u>	<u>\$ (2,921,064)</u>	<u>\$ 10,271,330</u>

Capital Assets and Debts of the University

Capital Assets: Worcester State University's investment in capital assets as of June 30, 2022 amounts to \$243,386,012 net of accumulated depreciation, compared to \$106,831,535 net of accumulated depreciation and amortization as of June 30, 2021. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books. In FY 2022 gross capital assets increased by \$42,453,738. The increase was related to land improvements and capitalized leases related to GASB 87s.

Capital assets are defined by the University and the Commonwealth of Massachusetts as assets with an initial, individual cost of \$50,000 or greater. Information about the Worcester State University's capital assets can be found in the notes to the financial statements.

Long-Term Debt

Compensated Absences

The accrual for compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the University's payroll and is anticipated to be funded by future state appropriations.

MHEFA Financing

On December 4, 2002, the College entered into a financing agreement with MHEFA to receive \$14,000,000 for renovations to the Sullivan and Administration Buildings. A call provision became available on this bond issue in December 2012. As a result, the issue was refunded on December 18, 2012, with \$10,585,000 MDFA Revenue Bonds, Worcester State University Series 2012. There is no debt service reserve related to this issue. Annual principal payments range from \$665,000 to \$875,000 through November of 2032.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Massachusetts Development Financing Agency (MDFA) Clean Renewable Energy Bond.

On November 9, 2007, the University entered into a financing agreement with MDFA to receive \$310,000 to facilitate the financing of the installation of a 100 KW Photovoltaic Panel, mounting system and inverter on the roof of the Learning Resource Center. The bond proceeds are non-interest bearing and are to be re-paid in equal annual installments of \$20,667 over a fifteen-year period beginning December 31, 2007. This obligation was paid in full in December 2021.

Massachusetts State College Building Authority (MSCBA) WSU Student Life Project

MSCBA issued revenue bonds for various projects on December 20, 2012. Included in the issue was a component to provide \$15,000,000 of debt financing to Worcester State University's Wellness Center in accordance with the Memorandum of Agreement between, the Commonwealth, MSCBA and the University. The proceeds from the bond issue, combined with funds earmarked by the University and General Obligation bond funds earmarked by the Commonwealth, provided the resources for construction of a new Wellness Center at WSU. The Wellness Center is an asset of the Commonwealth and recorded as a fixed asset on the University's financial records. On July 1, 2020, MSCBA closed on a restructuring of outstanding debt from a multiple series of bonds including those issued to finance the Wellness Center. The restructuring provided for debt service relief in FY 2022 with interest only payments during the year and a 50% reduction in principal payment in FY 2022. On February 15, 2022, MSCBA initiated another restructuring of outstanding debt, including the last series of bonds issued to finance the Wellness Center. This final piece of debt restructuring for the Wellness Center defers future principal payments to May of 2025. In addition, the previously held Debt Service Reserve Funds of \$249,214, were released to facilitate funding of the debt restructuring. The project debt remains on schedule to be extinguished in May 2042 with annual principal payments ranging from \$342,496 to \$742,778. Campus trust funds provide the revenue source for the annual debt service.

Right of Use Assets

GASB Statement #87 Leases is effective July 1, 2021. The statement requires leases previously recorded as operating leases to be recognized as a right-to-use lease asset and related lease liability for the term of the lease in accordance with the payment terms of the contract. GASB Summary – Statement 87 states "A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction."

This change in presentation has a significant impact on the University's financial statements when recording the long-term lease agreements with the MSCBA. The University has long-term lease agreements with the MSCBA for use of all of its residence halls; Chandler Village, Dowden Hall, Wasylean Hall and Sheehan Hall, in addition to the parking garage on lower campus. The impact on the Statement of Net Position at June 30, 2022 is an increase in non-current assets of \$142,080,660 reflecting the current value of the long-term use of MSCBA owned properties. Liabilities increased \$152,459,078 to reflect the long-term lease obligation. GASB 87 also affects the Statement of Changes in Net Position with the annual lease payments being redirected as a reduction to the lease liability and annualized straight-line amortization of the right of use asset being recorded as interest expense. The net effect in FY 2022 is a \$6,051,931 increase in operating expense in the Residence Life Trust Fund which is recorded in Auxiliary expenditures on the Statement of Changes in Net assets.

The University has other leases also effected by this change in presentation. Other leased assets requiring a change in presentation include various information technology devices. At June 30, 2022, these leases are valued at \$446,215.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Economic Factors that will affect the Future

Financial Resources

The FY 2022 budget reflected a sustained decline in revenue, in addition to the need to restore various spending categories which resulted in a projected budget deficit of \$4,677,152. The projected budget deficit was directly attributable to the projected decline in revenue in response to changes in student attitudes and preferences and suspended activities in response to the worldwide pandemic. FY 2022 closed on June 30, 2022 with a drawdown of Institutional CARES Higher Education Emergency Relief Funds (HEERF) II of \$4,196,875 to replace the revenue decline attributable to the pandemic. In FY 2023 we continue to experience that initial projected revenue shortfall from FY 2019 while the budget gap has grown. As we close FY 2022 we anticipate having \$3,871,463 of Federal COVID relief funds available for FY 2023. Funds have been set aside for lingering pandemic related costs of \$374,573 and \$3,496,890 has been budgeted to recover a portion of the ongoing loss of revenue since FY 2019.

In FY 2023 the state university system will be receiving American Recovery Plan Act (ARPA) funds from the Commonwealth of Massachusetts. The funds have been authorized by Chapter 102 of the Acts of 2021 which appropriates \$4 billion to support recovery from the pandemic, including \$2.55 billion in spending from the ARPA Coronavirus State Fiscal Recovery Funds (CSFRF) and \$1.45 billion in spending from the Transitional Escrow Fund, made up of state fiscal 2021 surplus funds. The bill assigns the Secretary of Administration and Finance the responsibility of matching expenditures to the most appropriate funding source, which provides important flexibility in recognition of the significant federal rules and regulations associated with federal funds. WSU will be accessing \$2M in state funds from the Transitional Escrow Fund in FY 2023. This allocation represents a one-time grant.

In FY 2022 WSU was the recipient of a multi-year grant from the DHE to fund operating costs associated with transitioning Becker College nursing students to WSU's nursing program. The FY 2023 budget continues to carry costs associated with supporting this cohort of students which are offset by the second year of state funding of \$649,118.

Total operational costs for FY 2023 are budgeted at \$97,919,586. Total resources identified include State appropriations, State fringe benefits, State operating grants, institutional revenue and Federal COVID relief funds which cumulatively offset costs in the amount of \$95,045,956. The remaining budget gap of \$2,873,630 is proposed to be funded by an appropriation of unrestricted reserves.

This resource plan reflects reliance on \$6,520,581 of one time grants from the federal and state government, in addition to a draw on reserves. This plan to offset the budget gap of approximately \$9 million is not sustainable beyond FY 2023. The FY 2023 budget as approved by the Board of Trustees is viewed as a bridge budget to allow the University a period of intense analysis of operations with the intent of identifying and implementing organizational change across all university functions to be realized over several years.

Operational Costs

During FY 2022 University operations began to return to a more traditional model. The Administration expects operations to be relatively free of pandemic restrictions in FY 2023 and consideration has been given to the prioritization of limited resources in an effort to ensure a quality experience for the student body and funding for existing obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The most financially significant obligation is the \$1.3 million net increase in labor costs after considering the \$5 million increase in state funding for collective bargaining agreements. Labor costs that fall to campus trust funds are not eligible for state funding. As a result, collective bargaining increases on those labor costs must be funded with campus resources. In addition, campus resources are necessary to fund the fringe benefit costs assessed by the State Comptroller's Office on those direct labor costs. Contributing to the financial impact, the fringe benefit back charge from the state has increased to 41.89% for FY 2023. Additional funds have also been added to the budget to address sabbatical deferrals due to COVID 19 response.

The FY 2023 budget includes \$4 million for full funding of the annual Capital Adaptation and Renewal line in an effort to maintain the integrity of campus infrastructure which is subjected to constant use and reconfiguration. We have not increased the funding of this line in years and more recently reduced it by 50% in FY 2020 and FY 2021. Restoration of funds to pre-COVID levels along with an infusion of state funds for critical repairs projects will ensure buildings are safe and in good repair. This level of funding is not sufficient to address programmatic needs necessary to remain competitive with other institutions.

Information technology services and agreements, in addition to library license agreement costs, increase annually. It is a challenge to keep pace with these rising costs and maintain a consistent level of service and offerings. Similarly, the costs associated with maintaining employee access to current technology and maintaining quality technology in the classroom is an ongoing fiscal challenge. In the past we have been able to fund several small replacement cycles for employee equipment. Those resources have created a baseline of funding to create a multi-year renewal cycle for a small portion of existing inventory. Plans were being developed to upgrade classroom technology prior to the pandemic. Classroom technology needs should be evaluated post-pandemic and a financing plan developed that could be worked into future budget plans. The FY2023 budget does include funding to address increasing technology and library costs in the coming year and an additional replacement cycle for IT equipment at a combined cost of approximately \$600,000.

The restoration of all in person programming, events, activities and operations requires the selective add back of scaled funding for expenses such as food, speakers and travel at a cost of approximately \$900,000. Activities restored include 100% programming for Division III athletic programs, Graduate School commencement, student and parent orientation, family weekend, fund raising events, admissions events and centralized travel funds with each division.

The items highlighted above have been added to the operating budget at a cost of approximately \$4.8 million increasing the operating budget shortfall to over \$9 million.

Planning for the Future

In January 2022 a Task Force on Financial Sustainability was convened. The group's charge was to develop and propose a series of recommendations focusing on strategies to create intentional efficiencies across all areas of the University, in addition to opportunities for revenue enhancement, which can be achieved over the next three fiscal years and provide relief to the FY 2024, FY 2025, and FY 2026 WSU comprehensive annual budget.

A task force focused on organizational change with a heavy reliance on sharing of best practices across the higher education industry is intended to strengthen the university. Institutions across the country are engaging in similar exercises with an eye towards updating practices to reflect current technology and student demand while reducing redundancies and unintentional inefficiencies. Faculty and staff time is valuable and should be focused on activities that will lead us to achieving our strategic plan. Successful process improvement will allow for a refocus and shift of time to strategic matters to progress the mission of the University. Throughout this process data sets, definitions and terminology will be discussed with the goal of achieving a community wide understanding of these tools for assessment and decision making. While the momentum for this effort is the financial sustainability of WSU, the process of operational review is intended to strengthen our roles within our operational areas and ensure our collective time and financial resources are best used on activities that will prepare WSU for the future.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The objective for Phase One of the FSTF was to identify the overall scope of inquiry that will shape the more detailed analyses for Phase Two of this project. Phase Two began its work in July and will deliver a report of its recommendations to the Board of Trustees on December 6, 2022. The anticipated outcomes for Phase Two are the development of recommendations to University leadership that focus on operational changes in an effort to bring about cost reductions, process efficiencies leading to realized cost savings, and potential revenue enhancements. The FSTF charge is to provide a roadmap to develop a sustainable model that supports the University's academic mission and institutional priorities, invests in physical infrastructure and technology, and demonstrates a commitment to financial and environmental sustainability in alignment with the University's Strategic Plan.

Campus Infrastructure

In June of 2018 the Commonwealth announced a plan to address the backlog of infrastructure repairs on Massachusetts Higher Education campuses. The Governor's Capital Investment Plan includes \$250 million over a five year period (FY19-23) to address Critical Repairs. Critical Repairs projects are smaller scale, building-specific, and involve renewal, repair and replacement of equipment and systems. Critical Repairs projects are managed directly by the individual campuses. The five-year allocation represents a new approach that provides predictable discretionary funds, allows more autonomy in campus prioritization over five years, and addresses the highest priority needs as identified through an independent facility condition assessment. Worcester State University will have received \$12.4 million of critical repairs funds through 2023. When combined with projected local funding of 5% capital adaptation and renewal funds, the University is on track to invest \$32.4 million in campus infrastructure repairs and improvements through 2023.

In June of 2022 the Commonwealth announced a second, five year round of Critical Repair funds for the Massachusetts Higher Education Campuses. An additional \$250 million is being provided over a second five year period (FY24 to FY 28). Worcester State University will receive \$12.1 million of the second round of critical repair funds through 2028. When combined with the campus funded match, resources dedicated to infrastructure repair for FY 2024 through FY 2028 will be \$20.8 million.

