

WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE & FACILITIES MEETING
Thursday, April 9, 2026
2:00 P.M.
Wellness Center, Room 204

Meeting Called By: Lawrence Sasso (Chair)

Minutes: Nikki Kapurch

Board Members: Dr. Lawrence Sasso (Chair), Amy Peterson (Vice Chair), Monica Aryitey, Esq., Darnell Dunn, Jacob Sanders

WSU Staff: Barry Maloney; Ashlynn Allain; Kathy Eichelroth; Carl Herrin; Nikki Kapurch; Lois Wims

All documents are 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	Dr. Lawrence Sasso	
2. <i>Finance & Facilities Committee Report</i> A. FY 2027 Budget Resource Discussion B. FY 2025 Federal Funds Supplemental Audit Report*	Kathy Eichelroth	A. informational B. Informational
3. <i>Administrative Updates</i> A. Other Business	Dr. Lawrence Sasso	
4. <i>Adjournment</i>	Dr. Lawrence Sasso	4. vote required

*Attachments

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

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

YEARS ENDED JUNE 30, 2025 AND 2024

AND

INDEPENDENT AUDITOR'S REPORT

DISCUSSION DRAFT 2/17/26

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

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

YEARS ENDED JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

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, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and certain information pertaining to liabilities recorded in accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* on pages 45 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 GAAS, 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 the University's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2026, 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
_____, 2026

DISCUSSION DRAFT 2/17/26

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, 2025. 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 102 undergraduate majors and minors, 29 graduate programs, 82 study abroad programs, and a student-to-faculty ratio of 14:1. The University currently has 4,892 full and part-time undergraduate students and 880 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 \$93,046,408 inclusive of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position) of \$33,825,261.
- The University's total net position increased by \$14,611,931. Pension and insurance expense decreased by \$7,914,663, 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 \$21,627,281 in FY 2025, and \$20,314,141 in FY 2024. In addition, the University's total change in net position at June 30, 2025 is reduced to \$6,697,268, and at June 30, 2024 is reduced to \$1,446,706.
- The University's Net Position as June 30, 2025 was \$93,046,408. Unrestricted Net Position from Operations as of June 30, 2025 was \$76,112,578. The healthy operational reserves is offset by the University's allocation of the Commonwealth's accumulated Net Retirement Obligations of \$12,192,620 related to Pensions and \$21,632,641 related to OPEB, resulting in Net Unrestricted Reserves of \$42,287,317.
- Residence Life and Housing experienced a \$1,827,391 reduction in Net Position in FY 2025. The adoption of GASB Statement No. 87, *Leases* (GASB 87), requires the reclassification of remitted MSCBA annual assessments to interest expense and a reduction of the accumulated outstanding lease liability for contracted use of the facilities. In addition, the value of the leased facilities are reported as assets on the Statement of Net Position and require an annual posting to amortize those assets. The value of the assets at June 30, 2025 is \$70,635,390 and the outstanding lease obligations related to the assets as of June 30, 2025 is \$86,230,450.
- Residence Life and Housing Net position as of June 30, 2025 was (\$13,118,256). Further analysis of Net Position identifies the value of designated net future lease payments of (\$15,595,060) and accumulated operating reserves of \$2,476,804, at June 30, 2025.

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

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 overtime 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 \$93,046,408 at the close of Fiscal Year 2025.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

**Worcester State University's Net Position as of
June 30, 2025, with comparative data as of June 30, 2024**

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 102,837,739	\$ 92,339,555
Capital assets	164,077,712	170,577,248
Total assets	<u>266,915,451</u>	<u>262,916,803</u>
Deferred outflows of resources	<u>3,673,068</u>	<u>4,194,610</u>
Non-current outstanding liabilities	134,733,359	141,463,390
Other liabilities	<u>24,571,395</u>	<u>20,738,703</u>
Total liabilities	<u>159,304,754</u>	<u>162,202,093</u>
Deferred inflows of resources	<u>18,237,357</u>	<u>26,474,843</u>
Net position		
Invested in capital assets, net of related debt	48,751,029	49,253,033
Restricted	2,008,062	1,573,680
Unrestricted	<u>42,287,317</u>	<u>27,607,764</u>
Total net position	<u>\$ 93,046,408</u>	<u>\$ 78,434,477</u>