Requests for Information

This financial report is designed to provide a general overview of the Worcester 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 Office of the Vice President of Administration and Finance, 486 Chandler Street, Worcester, MA 01602-2597.

DISCUSSION DRAFT 10.17.2022

FINANCIAL STATEMENTS

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	Worcester State University		Component Unit Worcester State Foundation	
	2022	2021	2022	2021
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 41,256,456	\$ 32,092,870	\$ 2,626,403	\$ 2,002,315
Cash held by State Treasurer	6,463,480	6,493,862	-	-
Cash held by Foundation	-	82,004	-	-
Accounts receivable, net	3,372,098	3,123,416	3,188	18,279
Current portion of loans receivable	110,293	109,011	-	-
Current portion of contributions receivable	-	-	476,244	453,587
Inventories	189,801	67,798	80,888	77,425
Prepaid expenses and other current assets	163,922	204,420	38,761	18,939
Total current assets	<u>51,556,050</u>	<u>42,173,381</u>	<u>3,225,484</u>	<u>2,570,545</u>
Non-current assets:				
Investments	20,687,556	22,043,626	34,953,420	41,638,113
Deposits held with trustee	-	249,214	-	-
Loans receivable, less current portion	194,379	232,930	-	-
Contributions receivable, less current portion	-	-	476,283	640,862
Other non-current assets	6,696,218	6,912,029	37,117	95,320
Capital assets, net of accumulated depreciation	234,386,012	203,818,767	3,897,360	3,917,575
Total non-current assets	<u>261,964,165</u>	<u>233,256,566</u>	<u>39,364,180</u>	<u>46,291,870</u>
Total assets	<u>313,520,215</u>	<u>275,429,947</u>	<u>42,589,664</u>	<u>48,862,415</u>
DEFERRED OUTFLOWS OF RESOURCES				
Resources related to pension and OPEB obligations	9,185,413	15,185,860	-	-
Loss on refunding of long-term debt	376,640	402,007	-	-
Total deferred outflows of resources	<u>9,562,053</u>	<u>15,587,867</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Current portion of bonds payable	325,000	547,983	20,776	2,219,922
Current portion of lease obligations	4,748,695	2,425,886	-	-
Accounts payable	3,823,936	3,493,810	198,249	103,621
Accrued payroll and fringe benefits	5,396,800	4,679,624	-	-
Accrued interest and other liabilities	99,953	104,884	36,241	35,364
Funds held for others	-	-	5,509	97,446
Student deposits and unearned revenue	2,101,991	2,062,704	88,765	74,736
Current portion of split-interest agreements	-	-	7,850	16,253
Current portion of accrued workers' compensation	174,219	153,665	-	-
Current portion of accrued compensated absences	3,271,940	3,494,337	-	-
Total current liabilities	<u>19,942,534</u>	<u>16,962,893</u>	<u>357,390</u>	<u>2,547,342</u>
Non-current liabilities:				
Bonds payable, less current portion	20,152,301	21,376,518	1,879,892	450,744
Lease obligations, less current portion	148,278,243	115,162,517	-	-
Accrued workers' compensation, less current portion	1,381,919	1,368,789	-	-
Accrued compensated absences, less current portion	2,453,592	2,339,126	-	-
Accrued pension and OPEB obligations	31,194,951	52,672,987	-	-
Refundable grant - federal financial assistance program	346,051	423,447	-	-
Total liabilities	<u>223,749,591</u>	<u>210,306,277</u>	<u>2,237,282</u>	<u>2,998,086</u>
DEFERRED INFLOWS OF RESOURCES				
Resources related to pension and OPEB obligations	31,989,978	20,757,812	-	-
Deferred service concession arrangements	3,605,144	4,034,381	-	-
Gain on refunding of long-term debt	467,945	-	-	-
Total deferred inflows of resources	<u>36,063,067</u>	<u>24,792,193</u>	<u>-</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net	60,690,515	64,602,986	-	-
Restricted - Non-expendable	-	-	21,148,406	20,177,209
Restricted - Expendable	1,766,252	1,046,341	13,094,219	19,438,746
Unrestricted	812,843	(9,729,983)	6,109,757	6,248,374
Total net position	<u>\$ 63,269,610</u>	<u>\$ 55,919,344</u>	<u>\$ 40,352,382</u>	<u>\$ 45,864,329</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	Worcester State University		Component Unit Worcester State Foundation	
	2022	2021	2022	2021
REVENUES				
Operating revenues:				
Student tuition and fees	\$ 45,003,788	\$ 46,997,815	\$ 415,378	\$ 275,945
Auxiliary enterprises, student housing	10,968,038	7,155,836	-	-
Less: Scholarship discounts and allowance	7,247,315	8,458,224	-	-
Net student tuition and fees	48,724,511	45,695,427	415,378	275,945
Contributions	-	-	2,815,765	2,035,684
Federal grants and contracts	7,588,095	7,502,779	-	-
State and local grants and contracts	3,221,911	1,520,493	-	-
Nongovernmental grants and contracts	2,420,950	2,543,206	-	-
Auxiliary enterprises, other	1,882,287	642,714	192,891	115,388
Other operating revenues	1,344,471	941,943	251,099	350,070
Total operating revenues	65,182,225	58,846,562	3,675,133	2,777,087
EXPENSES				
Operating expenses:				
Instruction	44,439,331	43,227,647	-	-
Public support	-	350,653	-	-
Academic support	6,110,093	5,814,204	-	-
Student services	11,403,400	11,193,797	-	-
Institutional support	13,241,102	12,973,893	1,387,282	1,135,153
Operation and maintenance of plant	16,756,036	15,387,414	282,562	94,453
Scholarship	9,813,443	4,801,269	770,980	625,826
Depreciation	5,723,887	5,600,362	170,073	163,049
Debt service	1,540,052	1,686,962	96,811	102,504
Auxiliary enterprises	14,330,551	13,991,283	-	-
Total operating expenses	123,357,895	115,027,484	2,707,708	2,120,985
Operating loss	(58,175,670)	(56,180,922)	967,425	656,102
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	46,843,303	42,192,196	-	-
Federal assistance	13,392,111	7,525,638	-	-
Interest and investment income (loss)	(1,334,412)	(217,423)	(6,593,331)	10,259,781
Other payments to Worcester State University	-	-	(1,238,943)	(1,222,720)
Other non-operating losses	(19,561)	(33,387)	(42,985)	-
Net non-operating revenues	58,881,441	49,467,024	(7,875,259)	9,037,061
Income (loss) before other revenues, expenses, gains, or losses	705,771	(6,713,898)	(6,907,834)	9,693,163
Capital appropriations	6,644,495	3,792,834	-	-
Additions to permanent endowments	-	-	1,395,887	1,054,893
Change in net position	7,350,266	(2,921,064)	(5,511,947)	10,748,056
NET POSITION				
Beginning of year	55,919,344	58,840,408	45,864,329	35,116,273
End of year	\$ 63,269,610	\$ 55,919,344	\$ 40,352,382	\$ 45,864,329

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	Primary Government	
	2022	2021
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 38,690,086	\$ 41,279,761
Federal grants and contracts	7,588,095	7,502,779
State and local grants and contracts	3,221,911	1,520,493
Nongovernmental grants and contracts	2,420,950	2,543,206
Auxiliary enterprise charges	1,882,287	642,714
Employee compensation and fringe benefit payments	(70,449,623)	(65,919,937)
Payments to suppliers	(33,556,563)	(28,576,585)
Interest paid	(775,026)	(892,273)
Loans repaid by students	37,269	64,682
Other receipts (payments)	913,272	(1,241,036)
Net cash used in operating activities	(50,027,342)	(43,076,196)
Cash flows from noncapital financing activities:		
State appropriations	46,843,303	42,192,196
Federal assistance	13,392,111	7,525,638
Net deposits	13,548	27,089
Net cash provided by noncapital financing activities	60,248,962	49,744,923
Cash flows from capital and related financing activities:		
Capital appropriations	6,644,495	3,792,834
Purchases of capital assets	(4,452,358)	(525,120)
Proceeds from bonds payable	11,569,398	12,926,359
Principal payments of bonds payable	(13,016,598)	(12,957,938)
Deferred gain (loss) on refunding of bonds payable	467,945	(351,359)
Principal payments of capital lease obligation	(2,562,845)	(810,097)
Decrease in cash restricted for capital activities	249,214	-
Perkins loan program, net funds paid	(77,396)	(115,005)
Other activities	(19,561)	(33,387)
Net cash provided by (used in) capital and related financing activities	(1,197,706)	1,926,287
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	6,530,335	4,427,558
Purchases of investments	(6,873,849)	(5,315,243)
Interest and investment income	370,800	376,811
Net cash provided by (used in) investing activities	27,286	(510,874)
Net change in cash and cash equivalents	9,051,200	8,084,140
Cash and cash equivalents, beginning of year	38,668,736	30,584,596
Cash and cash equivalents, end of year	\$ 47,719,936	\$ 38,668,736

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

(Continued)

	Primary Government	
	2022	2021
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (58,175,670)	\$ (56,180,922)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	5,723,887	5,600,362
Amortization of leased assets	6,162,606	6,467,611
Amortization of other assets	215,811	215,810
Accretion of deferred service concession arrangements	(429,237)	(423,930)
Decrease in deferred loss on refunding of bonds payable	25,367	25,367
(Increase) decrease in operating assets and deferred outflows:		
Accounts receivable, net	(248,682)	(1,726,121)
Loans receivable	37,269	64,682
Inventories	(122,003)	246,318
Prepaid expenses and other assets	34,870	203,378
Resources related to pension and OPEB obligations	6,000,447	(133,336)
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable	330,126	677,875
Accrued payroll and fringe benefits	717,176	(610,623)
Accrued interest and other liabilities	(4,931)	(4,896)
Accrued workers' compensation	33,684	543,984
Student deposits and unearned revenue	25,739	352,675
Accrued compensated absences	(107,931)	213,128
Accrued pension and OPEB obligations	(21,478,036)	(3,105,458)
Resources related to pension and OPEB obligations	11,232,166	4,497,900
Net cash used in operating activities	<u>\$ (50,027,342)</u>	<u>\$ (43,076,196)</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Worcester State University (the "University") is a public, state-supported University, located in Worcester, Massachusetts. The University is governed by a local Board of Trustees under the discretion of the Massachusetts Department of Higher Education. As one of nine four-year, state-supported colleges and universities, the University is empowered to award baccalaureate and masters' degrees in education and in the arts and sciences, as well as programs of continuing education.

The University is an agency of the Commonwealth of Massachusetts (the "State", the "Commonwealth"). Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated as an independent institution.

Component units

Worcester State Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the University. The Foundation's primary role is to prudently manage and steward privately contributed resources meant to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2022 and 2021, the Foundation distributed \$2,009,923 and \$1,848,546, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Worcester State University Business Office at 486 Chandler Street, Worcester, MA 01602.

Basis of presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The University has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements for general purpose governments consist of management's discussion and analysis, basic financial statements including the University's discretely presented component unit, and required supplementary information. The University presents statements of net position, revenues, expenses, and changes in net position and cash flows on a University-wide basis.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

The University's policies for defining operating activities in the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB accounting standards. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, and net investment income.

Net position

GASB establishes accounting and financial reporting standards for public colleges and universities. These standards require that, for accounting and reporting purposes, resources be classified into four net position categories, described as follows:

Invested in capital assets, net of related debt - Includes all capital assets, net of accumulated depreciation and the principal balances of any outstanding debt used to construct, acquire or improve the assets.

Restricted net position - These resources are further differentiated between those that are nonexpendable and expendable.

Nonexpendable resources are those that are subject to externally imposed constraints that they be maintained permanently.

Expendable resources are those whose use is subject to externally imposed constraints that can be satisfied by specific actions or by the passage of time.

Unrestricted - These resources are not subject to any externally imposed constraints. Such net position may be designated for specific purposes by action of the governing Board.

Accounting 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through _____, 2022, the date that the financial statements were available to be issued.

Cash, temporary investments, and investments

The University considers its cash on hand, cash held by both the State Treasurer and Worcester State Foundation, Inc. for the benefit of the University and all debt securities with a maturity of three months or less to be cash equivalents.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, temporary investments, and investments (continued)

The University's investments are recorded at fair value. Realized and unrealized gains and losses are included in non-operating revenues. Realized gains and losses are determined based on the specific identification of the securities sold. Investment income is recognized when earned. The method of allocated interest earned on pooled cash and investments among fund types provides that, unless otherwise restricted, all interest is recorded in the unrestricted current fund. All gains and losses arising from the sale, maturity, or other disposition of investments are accounted for in the trust fund which owns the related asset. Ordinary income derived from investments is accounted for in the trust fund owning such assets.

The Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of credit risk assumed by the University at year end. Category 1 includes investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University. Category 2 includes uninsured and unregistered investments for which securities are held by a trust department in the name of the University. Category 3 includes uninsured and unregistered investments for which the securities are held by a trust department but not in the University's name.

Fair value measurements

The University follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This Statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements.

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with GASB 72, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in many instances, there may be no quoted market prices for the University's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

In accordance with GASB 72, the University groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The University's component unit utilizes a similar market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities.

Allowance for doubtful accounts

Accounts receivable are reported at the amount management expects to collect in the future on balances outstanding at year end. Management estimates allowances for losses based on the history of collections and the knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Interest is not charged on accounts receivable. Uncollectible amounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An amount is considered uncollectible when reasonable efforts to collect the account have been exhausted.

Inventories

The University's inventories consist primarily of operating supplies which are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Loans receivable and payable

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The federal government provides 90% of the funds to support this program. Loan payments received from students made under the Perkins program may be re-loaned after collection. The 90% portion of the Perkins Loan Program provided by the federal government is refundable back to the federal government upon the termination of the University's participation in the program.

The prescribed practices for the Perkins program 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 uncollectibility and have been accepted (assigned) by the Department of Education.

Capital assets

Capital assets are controlled, but not owned by the University. The University is not able to sell or otherwise encumber these assets since they are owned by the Commonwealth. All capital assets acquired prior to June 30, 1990 are stated at cost or estimated historical cost. Capital assets acquired subsequent to June 30, 1990 are stated at cost. All additions of individual capital assets greater than or equal to \$50,000 are capitalized, in accordance with the Commonwealth's capitalization policy. Donated capital assets are recorded at the estimated fair value at the date of the donation.

Capital assets, with the exception of land, are depreciated using the straight-line method over the estimated useful life of the asset, which range from 3 to 40 years.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student deposits and unearned revenue

Deposits and advance payments received for tuition and fees related to the University's Summer Session II program are deferred and are recorded as unrestricted current funds unearned revenue.

Bond premiums

Bond premiums are being amortized on a straight-line basis, which approximates the effective interest method, over the terms of the related debt agreements.

Funds held for others

Funds held for others are agency funds consisting of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to assets and liability accounts.

State appropriations

The University's unrestricted State appropriations amounted to \$47,291,072 and \$42,694,425 for the years ended June 30, 2022 and 2021, respectively. State supported tuition, in the amounts of \$447,769 and \$502,229 for the years ended June 30, 2022 and 2021, respectively, were remitted to the State and have been offset against these appropriations. State supported tuition receipts and transfers have been recorded in an agency fund during the year with a net amount due to the Commonwealth of \$13,723 and \$3,661 as of June 30, 2022 and 2021, respectively.

Pension plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employee's Retirement System (MSERS) and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. 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.

Other postemployment benefits plan (OPEB)

For purposes of measuring the 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 Commonwealth of Massachusetts Postemployment Benefits Other Than Pensions Plan and additions to/deductions from this plan's fiduciary net position have been determined on the same basis as they are reported by the Commonwealth of Massachusetts. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation leave is the amount earned by all eligible employees through June 30, 2022. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fringe benefits

The University participates in the Commonwealth's fringe benefit programs, including health insurance, pension and workers' compensation benefits. Health insurance, pension and administrative costs are billed through a fringe benefit rate charged to the University. The University's workers' compensation program is administered by the Commonwealth's Division of Public Employee Retirement Administration. Workers' compensation costs are assessed separately based on the University's actual experience.

Trust funds

The University's operations are accounted for in different trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Tax status

The University is an agency of the Commonwealth of Massachusetts and is therefore exempt from federal and state income taxes under Code Section 115 of the Internal Revenue Code. The Foundation is exempt from income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code.

New government accounting pronouncements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-to-use asset and a corresponding liability would be recognized for SBITAs. Management has not completed its review of the requirements of this Standard and its applicability.

GASB Statement No. 101, *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences, aligning such guidance under a unified model and by amending certain previously required disclosures. Management has not completed its review of the requirements of this Standard and its applicability.

2 - ADOPTION OF ACCOUNTING PRINCIPLE

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for financial statements for periods beginning after June 15, 2021. The adoption of this statement requires the University to recognize certain leased assets as capital assets and related lease liabilities on the Statement of Net Position as of June 30, 2022 and 2021. Previously, some of these agreements were classified as operating leases expensed through the Statement of Revenues, Expenses and Changes in Net Position. The adoption of GASB Statement No. 87 resulted in a restatement of the University's net position by (\$6,251,754) for the year ended June 30, 2021.

Net position, as originally presented	\$ 62,171,098
Adoption of GASB 87	<u>(6,251,754)</u>
Net position, as restated	<u>\$ 55,919,344</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - RISKS AND UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad impact on commerce and financial markets around the world. The United States and global markets experienced significant volatility in value resulting from uncertainty caused by the pandemic. The University is closely monitoring its liquidity and is actively working to minimize the impact of this situation. The extent of the impact of COVID-19 on the University's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the University's students, donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the University's financial position, changes in net position and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

During the year ended June 30, 2021, the University was a recipient of allocations from Higher Education Emergency Relief Fund ("HEERF") of the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA Act") in the amount of \$5,283,382. A portion of these funds were to be refunded to students, with the remaining funds available for general institutional costs related to the coronavirus.

During the year ended June 30, 2022, the University was a recipient of allocations from HEERF of the American Rescue Plan Act ("ARP Act") in the amount of \$6,610,518.

Additionally, it is possible that estimates made in the financial statements may be materially impacted in the near term as a result of these conditions, including the allowances for uncollectible accounts and contributions receivable and valuation of investments.

4 - CASH AND CASH EQUIVALENTS

The University's cash and temporary investments are as follows as of June 30, 2022 and 2021:

	2022	2021
Carrying amount	\$ 41,256,456	\$ 32,092,870
Bank balance	\$ 43,931,639	\$ 35,517,057
Less amounts		
Covered by depository insurance	1,517,890	1,528,074
Collateralized repurchase agreements	36,673,924	27,011,785
Remaining bank balance	\$ 5,739,825	\$ 6,977,198

The differences between the carrying amounts and the bank balances are attributable to deposits-in-transit and outstanding checks. While the remaining bank balance is uninsured and uncollateralized, the University has lowered its risk of loss by maintaining these funds in high quality financial institutions. Further, as of June 30, 2022 and 2021, the University held \$248,494 and \$301,651 respectively, in money market funds maintained by its investment custodian.

As of June 30, 2022 and 2021, the University was party to a repurchase agreement with a bank. The value of this agreement was \$36,673,924 and \$27,011,785 as of June 30, 2022 and 2021, respectively.

The money market mutual funds constitute a Category 2 investment and the repurchase agreements constitute a Category 3 investment, as defined under GASB accounting standards.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - CASH HELD BY STATE TREASURER

The University has recorded cash held for the benefit of the University by the State Treasurer in the amounts of \$1,437,742 and \$1,595,294 as of June 30, 2022 and 2021, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$5,025,738 and \$4,898,568 as of June 30, 2022 and 2021, respectively. None of these cash balances are insured or collateralized.

6 - INVESTMENTS

The University maintains pooled investments in long-term U.S. Treasury and Agency Securities. The fair value of these investments as of June 30, 2022 and 2021 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2022</u>				
Investment type				
U.S. Treasuries	\$ 18,093,962	\$ -	\$ 13,097,645	\$ 4,996,317
U.S. Agencies	2,593,594	-	2,593,594	-
Total	<u>\$ 20,687,556</u>	<u>\$ -</u>	<u>\$ 15,691,239</u>	<u>\$ 4,996,317</u>
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2021</u>				
Investment type				
U.S. Treasuries	\$ 19,498,689	\$ -	\$ 12,948,488	\$ 6,550,201
U.S. Agencies	2,544,937	1,088,158	1,456,779	-
Total	<u>\$ 22,043,626</u>	<u>\$ 1,088,158</u>	<u>\$ 14,405,267</u>	<u>\$ 6,550,201</u>

Interest Rate Risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average life of the maturities is evaluated regularly with the weighted average life of the portfolio being limited to five years or less, whenever possible. The weighted average life of the portfolio as of June 30, 2022 was 3.71 years.

Credit Risk

The University manages its exposure to credit risk by investing solely in U.S. Treasury and U.S. Agency securities.

Concentration of Credit Risk

The University places no limit on the amount that may be invested in one issuer, maintaining its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University controls this risk by placing its securities in a trust account with a safekeeping agent other than the counterparty.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - INVESTMENTS (Continued)

The components of investment income, including investment return on deposits held with trustee, are as follows:

	2022	2021
Interest	\$ 365,171	\$ 370,788
Realized gain (loss) on investments	(34,542)	43,867
Unrealized loss on investments	(1,665,041)	(632,078)
	<u>\$ (1,334,412)</u>	<u>\$ (217,423)</u>

Component Unit

Investments of the component unit are stated at fair value and are composed of the following:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market funds	\$ 60,660	\$ 60,660	\$ 991,114	\$ 991,114
Mutual funds - equity based	24,680,470	26,122,640	23,112,674	31,504,184
Mutual funds - bonds based	9,039,889	8,270,547	8,368,712	8,650,882
Limited partnership interest	250,000	499,573	250,000	491,933
	<u>\$ 34,031,019</u>	<u>\$ 34,953,420</u>	<u>\$ 32,722,500</u>	<u>\$ 41,638,113</u>

7 - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021.

U.S. treasury securities and U.S. agency securities: Valued at the closing price reported in the market in which the individual securities are traded. Fair value hierarchy for each is based on the level of active trading within the respective markets for each asset or liability.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The University's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of June 30, 2022 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasuries	\$ -	\$ 18,093,962	\$ -	\$ 18,093,962
U.S. Agencies	-	2,593,594	-	2,593,594
Total investments, at fair value	<u>\$ -</u>	<u>\$ 20,687,556</u>	<u>\$ -</u>	<u>\$ 20,687,556</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - FAIR VALUE MEASUREMENTS (Continued)

The University's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of June 30, 2021 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasuries	\$ -	\$ 19,498,689	\$ -	\$ 19,498,689
U.S. Agencies	-	2,544,937	-	2,544,937
Total investments, at fair value	<u>\$ -</u>	<u>\$ 22,043,626</u>	<u>\$ -</u>	<u>\$ 22,043,626</u>

The University does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of net position.

8 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2022 and 2021:

	2022	2021
Students	\$ 1,170,902	\$ 764,715
Other	2,627,918	2,644,493
	3,798,820	3,409,208
Less: Allowance for uncollectible accounts	426,722	285,792
	<u>\$ 3,372,098</u>	<u>\$ 3,123,416</u>

9 - CONTRIBUTIONS RECEIVABLE - COMPONENT UNIT

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

Payments of contributions receivable as of June 30, 2022 are expected to be received as follows:

2023	\$ 476,244
2024	180,497
2025	143,587
2026	128,892
2027	71,946
	<u>1,001,166</u>
Less: Discount on contributions receivable	8,000
Less: Allowance for uncollectible contributions receivable	40,639
	<u>\$ 952,527</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - DEPOSITS HELD WITH TRUSTEE

The University's bond payable indentures require the maintenance of restricted construction and debt service reserve funds on deposit with a bank trustee. Deposits with bank trustee were held in various trust accounts and were available for future debt service of \$249,214 as of June 30, 2021. These deposits were applied to debt service payments in 2022 and there are no remaining deposits with bank trustees as of June 30, 2022.

11 - LOANS RECEIVABLE

The University participates in the Federal Perkins Loan Program. This program is funded through a combination of Federal and institutional resources. The portion of this program that has been funded with Federal funds is ultimately refundable to the U.S. government upon the termination of the University's participation in the program. The loans receivable balance of \$304,672 and \$341,941 as of June 30, 2022 and 2021, respectively, represents student loans issued through the Perkins Loans program and consists of the following as of June 30, 2022 and 2021:

	2022	2021
Enrolled students	\$ 11,791	\$ 24,924
Repayment on schedule	15,866	29,332
In default	277,015	287,685
	<u>\$ 304,672</u>	<u>\$ 341,941</u>

12 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	554,620	4,452,358	-	5,006,978
Capital assets, being depreciated				
Land improvements	9,965,277	-	-	9,965,277
Buildings, including improvements	155,173,706	-	-	155,173,706
Furnishings and equipment	14,089,733	-	-	14,089,733
Leased buildings	117,155,712	37,555,165		154,710,877
Leased furnishings and equipment	1,636,111	446,215		2,082,326
Total capital assets	<u>298,763,809</u>	<u>42,453,738</u>	<u>-</u>	<u>341,217,547</u>
Less accumulated depreciation for				
Land improvements	5,348,769	591,912	-	5,940,681
Buildings, including improvements	69,549,960	4,225,203	-	73,775,163
Furnishings and equipment	13,040,271	483,530	-	13,523,801
Less accumulated amortization for				
Leased assets	<u>7,006,042</u>	<u>6,585,848</u>		<u>13,591,890</u>
Total accumulated depreciation and amortization	<u>94,945,042</u>	<u>11,886,493</u>	<u>-</u>	<u>106,831,535</u>
Capital assets, net	<u>\$203,818,767</u>	<u>\$ 30,567,245</u>	<u>\$ -</u>	<u>\$234,386,012</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

12 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	29,500	554,620	29,500	554,620
Capital assets, being depreciated				
Land improvements	9,965,277	-	-	9,965,277
Buildings, including improvements	155,173,706	-	-	155,173,706
Furnishings and equipment	14,089,733	-	-	14,089,733
Leased buildings	117,155,712	-	-	117,155,712
Leased furnishings and equipment	1,127,728	508,383	-	1,636,111
Total capital assets	297,730,306	1,063,003	29,500	298,763,809
Less accumulated depreciation for				
Land improvements	4,756,857	591,912	-	5,348,769
Buildings, including improvements	65,324,757	4,225,203	-	69,549,960
Furnishings and equipment	12,556,741	483,530	-	13,040,271
Less accumulated amortization for				
Leased assets	538,431	6,467,611	-	7,006,042
Total accumulated depreciation and amortization	83,176,786	11,768,256	-	94,945,042
Capital assets, net	<u>\$214,553,520</u>	<u>\$ (10,705,253)</u>	<u>\$ 29,500</u>	<u>\$203,818,767</u>

13 - MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

The land on which the dormitory residence halls are located is leased by the Massachusetts State College Building Authority (MSCBA) from the Commonwealth of Massachusetts. The Commonwealth of Massachusetts also executed a lease with MSCBA for land on which a parking garage is located. MSCBA owns the residence halls and parking garage and has entered into long-term lease agreements with the University to occupy and operate the facilities.

The University, under the terms of a management and service agreement between MSCBA and the Commonwealth, is charged a semi-annual revenue assessment which is based on the certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations are guaranteed by the Commonwealth. The assessments charged for the years ended June 30, 2022 and 2021, in the amounts of \$1,510,568 and \$761,454, respectively, and have been recorded as auxiliary enterprise expenditures.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

14 - DEFERRED SERVICE CONCESSION ARRANGEMENTS

Deferred service concession arrangements as of June 30, 2022 and 2021 in the amounts of \$3,605,144 and \$4,034,381, respectively, consist of the unamortized balances of multiple food service agreements with an outside party. This outside party contributed multiple payments since 2004 totaling \$8,788,017, to upgrade the food service facilities. The contributions are being amortized over various periods ranging from 12 to 18 years. Amortization of these contributions was \$429,238 and \$423,930 for the years ended June 2022 and 2021, respectively.

15 - LONG-TERM LIABILITIES

Long-term liabilities of the University as of June 30, 2022 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 21,924,501	\$ 11,569,398	\$ 13,016,598	\$ 20,477,301	\$ 325,000
Lease obligations	117,588,403	38,001,380	2,562,845	153,026,938	4,748,695
Accrued workers' compensation	1,522,454	33,684	-	1,556,138	174,219
Accrued compensated absences	5,833,463	-	107,931	5,725,532	3,271,940
Accrued pension and OPEB obligations	52,672,987	-	21,478,036	31,194,951	-
Refundable grant	423,447	-	77,396	346,051	-
	<u>\$199,965,255</u>	<u>\$ 49,604,462</u>	<u>\$ 37,242,806</u>	<u>\$212,326,911</u>	<u>\$ 8,519,854</u>

Long-term liabilities of the University as of June 30, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 21,956,080	\$ 12,926,359	\$ 12,957,938	\$ 21,924,501	\$ 547,983
Lease obligations	117,890,117	508,383	810,097	117,588,403	2,425,886
Accrued workers' compensation	978,470	543,984	-	1,522,454	153,665
Accrued compensated absences	5,620,335	213,128	-	5,833,463	3,494,337
Accrued pension and OPEB obligations	55,778,445	-	3,105,458	52,672,987	-
Refundable grant	538,452	-	115,005	423,447	-
	<u>\$202,761,899</u>	<u>\$ 14,191,854</u>	<u>\$ 16,772,641</u>	<u>\$199,965,255</u>	<u>\$ 6,621,871</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

16 - BONDS PAYABLE

- (A) On November 9, 2007, the University signed a financing agreement to receive \$310,000 from a Massachusetts Development Financing Agency (MDFA) clean renewable energy bond. These funds have been received and were used for the installation of a 100 KW photovoltaic panel, mounting system and inverter on the roof of the Learning Resource Center. The bond was non-interest bearing with annual principal installments of \$20,667 due through 2022.
- (B) On December 4, 2002, the University signed a financing agreement used for the renovation of the Sullivan and Administration Buildings, which was completed in 2009. A call provision became available on this bond issue and the issue was refunded on December 18, 2012, with \$10,585,000 of Massachusetts Development Financing Agency (MDFA) Revenue Bonds. The obligation is being repaid solely by the University through revenues. Interest on the MDFA bonds is due in semi-annual installments at varying rates ranging from 2.00% to 4.00%. Annual principal installments ranging from \$255,000 to \$875,000 are due through November 2032. The refunding of the MHEFA bonds resulted in a loss, which is included in deferred outflows of resources and will be amortized over the term of the bond. Amortization of this loss for the year ended June 30, 2022, was \$5,847. The remaining loss to be amortized as June 30, 2022 is \$64,321.
- (C) On December 20, 2012, the University signed a financing agreement to receive \$15,000,000 from a Massachusetts State College Building Authority (MSCBA) revenue bond. These funds were used for the construction of a new Wellness Center. A call provision became available on this bond issue and the issue was partially refunded on July 1, 2020 with the MSCBA 2020 Series revenue bond. The remaining balance on this bond issue was refunded on February 2022 with the MSCBA 2022 Series revenue bond.
- (D) On July 1, 2020, the University signed a financing agreement to receive \$681,052 from the MSCBA 2020 Series revenue bond in a partial refunding of the 2012 Series revenue bond. Interest on the bonds is due in semi-annual installments at varying rates ranging from 1.044% to 3.072%. Annual principal installments ranging from \$69,460 to \$117,000 are due May 2032 through May 2039. The refunding of the MSCBA 2012 Series bonds resulted in a loss, which is included in deferred outflows of resources and will be amortized over the term of the bond. Amortization of this loss for the year ended June 30, 2022, was \$19,520. The remaining loss to be amortized as June 30, 2022 is \$312,319.
- (E) On February 15, 2022, the University signed a financing agreement to receive \$9,509,327 from the MSCBA 2022 Series revenue bond in a partial refunding of the 2012 Series revenue bond. Interest on the bonds is due in semi-annual installments at varying rates ranging from 4.00% to 5.00%. Annual principal installments ranging from \$342,496 to \$742,778 are due May 2025 through May 2042. The refunding of the MSCBA 2012 Series bonds resulted in a gain, which is included in deferred inflows of resources and will be amortized over the term of the bond. There was no amortization of this gain for the year ended June 30, 2022. The remaining gain to be amortized as June 30, 2022 is \$467,945.

The composition of the University's Bonds payable for the year ended June 30, 2022 is as follows:

	2022	2021
(A) Bond payable, MDFA 2007 Series	\$ -	\$ 20,667
(B) Bond payable, MDFA 2012 Series	8,226,851	8,557,474
(C) Bond payable, MSCBA 2012 Series	-	12,665,308
(D) Bond payable, MSCBA 2020 Series	681,052	681,052
(E) Bond payable, MSCBA 2022 Series	11,569,398	-
	20,477,301	21,924,501
Less: Current maturities	325,000	547,983
	<u>\$ 20,152,301</u>	<u>\$ 21,376,518</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

16 - BONDS PAYABLE (Continued)

Debt service requirements as of June 30, 2022 are as follows:

Year Ended June 30	Principal	Interest
2023	\$ 325,000	\$ 786,130
2024	665,000	675,743
2025	1,037,496	648,543
2026	1,080,221	606,081
2027	1,117,432	566,458
2028 - 2032	6,330,396	2,191,408
2033 - 2037	4,085,430	1,134,364
2038 - 2042	3,604,404	430,636
	18,245,379	7,039,363
Unamortized premium	2,231,922	-
	<u>\$ 20,477,301</u>	<u>\$ 7,039,363</u>

17 - LEASE OBLIGATIONS

The University leases its residence halls and parking garage from MSCBA, as well as other furnishings and equipment under various lease agreements.

Future minimum lease payments as of June 30, 2022 are as follows:

Year Ended June 30	Principal	Interest
2023	\$ 4,748,695	\$ 3,688,075
2024	4,704,428	3,535,521
2025	4,701,131	3,407,668
2026	4,803,307	3,291,554
2027	4,858,104	3,213,151
2028 - 2032	27,910,357	12,333,778
2033 - 2037	32,189,106	7,776,035
2038 - 2042	27,425,119	3,003,058
2043 - 2047	41,686,691	3,719,640
	<u>\$153,026,938</u>	<u>\$ 43,968,480</u>

18 - NET POSITION

Unrestricted net position from operations is not subject to externally imposed stipulations; however, it may be subject to internal restrictions. For example, unrestricted net position from operations may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2022 and 2021, unrestricted net position from operations of \$30,081,266 and \$28,070,033, respectively, has been internally designated by the University for future capital investments. The remaining undesignated unrestricted net position from operations was \$24,731,093 and \$20,444,923 as of June 30, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

18 - NET POSITION (Continued)

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 as of June 30:

	<u>2022</u>	<u>2021</u>
Restricted - expendable		
Capital projects	\$ (99,953)	\$ 144,330
Scholarships and other grants	<u>1,866,205</u>	<u>902,011</u>
	<u>\$ 1,766,252</u>	<u>\$ 1,046,341</u>

The component unit's restricted - expendable net position consists of funds whose income is mainly used for scholarships and grants. The component unit's restricted - nonexpendable net position consists of investments to be held in perpetuity and the income is restricted for the purpose of providing scholarships and other activities that benefit the University.

19 - FACULTY COMPENSATION

Contracts for full-time faculty begin on September 1, and end May 31 of any given academic year. The Commonwealth of Massachusetts and the University pay all faculty members over the twelve-month period of September 1 through August 31. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's appropriation. The balance due as of June 30, 2022 and 2021 of \$2,826,090 and \$2,296,128 respectively, has been included in accrued payroll and fringe benefits in the statement of net position.

20 - ACCRUED WORKERS' COMPENSATION

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured Workers' Compensation program were conducted as of June 30, 2022 and 2021. Based upon the Commonwealth's analyses, accrued workers' compensation in the amount of \$1,556,138 and \$1,522,454 as of June 30, 2022 and 2021, respectively have been recorded in the unrestricted current fund. Workers' compensation expense charged to operations was \$457,366 and \$1,121,301 in 2022 and 2021, respectively. The actual workers' compensation paid by the University was \$423,682 and \$577,317 in 2022 and 2021, respectively.