The following schedule presents an analysis of Worcester State University's net position as of June 30, 2025 and 2024, respectively:

	<u>2025</u>	<u>2024</u>
Invested in capital assets, net	<u>\$ 48,751,029</u>	<u>\$ 49,253,033</u>
Restricted reserves, expendable for:		
Other	2,008,062	1,662,590
Capital projects	<u>-</u>	<u>(88,910)</u>
Total restricted reserves, expendable	<u>2,008,062</u>	<u>1,573,680</u>
Unrestricted net position		
Unrestricted reserves from operations	76,112,578	69,347,687
Accumulated Commonwealth of Massachusetts retirement obligations - Pension	(12,192,620)	(14,186,711)
Accumulated Commonwealth of Massachusetts retirement obligations - OPEB	<u>(21,632,641)</u>	<u>(27,553,212)</u>
Total net unrestricted reserves	<u>42,287,317</u>	<u>27,607,764</u>
Total net position	<u>\$ 93,046,408</u>	<u>\$ 78,434,477</u>

WORCESTER STATE UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A portion of the Worcester State University's net position (2.16 %) as of June 30, 2025, represent funds that are subject to external restrictions on how they must be used. Unrestricted net reserves from operations of \$76,112,578 at June 30, 2025 may be used to meet the University's ongoing obligations to its stakeholders. The University's net position increased by \$14,611,931 during the year ended June 30, 2025. 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 62.44% and 56.23%, respectively, for the years ended June 30, 2025 and June 30, 2024. 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 \$7,914,663 in accrual of pension and insurance expense in FY 2025 and a reduction of \$7,435,204 in FY 2024 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 2025 annual payroll subject to retirement assessment that was funded from campus-based resources was \$5,900,631, total payroll costs subject to retirement assessment for FY 2024 was \$39,646,841.

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 18.63% and 12.77%, respectively, for the years ended June 30, 2025 and June 30, 2024. 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. Annual fluctuations in the Commonwealth's pension and OPEB accruals can significantly impact the return on net position ratio. In FY 2025 the pension and OPEB accruals decreased by \$7,914,663 contributing to the \$14,611,931 increase in net position. An adjusted calculation of the return on net position ratio, excluding pension and OPEB adjustments, reflects a ratios of 8.54% and 2.09% respectively, for the years ended June 30, 2025 and June 30, 2024.

The net operating revenue ratio is 7.39% and 1.91%, respectively, for the years ended June 30, 2025 and June 30, 2024. The ratio measures whether an institution is living within its available resources, however the calculation as defined does not include capital appropriations as an available operating resource. Capital appropriations in FY 2025 and FY 2024 provided the resources for expenses reported in the Operations and Maintenance of Plant expenditure category. The revised ratios, inclusive of capital appropriations, are 10.81% and 6.91%, respectively, for the year ended June 30, 2025 and June 30, 2024. 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 ratio and maintain a healthy annual return on net position.

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

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, 2025 with comparative data for the year ended June 30, 2024.

	2025	2024
Operating Revenues		
Tuition and fees, net of scholarships discounts and allowances	\$ 46,257,756	\$ 45,774,418
Operating grants and contributions	27,880,263	25,369,972
Sales and services of auxiliary enterprises and other sources	171,046	608,397
Total operating revenues	74,309,065	71,752,787
Operating Expenses		
Instruction	45,823,935	44,244,040
Public Service	746,210	-
Academic support	6,328,625	6,622,501
Student service	12,872,499	11,459,354
Institutional support	15,792,638	14,858,730
Operations and maintenance of plant	15,681,762	19,566,291
Scholarships	5,000,095	5,417,650
Depreciation	7,618,507	7,906,221
Debt service	775,858	587,539
Auxiliary enterprises	14,469,410	15,475,270
Total operating expense	125,109,539	126,137,596
Net operating loss	(50,800,474)	(54,384,809)
Non-operating revenues		
State appropriation, including fringe benefits provided to employees by the Commonwealth, net of tuition remitted to the Commonwealth	58,195,227	55,212,761
Investment income	2,591,025	1,565,922
Other and transfers	-	64,265
Total non-operating revenues	60,786,252	56,842,948
Income before other revenues, expenses, gains or losses	9,985,778	2,458,139
Capital appropriations	4,626,153	6,423,771
Change in net position	14,611,931	8,881,910
Net position - July 1	78,434,477	69,552,567
Net position - June 30	\$ 93,046,408	\$ 78,434,477

WORCESTER STATE UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital appropriations in FY 2025 included funding for the second year of the second five-year allotment of critical repair funds from the Commonwealth, in addition to DCAMM direct funding for the multiyear project to relocate underground electrical infrastructure. FY 2025 projects included the Learning Resource Center data Center AC replacement and the Sullivan Building air handling units. The nature of the majority of the work was for repair and rehabilitation of existing infrastructure and did not increase the value of those assets.

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, 2025 and 2024, respectively.

	2025	2024
State Appropriations	\$ 41,183,568	\$ 38,924,137
Appropriations to cover fringe benefits provided to employees of the Commonwealth	17,423,938	16,668,157
Tuition remitted back to the State	(412,279)	(379,533)
Net appropriations	58,195,227	55,212,761
Additional State capital appropriations	4,626,153	6,423,771
Total appropriations	\$ 62,821,380	\$ 61,636,532

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, 2025 and 2024, respectively.

	2025	2024	Change
Net Tuition and Fee Revenue	\$ 46,257,756	\$ 45,774,418	\$ 483,338
Other Revenue, net of Student Financial Aid	28,051,309	25,978,369	2,072,940
Operational Expenses	(125,109,539)	(126,137,596)	1,028,057
Operating loss	(50,800,474)	(54,384,809)	3,584,335
Direct State appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth	58,195,227	55,212,761	2,982,466
Federal assistance	-	-	-
Investment and non-operating income	2,591,025	1,630,187	960,838
Capital appropriations	4,626,153	6,423,771	(1,797,618)
Change in net position	\$ 14,611,931	\$ 8,881,910	\$ 5,730,021

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets and Debts of the University

Capital Assets: Worcester State University's investment in capital assets as of June 30, 2025 amounts to \$164,077,712 net of accumulated depreciation, compared to \$170,577,248 net of accumulated depreciation and amortization as of June 30, 2024. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books, in addition to capital leases and subscription based IT arrangements.

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 Worcester State University's capital assets can be found in the notes to the financial statements.

In FY 2025 the University capitalized equipment leases at a cost of \$956,499 and capitalized direct purchases of equipment at a cost of \$63,583. New subscription based IT arrangements valued at \$69,314 were brought on as assets, while \$115,486 worth of subscriptions have been removed as fully depreciated.

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 University 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.

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 2023 with interest only payments during the year and a 50% reduction in principal payment in FY 2023. On February 15, 2023, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Right of Use Assets

GASB Statement No. 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 University has other leases also affected by this change in presentation. Other leased assets requiring a change in presentation include various information technology devices.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, effective for periods after June 15, 2023. 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. This Statement established requirements for subscription-based information technology agreements based on the GASB Statement No. 87 lease accounting standard, based on the foundational principle that IT subscription arrangements are financings of the underlying asset. The adoption of this statement requires the University to recognize right to use subscription assets as capital assets and related subscription liabilities on the Statement of Net Position.

Economic Factors that will affect the Future

Financial Resources

Operations

The operating budget gap identified for FY 2025 was \$9,491,900. Resources to fill the gap included the performance based formula funds from FY 2024 that had been added to the base appropriation, in addition to an increase in the General Fee for all undergraduate day courses and an increase to tuition/fees for courses offered through the Department of Graduate and Continuing Education. Budgeted resources include a \$500 annual increase to the General Fee that is assessed to all undergraduate students on a per credit basis. This was a 5% increase in mandatory undergraduate student fees bringing the total annual cost to \$10,816. The Division of Graduate and Continuing Education had requested a 12% increase in tuition and fees to offset an anticipated increase in contract faculty costs in the coming year and to alleviate financial constraints. The remainder of the budget gap was filled by deferring a substantial number of vacant positions and a budgeted draw from reserves of \$2,702,204.