21 - ACCRUED COMPENSATED ABSENCES

Included in accrued compensated absences are \$3,054,172 for accrued vacation time and \$2,671,360 for accrued sick time as of June 30, 2022 and \$3,163,110 for accrued vacation time and \$2,670,353 for accrued sick time as of June 30, 2021. Of these balances, \$535,190 and \$560,452 for June 30, 2022 and 2021, respectively, represent obligations due to employees funded through sources other than State appropriations, and \$5,190,342 and \$5,273,011 as of June 30, 2022 and 2021, respectively, represent obligations to employees funded through State appropriations. The University anticipates that the obligations due to employees funded by State appropriations will be discharged through future State appropriations.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - FRINGE BENEFIT CHARGES

Certain fringe benefit costs associated with University staff, compensated through State appropriations, are paid out of non-University State budget line items. The University is required to reimburse the State for such costs for employees funded from other than State appropriations, based on a percentage of payroll. For 2022, the University reimbursed the State a total of \$3,922,565 (\$1,802,036 for pensions and \$2,120,529 for health care premiums). For 2021, the University reimbursed the State a total of \$4,694,473 (\$2,029,890 for pensions and \$2,664,583 for health care premiums).

23 - RETIREMENT PLAN

The University reports a liability, deferred outflows and inflows of resources, and expense as a result of its statutory requirement to contribute to the Massachusetts State Employee's Retirement System (MSERS). The following information is about MERS:

Plan Description

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), covering substantially all of the University's non-student full-time employees. It is a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts State Retirement Board. Under the 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.

Benefit Provisions

MSERS provides retirement, disability, survivor and death benefits to plan 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 on the basis of 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, group creditable service and group classification. The authority for establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of credible 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 prior to age 60.

Contributions

The MSERS's 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 MSERS 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.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - RETIREMENT PLAN (Continued)

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

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

In addition, members of Group 1 who join the system after April 2, 2021 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate determined by the State. The rate was 16.11% and 14.66% of annual covered payroll for the fiscal years ended June 30, 2022 and June 30, 2021, respectively. The University contributed \$1,290,957 and \$1,290,288 for the fiscal years ended June 30, 2022 and June 30, 2021, equal to 100% of the required contributions for the year.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources

As of June 30, 2022 and 2021, the University reported a net pension liability of \$11,319,876 and \$23,033,837, respectively, for its proportionate share of the net pension liability related to its participation in MSERS. The net pension liability was measured as of June 30, 2021, the measurement date, as determined by an actuarial valuation. 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 the University for the fiscal years 2021 and 2020. The Commonwealth's proportionate share was based on actual employer contributions to the MSERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2021 and 2020, the University's proportion was 0.15%. For the years ended June 30, 2022 and 2021, the University recognized pension benefit of \$403,299 and expense of \$2,975,864, respectively.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources (continued)

As of June 30, 2022 and 2021, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2022	2021
Deferred outflows of resources:		
Change in plan actuarial assumptions	\$ 771,721	\$ 1,305,985
Differences between expected and actual experience	390,604	732,903
Differences between projected and actual earnings on plan investments	-	1,266,180
Changes in proportion from Commonwealth due to internal allocation	747,804	1,177,694
Contributions subsequent to the measurement date	1,290,957	1,290,289
	<u>\$ 3,201,086</u>	<u>\$ 5,773,051</u>
Deferred inflows of resources:		
Differences between expected and actual experience	\$ 819,550	\$ 149,046
Differences between projected and actual earnings on plan investments	4,438,048	-
Changes in proportion from Commonwealth due to internal allocation	4,297,346	2,025,219
	<u>\$ 9,554,944</u>	<u>\$ 2,174,265</u>

Contributions of \$1,290,957 and \$1,290,289, respectively, are reported as deferred outflows of resources related to pensions resulting from the University contributions in fiscal years 2022 and 2021 subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the years ended June 30, 2023 and 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in pension expense as follows:

2023	\$ (1,603,107)
2024	(1,954,775)
2025	(1,739,554)
2026	(2,312,602)
2027	(34,777)
	<u>\$ 1,780,329</u>

Actuarial Assumptions

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

	2021	2020
Cost of living increases (on the first \$13,000 per year for 2021 and 2020)	3.00%	3.00%
Salary increases	4.00 to 9.00%	4.00 to 9.00%
Investment rate of return	7.00%	7.15%
Interest rate credit to the annuity savings fund	3.50%	3.50%

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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - RETIREMENT PLAN (Continued)

Pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2020 and set forward one year for females. Post-retirement mortality rates reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 and set forward one year for females. Mortality rates for disability reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 and set forward one year.

Experience studies were performed as of February 27, 2014, encompassing the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target assets allocation as of June 30, 2021 and 2020 are summarized in the following table:

Asset Class	Target allocation	Long-term expected real Rate of return	
		2021	2020
Global equity	39%	4.80%	4.80%
Core fixed income	15%	0.30%	0.70%
Private equity	13%	7.80%	8.20%
Real estate	10%	3.70%	3.50%
Value added fixed income	8%	3.90%	4.20%
Portfolio completion strategies	11%	2.90%	3.20%
Timber/natural resources	4%	4.30%	4.10%
Total	100%		

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.15% for 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - RETIREMENT PLAN (Continued)

Sensitivity Analysis

The following illustrates the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2021 and 2020. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one percentage-point higher than the current discount rate:

	2021	2020
1% decrease to 6.00% for 2021 and 6.15% for 2020	\$ 17,326,743	\$ 30,348,505
Current discount rate 7.00% for 2021 and 7.15% for 2020	11,319,876	23,033,837
1% increase to 8.00% for 2021 and 8.15% for 2020	6,382,700	17,021,751

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The University reports a liability, deferred outflows and inflows of resources, and expense as a result of its statutory requirement to contribute to the Commonwealth of Massachusetts Postemployment Benefits Other than Pensions (OPEB) Plan. The following information is about the OPEB Plan:

Plan Description

The Commonwealth of Massachusetts Postemployment Benefits Other than Pensions (OPEB) Plan covers substantially all of the University's non-student full-time employees. It's a single-employer defined benefit pension plan administered by the Commonwealth of Massachusetts. Under the cost-sharing plan, certain benefits for retired 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 obligations to the plan. The plan provides health care and life insurance to plan members and beneficiaries.

Benefit Provisions

Chapter 32A of the General Laws of the Commonwealth (MGL), requires the Commonwealth of Massachusetts to provide certain health care and life insurance benefits for retired employees. 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 compatible to contributions required from employees.

Contributions

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2021 and 2020 and as of the valuation date (January 1, 2021), Commonwealth participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources

As of June 30, 2022 and 2021, the University reported a net OPEB liability of \$19,875,075 and \$29,639,150, respectively, for its proportionate share of the net OPEB liability related to its participation in the OPEB Plan. The net OPEB liability was measured as of June 30, 2021, the measurement date, as determined by an actuarial valuation. The University's proportion of the net OPEB liability was based on its share of the Commonwealth of Massachusetts' collective OPEB amounts allocated on the basis of actual fringe benefit charges assessed the University for the fiscal years 2021 and 2020. The Commonwealth's proportionate share was based on actual employer contributions to the OPEB Plan for fiscal year 2021 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2021 and 2020, the University's proportion was 0.13% and 0.15% respectively. For the years end June 30, 2021 and 2020, the University recognized OPEB benefit of \$1,807,039 and expense of \$303,690, respectively.

As of June 30, 2022 and 2021, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to postemployment benefits other than pensions from the following sources:

	2022	2021
Deferred outflows of resources:		
Changes in proportion from Commonwealth due to internal allocation	\$ 3,162,854	\$ 5,390,748
Changes in plan actuarial assumption	1,669,183	2,440,834
Differences between expected and actual experience	-	817,983
Differences between projected and actual earnings on plan investments	507,349	85,698
Contributions subsequent to the measurement date	644,941	677,546
	<u>\$ 5,984,327</u>	<u>\$ 9,412,809</u>
Deferred inflows of resources:		
Changes in proportion from Commonwealth due to internal allocation	\$ 14,785,133	\$ 14,987,430
Change in plan actuarial assumptions	3,909,728	2,864,522
Differences between expected and actual experience	3,498,647	731,595
Differences between projected and actual earnings on plan investments	241,526	-
	<u>\$ 22,435,034</u>	<u>\$ 18,583,547</u>

Contributions of \$644,941 and \$677,546, respectively are reported as deferred outflows of resources related to OPEB resulting from the University contributions in fiscal years 2022 and 2021 subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the years ended June 30, 2023 and 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in OPEB expense as follows:

2023	\$ (3,847,579)
2024	(4,097,163)
2025	(4,743,589)
2026	(3,009,206)
2027	(1,398,111)
	<u>\$ (17,095,648)</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions

The total OPEB liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

1. For 2021, the annual healthcare cost trend rates were developed based on the Getzen trend rate model, version 2021_b. The healthcare cost trend rate changed from 4.90% in 2020 to 4.40% for Medicare benefits and 7.3% for non-Medicare benefits, then decreasing 0.24% each year to a blended rate of 5.18% in 2030 and additional decrease in 2060, 2070, and 2075. The Getzen trend rate model also assumes inflation of 2.5%, real GDP growth of 1.5% and excess medical growth of 1.1%.
2. For 2020, the annual healthcare cost trend rates were developed based on the Getzen trend rate model, version 2021_b. The healthcare cost trend rate changed from 7.5% in 2019 to 4.9% for Medicare benefits and 6.7% for non-Medicare benefits, then decreasing 0.1% each year to a blended rate of 5.18% in 2030 and additional decrease in 2060, 2070, and 2075. The Getzen trend rate model also assumes inflation of 2.5%, real GDP growth of 1.5% and excess medical growth of 1.1%.
3. For 2021 and 2020, respectively, the mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2020 and MP-2016 from the central year, with females set forward one year.
4. Participation rates, for 2021 and 2020:
 - a. 100% of employees currently electing health care coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type.
 - g. Future retirees are assumed to enroll in the existing plans in the same proportion as the current retiree mix, as shown in the table below. These proportions are established separately for non-Medicare and Medicare coverage for each product type.

	Retirement Age	
	Under 65	Age 65+
Indemnity	28%	96%
POS/PPO	60%	0%
HMO	12%	4%

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NOTES TO FINANCIAL STATEMENTS
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions (continued)

Investment assets of the Plan are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. 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, 2021 and 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real Rate of return	
		2021	2020
Global equity	39%	4.80%	4.80%
Portfolio completion strategies	11%	2.90%	3.20%
Core fixed income	15%	0.30%	0.70%
Private equity	13%	7.80%	8.20%
Value added fixed income	8%	3.90%	4.20%
Real Estate	10%	3.70%	3.50%
Timber/natural resources	4%	4.30%	4.10%
Total	100%		

Discount Rate

The discount rates used to measure the OPEB liability as of June 30, 2021 and 2020 was 2.77% and 2.28%, respectively. This rate was based on a blend of the Bond Buyer Index rates of 2.16% and 2.21% as of the measurement date of June 30, 2021 and 2020, respectively and the expected rates of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2028 and 2025 as of the measurement date of June 30, 2021 and 2020, respectively. Therefore, the long-term expected rate of return on plan investments of 7.00% and 7.15% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021 and 2020, respectively.

Sensitivity Analysis

The following presents the net OPEB liability of the University calculated the discount rate we as what the net OPEB 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 discount rate:

	2021	2020
1% decrease to 1.77% for 2021 and 1.28% for 2020	\$ 23,611,433	\$ 35,617,977
Current discount rate 2.77% for 2021 and 2.28% for 2020	19,875,075	29,639,150
1% increase to 3.77% for 2021 and 3.28% for 2020	16,865,513	24,915,150

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The following presents the net OPEB liability of the University, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rate:

	2021	2020
1% decrease for Medical and EGWP and Administrative costs	\$ 16,273,600	\$ 24,073,853
Current discount as described on page 42 for 2021, 4.40% for Medical and 7.3% for EGWP and administrative costs for 2020	19,875,075	29,639,150
1% increase for Medical and EGWP and Administrative costs	24,569,007	37,033,135

25 - STATE CONTROLLED ACCOUNTS

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled and reported by the State through non-University line items in the State's budget. Under accounting principles generally accepted in the United States of America such transactions must be recorded in the financial statements of the University. These transactions include payments by the State for the employer's share of funding the Massachusetts State Employee's Retirement System and for the employer's share of health care premiums. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2022 were \$5,852,063 and \$6,886,429, respectively. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2021 were \$5,003,321 and \$6,567,727, respectively.