As in recent years, despite relying on reserve draws to balance the operating budget, FY 2025 will be closed without experiencing a draw on reserves to fund an operating deficit. To reconcile the increase in net assets of \$14,611,931 as reported in the Statement of Changes in Net assets, we remove the effects of various GASB Pension and OPEB accruals, resulting in a \$7,914,663 adjustment bringing the increase down to \$6,697,268. This figure can be further reduced by \$1,589,155 of information technology costs that have been recorded as an asset per GASB, in addition to campus infrastructure expenses and other capitalized purchases of \$4,377,016 that have been moved to the statement of net assets as an increase to assets. \$731,097 is the remaining reconciled increase in net assets as of June 30, 2025. The results of FY2025 operations are further demonstrated in the Net Position Analysis on Schedule 5.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Economic Factors that will affect the Future (continued)

The FY 2025 budget for the Residence Halls reflected a 2-4% increase in room rental rates, an increase in direct labor costs as collective bargaining agreements were funded and a decrease in operating expenses in an attempt to reduce the reliance of drawing from reserves to balance the budget. The residence halls blended occupancy rate during FY 2025 was 80.6%, less than anticipated occupancy budgeted at 87% for the year. Rental income was up over the prior year due to the increase in rental rates, however there was a substantial decline in other income as we did not have any use agreements in place with any other colleges or universities during the year. Loss from operations at June 30, 2025 was \$1,827,391, resulted in unrestricted net assets of (\$13,118,256) as of June 30, 2025. Of this balance, the present value of future lease obligations is (\$15,595,060) and an accumulated operating reserve of \$2,476,804.

In FY 2026 total operating resources are budgeted at \$107,425,297, with 59% funded by State resources and 41% from General fund revenue, specifically student fees. A budget gap analysis identifies a \$2,965,983 budget shortfall between revenue and expenses in FY 2026. The budget plan identifies the revenue generated from a \$500 year General Fee increase and a budgeted drawn on reserve of \$1,348,983 as the means to bridge this gap. While we have budgeted reserve draws over the past few fiscal years, we have not had to draw on them for real time spending. The General Fee increase will serve to partially fill the gap in a permanent way going forward. As we look towards FY 2027, the budget gap may be eliminated with sustained formula funding from the Commonwealth, cost reductions and operational efficiencies achieved through Operational Excellence initiatives, and potentially, increased revenue achieved through gains in new enrollment and student retention.

Professional development was identified as a cross-campus priority during the FY 2025 budget process. Resources are being provided in FY 2026 for plans that are in the developmental stage. The initiative includes funds to be managed by the Center for Teaching and Learning to enhance professional development opportunities for faculty. Employee Services will receive funds to roll out a professional development program available to all employees. Resources have also been set aside for investments in university safety and security and to assess information technology infrastructure.

Campus Infrastructure

In June of 2022 the Commonwealth announced a second, five year-round of Critical Repair funds for the Massachusetts Higher Education Campuses. 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 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. Projects accomplished during FY 2025 included the Sullivan Building mechanical system replacement, and Learning Resource Center data center AC replacement at a combined cost of \$3,327,43. There is \$6.5M remaining in critical repair funds committed to projects from 2026 through 2028.

This financial report is designed to provide a general overview of 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 2/17/26

FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

JUNE 30, 2025 AND 2024

	Worcester State University		Component Unit Worcester State Foundation	
	2025	2024	2025	2024
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 40,103,488	\$ 34,902,397	\$ 6,241,637	\$ 4,775,905
Cash held by State Treasurer	4,385,266	9,047,320	-	-
Accounts receivable, net	3,014,222	4,486,610	-	90,000
Current portion of loans receivable	2,350	14,000	-	-
Current portion of contributions receivable	-	-	927,304	1,333,553
Inventories	161,173	169,644	114,987	113,798
Prepaid expenses and other current assets	320,774	161,518	31,831	31,050
Total current assets	47,987,273	48,781,489	7,315,759	6,344,306
Non-current assets:				
Investments	48,542,767	37,036,643	49,426,759	43,404,669
Loans receivable, less current portion	258,911	256,825	-	-
Contributions receivable, less current portion	-	-	3,695,677	3,614,996
Other non-current assets	6,048,788	6,264,598	150,533	150,533
Capital assets, net of accumulated depreciation	164,077,712	170,577,248	3,772,475	3,811,414
Total non-current assets	218,928,178	214,135,314	57,045,444	50,981,612
Total assets	266,915,451	262,916,803	64,361,203	57,325,918
DEFERRED OUTFLOWS OF RESOURCES				
Resources related to pension and OPEB obligations	3,372,530	3,868,705	-	-
Loss on refunding of bonds payable	300,538	325,905	-	-
Total deferred outflows of resources	3,673,068	4,194,610	-	-