26 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM - (UNAUDITED)

Section 15C of Chapter 15A of the Massachusetts General Law requires Commonwealth colleges and universities report activity of campus-based funds to the Comptroller of the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting 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 for the years ended June 30:

	2022	2021
Direct unrestricted appropriations	\$	\$ 31,123,377
Fringe benefits for benefitted employees on state payroll		11,571,048
Tuition remitted		(502,229)
Total appropriations	\$ -	\$ 42,192,196

A reconciliation between the University and MMARS fund 901 activity as of June 30, 2022 is as follows:

Revenue per MMARS	\$
Revenue per University	_____
Net reporting classification and differences	\$ -

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

27 - RELATED PARTY TRANSACTIONS

The University provided, at no cost, office space and certain personnel services to the Worcester State Foundation, Inc. (the "Foundation"). The value of this support is estimated to be \$220,239 and \$150,144 for the years ended June 30, 2022 and 2021 respectively.

Worcester State Foundation, Inc. acts as an agent for the University by periodically accepting grants on its behalf. The proceeds of the grants are recorded as an asset of the Foundation until remitted to the University.

The University and the Foundation have entered into an affiliation agreement with the Worcester Center for Crafts, Inc. to collaboratively offer venues for teaching and learning in the arts, exhibition space, safe, well-equipped studios for community-based programs as well as undergraduate visual and performing art classes. As part of the agreement, the University provides various forms of support to the Crafts Center including annual service fees for allowing the University to use the facilities. Service agreement fees were \$250,000 for the years ended June 30, 2022 and 2021. In addition, the University provided support including personnel, equipment, repairs and maintenance and other operating expenses. The value of this support is estimated to be \$354,493 and \$322,608 for the years ended June 30, 2022 and 2021 respectively.

The University provides certain operating costs for WSF Real Estate, Inc. in exchange of the use property adjacent to the University campus for various purposes. WSF Real Estate, Inc. is under the control and holds property on behalf of the Foundation. Operating costs provided by the University were \$107,961 and \$115,468 during the years ended June 30, 2022 and 2021, respectively.

28 - AUXILIARY ENTERPRISES

The University's auxiliary enterprises consist of residence life and housing and health services. The related revenues and expenses for the years ended June 30, 2022 and 2021 are as follows:

	2022		2021	
	Residence Life and Housing	Health Services	Residence Life and Housing	Health Services
Total revenue	\$ 12,469,906	\$ 380,419	\$ 7,386,427	\$ 412,123
Total expenses	13,704,837	625,715	13,491,089	500,373
Decrease in net position before transfers	<u>\$ (1,234,931)</u>	<u>\$ (245,296)</u>	<u>\$ (6,104,662)</u>	<u>\$ (88,250)</u>

29 - COMMITMENTS AND CONTINGENCIES

Litigation

Pending or threatened lawsuits against governmental agencies arise in the ordinary course of operations. In the opinion of the University's administration, the ultimate resolution of any pending legal actions involving the University will not have a material adverse effect on the financial position of the University.

Grants and entitlements

The University receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of the University's administration, the outcome of any findings with respect to disallowed expenditures will not have a material adverse effect on the financial position of the University.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

30 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 financial statements, with no effect on change in net position, to conform to the 2022 presentation.

DISCUSSION DRAFT 10.17.2022

DISCUSSION DRAFT 10.17.2022

SUPPLEMENTARY INFORMATION

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2014 through 2021)

	2022	2021	2020	2019	2018
University's proportion of the net pension liability	0.15%	0.15%	0.14%	0.17%	0.15%
University's proportion of the net pension liability	\$ 11,319,876	\$ 23,033,837	\$ 19,332,813	\$ 20,564,468	\$ 18,014,320
University's covered-employee payroll	\$ 9,176,617	\$ 10,458,847	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.36%	220.23%	153.90%	159.14%	158.91%
Plan fiduciary net position as a percentage of the total pension liability	77.54%	62.48%	66.28%	67.91%	67.21%
	2017	2016	2015	2014	
University's proportion of the net pension liability	0.15%	0.18%	0.14%	0.14%	
University's proportion of the net pension liability	\$ 18,674,184	\$ 18,901,770	\$ 9,357,928	\$ 11,308,376	
University's covered-employee payroll	\$ 11,331,835	\$ 11,013,323	\$ 10,245,240	\$ 11,163,731	
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	164.79%	171.63%	91.34%	101.30%	
Plan fiduciary net position as a percentage of the total pension liability	63.48%	67.87%	76.32%	70.31%	

See accompanying independent auditor's report.

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SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2014 through 2021)

	2022	2021	2020	2019	2018
Statutorily required contribution*	\$ 1,290,289	\$ 1,450,748	\$ 1,315,547	\$ 1,421,424	\$ 1,098,173
Contributions in relation to the statutorily required contribution*	1,290,289	1,450,748	1,315,547	1,421,424	1,098,173
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 9,176,617	\$ 10,458,847	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488
Contributions as a percentage of covered-employee payroll	14.06%	13.87%	10.47%	11.00%	9.69%
	2017	2016	2015	2014	
Statutorily required contribution*	\$ 972,477	\$ 1,039,592	\$ 741,444	\$ 700,426	
Contributions in relation to the statutorily required contribution*	972,477	1,039,592	741,444	700,426	
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
University's covered-employee payroll	\$ 11,331,835	\$ 11,013,323	\$ 10,245,240	\$ 11,163,731	
Contributions as a percentage of covered-employee payroll	8.58%	9.44%	7.24%	6.27%	

*Annual contribution are reported one year in arrears
as required by GASB 68

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND SCHEDULE OF UNIVERSITY CONTRIBUTIONS

JUNE 30, 2015 THROUGH 2022

1 - CHANGES IN ACTUARIAL ASSUMPTIONS

The actuarial assumptions used as of the June 30, 2020 measurement date included a change in the investment rate of return from 7.25% in 2019 to 7.15% for 2020.

The actuarial assumptions used as of the June 30, 2019 measurement date included a change in the investment rate of return from 7.35% in 2018 to 7.25% for 2019.

The actuarial assumptions used as of the June 30, 2018 measurement date included a change in mortality rates for disability. As of this date, mortality rates for disability reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year.

The actuarial assumptions used as of the June 30, 2017 measurement date included a change cost of living increases whereby such increases are on only the first \$13,000 per year.

The Actuarial assumptions used as of the June 30, 2017 measurement date included a change in mortality rates. As of this date, pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2016 and set forward one year for females. Post-retirement mortality rates reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year for females. Mortality rates for disability were assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct).

The actuarial assumptions used as of the June 30, 2016 measurement date included a change in the range of assumed salary increases from 3.5% to 9.0% in 2015 to 4.0% to 9.0%.

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 State Employees' Retirement System (SERB) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERB has increased by approximately \$400 million as of June 30, 2016.

The actuarial assumptions used as of the June 30, 2015 measurement date included a change in the investment rate of return and discount rate from 8.0% to 7.5%. The projection of cash flows used to determine the investment rate of return and discount rate assumed that plan member contributions will be made at the current contributions rates and the members rates.

In May 2015, an early retirement incentive (ERI) was created for certain members MSERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of MSERS has increased by approximately \$230 million as of the June 30, 2015 measurement date.

The Actuarial assumptions used as of the June 30, 2015 measurement date included a change in mortality rates. As of this date, pre-retirement mortality rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement mortality rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scan BB (gender distinct). Disability rates were assumed to be in accordance with the RP- 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct).

Mortality rates included as of the June 30, 2014 included pre-retirement mortality rates reflecting the RP-2000 Employees table projected 20 years with Scale AA (gender distinct). Post-retirement mortality rates reflect the RP-2000 Healthy Annuitant table projected 15 years with Scan AA (gender distinct). Disability rates were assumed to be in accordance with the RP- 2000 table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Commonwealth of Massachusetts Postemployment Benefits Other Than Pensions (OPEB) Plan

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2017 through 2021)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
University's proportion of the net OPEB liability	0.13%	0.15%	0.21%	0.25%	0.21%	0.18%
University's proportion of the net OPEB liability	\$ 19,875,075	\$ 29,639,150	\$ 36,445,632	\$ 44,998,975	\$ 35,037,942	\$ 33,225,679
University's covered-employee payroll	\$ 9,176,617	\$ 10,458,847	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835
University's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	216.58%	283.39%	290.13%	348.23%	309.07%	293.21%
Plan fiduciary net position as a percentage of the total OPEB liability	10.70%	6.40%	6.96%	7.38%	5.39%	4.37%

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS
Commonwealth of Massachusetts Postemployment Benefits Other Than Pensions (OPEB) Plan

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2017 through 2021)

	2022	2021	2020	2019	2018	2017
Statutorily required contribution*	\$ 677,546	\$ 751,524	\$ 959,290	\$ 1,076,188	\$ 882,031	\$ 745,202
Contributions in relation to the statutorily required contribution*	<u>677,546</u>	<u>751,524</u>	<u>959,290</u>	<u>1,076,188</u>	<u>882,031</u>	<u>745,202</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 9,176,617	\$ 10,458,847	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835
Contributions as a percentage of covered-employee payroll	7.38%	7.19%	7.64%	8.33%	7.78%	6.58%

*Annual contribution are reported one year in arrears
as required by GASB 75

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY AND SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS

JUNE 30, 2018 THROUGH 2022

1 - CHANGES IN ACTUARIAL ASSUMPTIONS

The actuarial assumptions used as of the June 30, 2020 measurement date included a change in the annual healthcare cost trend rates used to measure the OPEB liability, developing such rates based on the Getzen trend rate model, version202_b. The healthcare cost trend rate changed from 7.5% in 2019 to 4.9% for Medicare benefits and 6.7% for non-Medicare benefits, then decreasing 0.1% each year to a blended rate of 5.18% in 2030 and additional decrease in 2060, 2070, and 2075. The Getzen trend rate model also assumes inflation of 2.5%, real GDP growth of 1.5% and excess medical growth of 1.1%.

The actuarial assumptions used as of the June 30, 2020 measurement date included a change in participant rates whereby 35% of employees currently opting out of active employee health coverage are assumed to enroll in retiree coverage. Also, 100% of spouses are assumed to elect to continue coverage after the retiree's death.

The actuarial assumptions used as of the June 30, 2020 measurement date included a change in participant rates whereby in 2019 actives under age 65 taking coverage were assumed to have indemnity (25%), POS/PPO (60%) or HMO (15%) have been adjusted in 2020 to indemnity (28%), POS/PPO (60%) or HMO (12%).

The actuarial assumptions used as of the June 30, 2020 measurement date included a change in participant rates whereby in 2019 actives over age 65 taking coverage were assumed to have indemnity (85%), POS/PPO (0%) or HMO (15%) have been adjusted in 2020 to indemnity (96%), POS/PPO (0%) or HMO (4%).

The actuarial assumptions used as of the June 30, 2020 measurement date included a change in the long-term expected rate of return on plan investments from 7.35% to 7.15%.

The actuarial assumptions used as of the June 30, 2019 measurement date included a change in the annual healthcare cost trend rates used to measure the OPEB liability decreasing from 8.0% in 2018 to 7.5% in 2019, then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for medical and (2) 4.5% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver Plans (EGWP), which are assumed to increase 5.0% per year until 2025, then decrease to 4.5% in 2026.

The actuarial assumptions used as of the June 30, 2019 measurement date included a change in participant rates whereby 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later was increased to 85% in 2019.

The actuarial assumptions used as of the June 30, 2019 measurement date included a change in participant rates whereby in 2018 actives under age 65 taking coverage were assumed to have indemnity (40%), POS/PPO (50%) or HMO (10%) have been adjusted in 2019 to indemnity (25%), POS/PPO (60%) or HMO (15%).

The actuarial assumptions used as of the June 30, 2019 measurement date included a change in the long-term expected rate of return on plan investments from 7.35% to 7.25%.

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

NOTES TO SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY AND SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS

JUNE 30, 2018 THROUGH 2022
(Continued)

1 - CHANGES IN ACTUARIAL ASSUMPTIONS (Continued)

The actuarial assumptions used as of the June 30, 2019 measurement date included a change in the discount rates used to measure the OPEB liability from 3.92% to 3.63%. This rate was based on a blend of the Bond Buyer Index rates of 3.51% and 3.87% as of the measurement date of June 30, 2019 and 2018, respectively and the expected rates of return.

The actuarial assumptions used as of the June 30, 2018 measurement date included a change in the discount rates used to measure the OPEB liability from 3.65% to 3.92%. This rate was based on a blend of the Bond Buyer Index rates of 3.87% and 3.58% as of the measurement date of June 30, 2019 and 2018, respectively and the expected rates of return.

The actuarial assumptions used as of the June 30, 2018 measurement date included a change in the long-term expected rate of return on plan investments from 7.50% to 7.35%.

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

UNIVERSITY NET POSITION ANALYSIS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2017 through 2021)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Invested in Capital Assets, Net	\$ 60,690,515	\$ 64,602,986	\$ 75,835,001	\$ 78,092,336	\$ 79,046,212	\$ 83,469,474
Restricted - Expendable for						
Other	1,866,205	902,011	653,958	467,961	90,205	178,233
Capital Projects	<u>(99,953)</u>	<u>144,330</u>	<u>139,434</u>	<u>135,362</u>	<u>130,815</u>	<u>127,017</u>
Total expendable	<u>1,766,252</u>	<u>1,046,341</u>	<u>793,392</u>	<u>603,323</u>	<u>221,020</u>	<u>305,250</u>
Unrestricted						
Unrestricted from operations	54,812,359	48,514,956	39,197,848	36,364,288	32,009,954	29,588,807
Accumulated Commonwealth pension obligations	(17,673,734)	(19,435,051)	(17,767,478)	(16,246,067)	(14,531,894)	(13,517,481)
Accumulated Commonwealth OPEB obligations	<u>(36,325,782)</u>	<u>(38,809,888)</u>	<u>(39,218,355)</u>	<u>(37,648,861)</u>	<u>(34,136,535)</u>	<u>-</u>
Total unrestricted	<u>812,843</u>	<u>(9,729,983)</u>	<u>(17,787,985)</u>	<u>(17,530,640)</u>	<u>(16,658,475)</u>	<u>16,071,326</u>
Total Net Position	<u>\$ 63,269,610</u>	<u>\$ 55,919,344</u>	<u>\$ 58,840,408</u>	<u>\$ 61,165,019</u>	<u>\$ 62,608,757</u>	<u>\$ 99,846,050</u>

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	Instruction	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Totals	
						2022	2021
Regular employee compensation	\$ 23,356,747	\$ 3,841,706	\$ 5,062,296	\$ 7,381,161	\$ 3,562,535	\$ 43,204,445	\$ 40,111,348
Special employee contracted services	9,588,258	265,087	930,601	319,700	46,231	11,149,877	9,681,462
Pension and insurance	6,023,606	826,063	1,542,342	1,835,881	2,264,915	12,492,807	17,532,722
Total payroll and employee benefits	38,968,611	4,932,856	7,535,239	9,536,742	5,873,681	66,847,129	67,325,532
Regular employee related expenses	226,276	60,689	56,752	119,521	61,642	524,880	356,070
Administrative	2,156,932	770,507	595,187	1,293,144	452,048	5,267,818	5,431,215
Facility operations support and related expenses	1,054,339	115,339	635,225	266,501	31,988	2,103,392	1,265,170
Energy and space rental	14,550	2,001	610,342	4,335	2,782,572	3,413,800	2,315,811
Professional services	989,097	147,158	347,188	894,217	750,089	3,127,749	2,552,180
Operational services	553,747	42,454	1,206,539	938,046	60,252	2,801,038	2,889,082
Equipment purchases	364,695	16,700	37,325	54,671	109,897	583,288	1,131,332
Equipment lease and maintenance	111,084	22,389	379,603	133,925	235,853	882,854	652,442
Construction and building improvements	-	-	-	-	6,398,014	6,398,014	5,028,774
Total operating expenses	5,470,720	1,177,237	3,868,161	3,704,360	10,882,355	25,102,833	21,622,076
Total educational and general expenses	\$ 44,439,331	\$ 6,110,093	\$ 11,403,400	\$ 13,241,102	\$ 16,756,036	\$ 91,949,962	\$ 88,947,608

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

RESIDENCE LIFE AND HOUSING

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	\$ 4,222,429	\$ 1,879,490
Accounts receivable, net	198,269	97,089
Right of use assets	127,937,674	99,292,044
Total assets	132,358,372	101,268,623
LIABILITIES		
Unearned rental income	165,232	162,007
Accrued and other liabilities	253,012	229,862
Lease obligations	137,067,885	104,769,580
Total liabilities	137,486,129	105,161,449
NET POSITION		
Unrestricted	\$ (5,127,757)	\$ (3,892,826)

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

RESIDENCE LIFE AND HOUSING

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
REVENUES		
Fees	\$ 10,588,664	\$ 6,746,243
Other income	1,881,242	640,184
Total revenues	<u>12,469,906</u>	<u>7,386,427</u>
EXPENSES		
Regular employee compensation	1,166,535	1,181,057
Special employees/contracted services	141,080	167,320
Pension and insurance	446,380	454,816
Regular employee related expenses	9	112
Administrative	108,878	131,657
Debt payment	1,122,836	750,854
Facility operations support and related expenses	162,049	121,413
Energy and space rental	617,504	643,187
Professional services	2,900	4,245
Equipment purchases	11,514	-
Equipment lease and maintenance	12,970	114,614
Building improvements	539,729	540,089
Benefits programs	542,460	386,556
Interest expense	<u>8,829,993</u>	<u>8,995,169</u>
Total expenses	<u>13,704,837</u>	<u>13,491,089</u>
Change in net position	(1,234,931)	(6,104,662)
NET POSITION		
Beginning of year	<u>(3,892,826)</u>	<u>2,211,836</u>
End of year	<u><u>\$ (5,127,757)</u></u>	<u><u>\$ (3,892,826)</u></u>

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
(An Agency of the Commonwealth of Massachusetts)

HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Fees	\$ 379,374	\$ 412,107
Other income	<u>1,045</u>	<u>16</u>
Total revenues	<u>380,419</u>	<u>412,123</u>
EXPENSES		
Regular employee compensation	87,843	77,639
Special employees/contracted services	-	6,909
Pension and insurance	32,339	31,343
Administrative	1,407	4,789
Facility operations support and related expenses	10,817	4,727
Professional services	487,062	372,978
Operational services	5,922	1,663
Equipment maintenance	<u>325</u>	<u>325</u>
Total expenses	<u>625,715</u>	<u>500,373</u>
Change in net position	<u><u>\$ (245,296)</u></u>	<u><u>\$ (88,250)</u></u>

See accompanying independent auditor's report.

STATISTICAL INFORMATION
(UNAUDITED)

Worcester State University
Schedule of Net Position by Component
June 30, 2017 through 2022

Exhibit E-1

	2017	2018	2019	2020	2021	2022
Invested in capital assets, net of related debt	\$ 83,469,474	\$ 79,046,212	\$ 78,092,336	\$ 75,835,001	\$ 64,602,986	\$ 60,690,515
Restricted-expendable	305,250	221,020	603,323	793,392	1,046,341	1,766,252
Restricted-nonexpendable	-	-	-	-	-	-
Unrestricted	16,071,326	(16,658,475)	(17,530,640)	(17,787,985)	(9,729,983)	812,843
Total primary government net position	\$ 99,846,050	\$ 62,608,757	\$ 61,165,019	\$ 58,840,408	\$ 55,919,344	\$ 63,269,610

**Worcester State University
Tuition & Mandatory Fees**

Exhibit E-2

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Resident Undergraduate</i>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	7,187	7,587	7,587	7,887	8,232	8,562	8,562	8,562	9,616	9,616
<i>Total Annual</i>	\$ 8,157	\$ 8,557	\$ 8,557	\$ 8,857	\$ 9,202	\$ 9,532	\$ 9,532	\$ 9,532	\$ 10,586	\$ 10,586
<i>Non Resident Undergraduate</i>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	7,187	7,587	7,587	7,887	8,232	8,562	8,562	8,562	9,616	9,616
<i>Total Annual</i>	\$ 14,237	\$ 14,637	\$ 14,637	\$ 14,937	\$ 15,282	\$ 15,612	\$ 15,612	\$ 15,612	\$ 16,666	\$ 16,666
<i>Resident Graduate</i>										
Tuition	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 169	\$ 169	\$ 169	\$ 169	\$ 169
Mandatory Fees	115	117	117	138	148	153	153	153	153	153
<i>Total per Credit Hours</i>	\$ 265	\$ 267	\$ 267	\$ 288	\$ 298	\$ 322	\$ 322	\$ 322	\$ 322	\$ 322

Worcester State University
Schedule of Employment
2017-2021

Exhibit E-3

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Faculty - Primary Instruction ^{/1}	441	466	455	415	440
Part-time	230	248	236	213	232
Full-time	211	218	219	202	208
Staff and Administrators	356	356	356	355	351
Part-time	12	12	12	9	9
Full-time	344	344	344	346	342
Total Faculty & Staff Employees	797	822	811	770	791
Part-time	242	260	248	222	241
Full-time	555	562	563	548	550
Non-Benefitted Employees ^{/2}	436	446	627	331	485
Contract Workers	214	191	230	104	156
Student Workers	222	255	397	227	329
Total All Employees	1,233	1,268	1,438	1,101	1,276

/1 Includes Instruction, Research & Public Service

Notes: 1) This schedule reflects personnel as of November 1 and includes employees paid from both state appropriation and local trust funds.

2) Beginning 2009 all benefitted and non-benefitted personnel are reflected regardless of funding source.

Worcester State University
Admissions, Enrollment, and Degree Statistics
Last Five Years

Exhibit E-4

	Fall Term				
Admissions-Freshman /1	2017	2018	2019	2020	2021
Applications	4,822	5,123	4,773	4,770	4,258
Applications accepted	3,742	4,062	3,931	3,917	3,797
Accepted as a percentage of applications	77.60%	79.29%	82.36%	82.12%	89.17%
Students enrolled /2	1,494	1,461	1,420	1,201	1,174
Enrolled as a percentage of accepted	39.93%	35.97%	36.12%	30.66%	30.92%

/1 Includes all undergraduate admissions including transfer students.

/2 Includes only students who were accepted and enrolled. Enrolled alone would include students who were not accepted but enrolled as non-degree seeking students.

	Annual				
Enrollment	FY18	FY19	FY20	FY21	FY22
Full-time equivalent	5,449.0	5,465.3	5,273.7	4,946.0	4,575.8
Unduplicated credit headcount	10,276	9,691	8,694	7,737	7,284
Percent undergraduate /3	85.41%	86.54%	85.94%	86.62%	85.66%
Percent graduate	14.59%	13.46%	14.06%	13.38%	14.34%

/3 Percent undergraduate/graduate based on Fall semester registration, unduplicated headcount.

	Fall Term				
Student Population Demographics /4	2017	2018	2019	2020	2021
Percentage of men	38.72%	38.06%	36.04%	35.92%	34.56%
Percentage of women	61.28%	61.94%	63.96%	64.08%	64.54%
Percentage of African-American	7.77%	8.09%	7.64%	7.83%	7.48%
Percentage of White	66.86%	65.03%	64.94%	65.76%	64.85%
Percentage of Latino	10.68%	11.60%	11.73%	12.77%	13.01%
Percentage of Other /5	6.92%	7.32%	7.58%	7.98%	7.97%
< 20	25.58%	27.19%	27.40%	29.05%	29.61%
20 to 30	57.09%	57.23%	56.90%	58.91%	58.02%
31 to 40	7.44%	6.89%	6.90%	6.27%	6.53%
41 & Over	9.89%	8.69%	8.70%	6.06%	5.83%

/4 Percents within category are based on population of students who reported this information (gender, race/ethnicity, and age).

/5 Other includes American Indian/Alaskan Native, Asian, Native Hawaiian or Other Pacific Islander, Cape Verdean and Two or more races.

Degrees Granted	FY18	FY19	FY20	FY21	FY22
Bachelor's	1,095	1,112	1,050	1,045	1,029
Master's	227	236	242	243	286

Worcester State University
Schedule of Capital Asset Information

Exhibit E-5

	Academic Year	
	<u>2021</u>	<u>2022</u>
Land (acreage)	57	57
Buildings (square feet)		
100 Instruction/classroom	57,369	57,369
200 Labs	55,893	55,893
300 Administrative	117,172	117,172
400 Study facilities	27,750	27,750
52x Athletic	66,049	66,049
5xx Other Special Use	6,470	6,470
600 General Use	77,736	77,736
700 Support facilities	173,502	173,502
000 Unclassified	-	-
Unassigned/unassignable	379,910	379,910
Total Sq Ft	961,851	961,851
Residence Halls	462,513	462,513
Rental space	-	-
Dormitories - # of residents	1,577	1,577

Note: Classification of facilities space is consistent with Facilities Inventory & Classification Code guide.