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

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

STATEMENTS OF NET POSITION

JUNE 30, 2025 AND 2024
(Continued)

	Worcester State University		Component Unit Worcester State Foundation	
	2025	2024	2025	2024
LIABILITIES				
Current liabilities:				
Current portion of bonds payable	\$ 1,080,221	\$ 1,037,496	\$ 23,564	\$ 22,595
Current portion of lease obligations	4,659,152	4,382,533	-	-
Current portion of subscription-based IT arrangements	887,390	1,063,775	-	-
Accounts payable	3,508,954	2,143,345	277,589	865,824
Accrued payroll and fringe benefits	7,413,503	4,807,102	-	-
Accrued interest and other liabilities	75,333	88,910	126,433	111,850
Funds held for others	-	-	5,509	5,509
Student deposits and unearned revenue	2,804,872	3,238,840	156,305	126,372
Current portion of split-interest agreements	-	-	2,380	20,223
Current portion of accrued workers' compensation	220,455	204,543	-	-
Current portion of accrued compensated absences	3,921,515	3,772,159	-	-
Total current liabilities	24,571,395	20,738,703	591,780	1,152,373
Long-term liabilities:				
Bonds payable, less current portion	16,791,222	18,052,584	360,049	383,700
Lease obligations, less current portion	90,808,376	94,770,472	-	-
Subscription-based IT arrangements, less current portion	978,311	1,869,537	-	-
Split-interest agreements, less current portion	-	-	10,373	32,002
Accrued workers' compensation, less current portion	1,466,118	1,474,684	-	-
Accrued compensated absences, less current portion	2,703,691	2,689,275	-	-
Accrued pension and OPEB obligations	21,677,468	22,300,193	-	-
Refundable grant - federal financial assistance program	308,173	306,645	-	-
Total liabilities	159,304,754	162,202,093	962,202	1,568,075
DEFERRED INFLOWS OF RESOURCES				
Resources related to pension and OPEB obligations	15,520,323	23,308,436	-	-
Deferred service concession arrangements	2,369,818	2,781,594	-	-
Gain on refunding of bonds payable	347,216	384,813	-	-
Total deferred inflows of resources	18,237,357	26,474,843	-	-
NET POSITION				
Invested in capital assets, net	48,751,029	49,253,033	-	-
Restricted - non-expendable	-	-	27,824,386	25,642,341
Restricted - expendable	2,008,062	1,573,680	26,394,138	22,184,063
Unrestricted	42,287,317	27,607,764	9,180,477	7,931,439
Total net position	\$ 93,046,408	\$ 78,434,477	\$ 63,399,001	\$ 55,757,843