	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Source of Revenue					
Student charges (net of scholarships)	\$ 50,357,398	\$ 52,375,323	\$ 49,988,138	\$ 45,695,427	\$ 48,724,511
Grants & contracts	12,637,198	12,763,645	13,156,982	11,566,478	13,230,956
Auxiliary enterprises	796,446	854,299	629,708	642,714	1,882,287
Other operating revenue	1,265,178	1,468,693	1,129,543	941,943	1,344,471
Total operating revenue	65,056,220	67,461,960	64,904,371	58,846,562	65,182,225
State and Federal support	35,415,371	39,400,435	43,021,314	53,510,668	66,879,909
Other non-operating revenue	(39,057)	1,188,164	1,519,274	(250,810)	(1,353,973)
Total non-operating revenue	35,376,314	40,588,599	44,540,588	53,259,858	65,525,936
Total revenue	\$ 100,432,534	\$ 108,050,559	\$ 109,444,959	\$ 112,106,420	\$ 130,708,161
Functional Expense					
Instruction	\$ 38,782,984	\$ 42,272,512	\$ 45,100,954	\$ 43,227,647	\$ 44,439,331
Academic support	7,376,332	6,349,745	6,152,467	5,814,204	6,110,093
Student services	11,098,900	11,685,388	11,188,502	11,193,797	11,403,400
Institutional support	13,736,523	13,662,913	12,592,784	12,973,893	13,241,102
Plant operations & maintenance	13,958,602	17,493,866	15,220,970	15,387,414	16,756,036
Research	-	-	-	-	-
Public service	-	-	-	350,653	-
Scholarships	2,634,749	2,089,119	4,429,390	4,801,269	9,813,443
Sub-total	87,588,090	93,553,543	94,685,067	93,748,877	101,763,405
Auxiliary enterprises	11,839,524	12,954,983	12,773,826	13,991,283	14,330,551
Independent operations	-	-	-	-	-
All other	695,557	672,047	645,168	1,686,962	1,540,052
Total operating expense	\$ 100,123,171	\$ 107,180,573	\$ 108,104,061	\$ 109,427,122	\$ 117,634,008
Memo: Depreciation	\$ 5,655,439	\$ 5,448,274	\$ 5,472,690	\$ 5,600,362	\$ 5,723,887

Note: This schedule does not include component units, such as foundations. Total operating expense does not include depreciation.

DISCUSSION DRAFT 10.17.2022

OTHER REPORTS

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
Worcester 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 (*Government Auditing Standards*), the financial statements of the business-type activities and discretely presented component unit of Worcester State University (the "University"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated _____, 2022.

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 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 were not identified.

Report on Compliance and Other Matters

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

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*
(Continued)

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Worcester, Massachusetts
_____, 2022

President's Update

October 2022



President's Message

One curveball the pandemic has thrown higher education: the acceleration of an enrollment decline that was predicted to begin in the mid-2020s, due to the 2008 “birth dearth.” Worcester State’s enrollment fell by 1,000 students between a high-water-mark year in 2017 and Fall 2021, with the steepest drop between 2019 and 2021. Today, our campus faces a multi-

million-dollar structural deficit due to the revenue loss these numbers represent.

Enter the Financial Sustainability Task Force (FSTF), formed in January 2022, “to explore strategies and opportunities that maintain the financial health of Worcester State for future years...charged with crafting achievable strategies which can be reached over three fiscal years to provide relief” (President’s email to campus, 12/15/21).

Phase One of the FSTF consisted of 17 faculty and staff who solicited campus-wide input and crafted recommendations that Trustees accepted at the June 2022 meeting, along with an FY23 “bridge budget” proposal that relied upon one-year COVID-19 relief revenues and a draw down from our capital reserves for balancing the budget.

Phase Two involves 70 members, divided up among seven working groups, charged with vetting and prioritizing the Phase One recommendations, making sure that the recommendations they make will result in efficiencies, cost savings, and/or revenue raising. This Update features aspects of each work group’s deliberations and analysis.

The September Mid-Point Summary of their work (along with supporting information), presented at the Board’s September 13th meeting is available [here](#) (credentials required). Phase Two members are considering all feedback raised in two campus-wide sessions or submitted via an anonymous website form. Phase Two is on track for final recommendations to me well in advance of the Trustees’



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PRESIDENT'S OFFICE

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December 6th meeting. In consultation with the Vice President for Administration and Finance and the Executive Cabinet, I will prepare my recommendations to the Board.

In the eleven years I've served Worcester State, we've used broad-based, participatory processes to develop our campus's guiding documents, including our last two strategic plans, the Roadmap for Advancing Student Excellence, and the recently completed NECHE accreditation Self Study. We used similar processes for the COVID-19 Response and Safe Campus teams, to keep our campus open and safe during the height of the pandemic. With the Board of Trustees' support, we've adapted those participatory models to the FSTF process, so we can address the budget gap thoughtfully and strategically, rather than quickly and reflexively. In this manner, we expect to surface the best recommendations for closing our budget deficit and to initiate the organizational change necessary for fostering a culture of assessment and continuous improvement – an approach that we must adopt to remain a financially healthy university, one ready and able to provide quality academic programs for the students of tomorrow.

Financial Stability Task Force (FSTF) Phase Two Update

Each of the seven FSTF Phase Two work groups (University Enrollment; Academic Efficiencies; Property and Infrastructure; Administrative Efficiencies; Student Services; Grants; and Net Revenue) was asked to provide some insight into the process underway since July. Listed below are some qualitative thoughts and observations the groups offer to help contextualize the final report the Board of Trustees will receive for deliberations at its December 2022 meeting.

Value Propositions

What has been the most valuable aspect of the FSTF Phase Two process thus far?

The most valuable aspect of the FSTF process has been the cross-divisional collaboration with faculty and staff colleagues across the university, with significant new levels of engagement. Tapping into those diverse perspectives has helped contextualize internal and external data to ground comprehensive conversations that will impact student recruitment, retention, and graduation. **(University Enrollment)**

Phase Two of FSTF has enabled a true look across perspectives at critical scheduling issues, such as course minimums, adult learner needs, unused capacity, and student credit loads. This work on course scheduling points the direction toward the more efficient use of the university's calendar, its physical spaces, and its employee resources. **(Academic Efficiencies)**

It has been valuable to bring in the perspectives of the different members of our committee and of all the FSTF Phase Two committees to explore how we might make our university better and more efficient. Conversations with each topic area's professionals, whose expertise provided information for refuting some ideas and for building strong recommendations, was invaluable to us. **(Property and Infrastructure)**

Our group gained a shared understanding of the complexities of university operations and staffing, benefiting from presentations from the Facilities Department, the Registrar's Office, and the Division of Graduate and Continuing Education. Additionally, the Offices of Employee Services and of Budget, Planning and Policy provided our group with information and insights that will ground comprehensive and actionable recommendations. **(Administrative Efficiencies)**

Phase Two of FSTF has provided an opportunity to step back and carefully examine how different offices across campus offer services to students. Equally as important is how FSTF's collaborative model provides an example of how colleagues can work together to solve campus-wide issues in a patient, respectful, and thoughtful manner. **(Student Services)**

Our group found it valuable to focus on specific process issues that are perceived to be critical impediments to securing federal and state grants; additionally, Phase Two of FSTF enabled us to learn the tools for a more systematic continuous improvement process for grant development and acquisition. This has allowed us to focus on finding constructive solutions and be more attentive to outcomes rather than on anecdotes and past experiences. **(Grants)**

In our work, we are taking a systematic look at how the university determines what revenue opportunities to pursue and how to evaluate those that have been implemented. By engaging in a data-driven process that looks at financial and other benefits and costs, our group has helped create a model for detailed, substantive analysis that brings both the broad and the particular aspects of individual revenue opportunities into focus, a model that can be used in other areas of university operations. **(Net Revenue)**



Use of Data

How has data gathering or best practice review impacted your group's decision about what to prioritize?

As part of our process, all options to increase new student enrollment and existing student retention are being explored. One example is the identification of different student populations as a means of developing specific strategies for increasing their enrollment. To that end, our committee has met with [EAB](#) (Worcester State's third-party FSTF thought partner) and campus experts, such as staff from the Latino Education Institute and Office of Multicultural Affairs, for Latinx students; DGCE and the Admissions Office staff, for adult learners; and Early College and dual enrollment staff, for concurrent enrollment. The data provided helps assure that the best local and national information is being considered. **(University Enrollment)**

A careful review indicated how unused-seat data and across-the-week cumulative information illustrated inefficiencies in scheduling, course caps, and course minimums. Currently, there is wide variability across departments in the degree to which full- and part-time faculty are utilized. **(Academic Efficiencies)**

Our group gathered quantifiable data (through the review of budgets, surveys, and internal/external documentation review), along with qualitative information obtained through conversations with key Information Technologies' staff. By reviewing internal historical data and overall industry best practices, we have been able to home in on process efficiencies that could result in significant savings in future years. **(Property and Infrastructure)**

The Facilities Department recently engaged [Core America](#), a nationally regarded facilities management consultant, to conduct a comprehensive review of university maintenance operations. Core America provided WSU with an extensive report that includes information regarding staffing and operational practices. Our group is using this report to inform its recommendations. **(Administrative Efficiencies)**

Through the review of regional and national trends, our group has learned that higher education is moving towards a more student-centered and seamless undergraduate experience. Reviewing this research and other schools' models for student services has been insightful and is informing our recommendations. Through surveys and interviews, our group was able to identify common themes, locations, and duplications of student services, as well as areas for collaborations and efficiencies. **(Student Services)**

Our most vivid example of data gathering is how we used process mapping for what happens (or does not happen) from the moment of formal notification of a federal or state grant award, forward. This exercise provides our group with a clearly delineated set of trouble spots to address in our recommendations. Our assumption is that if the post-grant award process works more efficiently, more faculty and staff will be interested in investing the time to submit successful grant applications, which can generate more revenue for the University. **(Grants)**

In its [Mission, Vision, and Core Values Statement](#), and as reflected in its current strategic plan, Worcester State has a strong commitment to the local community, which is seen in the number of programs that service area high school students. As various ideas for new programming arose, our group realized that by carefully reviewing our local data and examining the experiences of similar institutions, new programming in partnership with other external organizations could potentially compete with already existing university opportunities. Rather than attempting to grow the number of program offerings too quickly, we recognized that a more cost-effective and less risky approach to revenue generation would be to focus on removing barriers to existing programs, rather than adding further obstacles for which revenue generation was not certain. **(Net Revenue)**



Unanticipated Findings

What has been learned in this investigative process thus far that was most surprising to most of your group?

So far, the work for our group has resulted in new opportunities for enrollment growth. Much of the data that we reviewed have been informative, such as EAB's suggestions on how best to enroll and support less-traditional-aged students. Rather than "surprising," this has been validating, as EAB's data correlates very well with Worcester State's Adult Learner Blueprint. **(University Enrollment)**

It has been surprising that no one could find a data-driven reason for setting 10 students per class as a minimum. **(Academic Efficiencies)**

It has been surprising to see how FSTF's Phase One recommendations are not easily attained. In our work, we have realized that many of these original recommendations are not practically viable, at least not to the extent they need to be to result in significant savings. Examples include residence hall usage and external property repurposing. **(Property and Infrastructure)**

Our group has found that the extent to which outsourcing occurs at the University as an element of normal operations was surprising. Currently, Worcester State utilizes staffing agencies to temporarily fill clerical vacancies; a cleaning contractor for its off-campus sites, external events and to temporarily cover maintainer vacancies; and different marketing and publishing agencies. Our group is reviewing such contracts and practices to inform its recommendations. **(Administrative Efficiencies)**

Through our extensive research, we have learned how efficient services, availability of a virtual 24/7 presence, and streamlined processes are key factors in building seamless student experiences. **(Student Services)**

For most of our group, the reality that a part of the university's challenge with its state appropriations is not just that the overall dollar amount is inadequate to meet our annual operating budget, but that our per-student rate of state support is one of the lowest among our peer state universities. This reality has informed our group's recommendations on how the university should make its case for an increase in state appropriations. **(Grants)**

During its deliberations, the group discovered that it needs to learn more about the university's relationships with third parties, such as the Worcester Center for Crafts, along with details on how some other relationships have demonstrated decreasing revenue from even pre-Covid years. Additionally, the group was surprised to learn that the variety and amount of administrative expenses for revenue generating programs can be quite extensive. **(Net Revenue)**