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, 2025 AND 2024

	Worcester State University		Component Unit Worcester State Foundation	
	2025	2024	2025	2024
REVENUES				
Operating revenues:				
Student tuition and fees	\$ 49,271,832	\$ 47,092,996	\$ 661,528	\$ 611,879
Auxiliary enterprises, student housing	12,826,905	12,177,425	-	-
Less: Scholarship discounts and allowance	15,840,981	13,496,003	-	-
Net student tuition and fees	46,257,756	45,774,418	661,528	611,879
Contributions	-	-	4,220,555	1,749,764
Federal grants and contracts	10,902,010	8,921,497	-	-
State and local grants and contracts	10,452,329	11,153,952	-	-
Nongovernmental grants and contracts	5,075,221	3,998,879	-	-
Auxiliary enterprises, other	171,046	608,397	223,576	223,476
Other operating revenues	1,450,703	1,295,644	250,315	420,065
Total operating revenues	74,309,065	71,752,787	5,355,974	3,005,184
EXPENSES				
Operating expenses:				
Instruction	45,823,935	44,244,040	-	-
Public service	746,210	-	-	-
Academic support	6,328,625	6,622,501	-	-
Student services	12,872,499	11,459,354	-	-
Institutional support	15,792,638	14,858,730	1,467,659	1,309,546
Operation and maintenance of plant	15,681,762	19,566,291	72,747	138,050
Scholarship	5,000,095	5,417,650	1,022,182	1,059,135
Depreciation	7,618,507	7,906,221	191,625	188,966
Debt service	775,858	587,539	44,757	40,854
Auxiliary enterprises	14,469,410	15,475,270	-	-
Total operating expenses	125,109,539	126,137,596	2,798,970	2,736,551
Operating income (loss)	(50,800,474)	(54,384,809)	2,557,004	268,633

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, 2025 AND 2024
(Continued)

	Worcester State University		Component Unit Worcester State Foundation	
	2025	2024	2025	2024
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	58,195,227	55,212,761	-	-
Interest and investment income	2,591,025	1,565,922	4,907,253	5,037,397
Other payments to Worcester State University	-	-	(1,938,154)	(1,641,957)
Other non-operating income	-	64,265	-	-
Net non-operating revenues	<u>60,786,252</u>	<u>56,842,948</u>	<u>2,969,099</u>	<u>3,395,440</u>
Income before other revenues, expenses, gains, or losses	9,985,778	2,458,139	5,526,103	3,664,073
Capital appropriations	4,626,153	6,423,771	-	-
Additions to permanent endowments	-	-	2,115,055	1,341,541
Change in net position	14,611,931	8,881,910	7,641,158	5,005,614
NET POSITION				
Beginning of year	<u>78,434,477</u>	<u>69,552,567</u>	<u>55,757,843</u>	<u>50,752,229</u>
End of year	<u>\$ 93,046,408</u>	<u>\$ 78,434,477</u>	<u>\$ 63,399,001</u>	<u>\$ 55,757,843</u>

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, 2025 AND 2024

	Primary Government	
	2025	2024
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 40,887,723	\$ 41,192,347
Federal grants and contracts	10,902,010	8,921,497
State and local grants and contracts	10,452,329	11,153,952
Nongovernmental grants and contracts	5,075,221	3,998,879
Auxiliary enterprise charges	171,046	608,397
Employee compensation and fringe benefit payments	(76,670,008)	(76,065,120)
Payments to suppliers	(34,998,090)	(38,480,788)
Interest paid	(982,806)	(1,008,929)
Loans repaid by students	9,564	14,304
Other receipts (payments)	2,531,884	(820,173)
Net cash used in operating activities	<u>(42,621,127)</u>	<u>(50,485,634)</u>
Cash flows from noncapital financing activities:		
State appropriations	58,195,227	55,212,761
Net deposits	(84,596)	(8,723)
Net cash provided by noncapital financing activities	<u>58,110,631</u>	<u>55,204,038</u>
Cash flows from capital and related financing activities:		
Capital appropriations	4,626,153	6,423,771
Purchases of capital assets	(3,687,396)	(1,801,420)
Principal payments of bonds payable	(1,037,496)	(665,000)
Principal payments on lease obligations	(4,641,976)	(3,199,084)
Principal payments on subscription-based IT arrangements	(1,136,925)	(1,083,904)
Perkins loan program, net funds paid	1,528	(39)
Other activities	-	64,265
Net cash used in capital and related financing activities	<u>(5,876,112)</u>	<u>(261,411)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	62,053,831	48,593,794
Purchases of investments	(72,690,641)	(49,462,993)
Interest and investment income	1,562,455	1,071,054
Net cash provided by (used in) investing activities	<u>(9,074,355)</u>	<u>201,855</u>
Net change in cash and cash equivalents	539,037	4,658,848
Cash and cash equivalents, beginning of year	<u>43,949,717</u>	<u>39,290,869</u>
Cash and cash equivalents, end of year	<u>\$ 44,488,754</u>	<u>\$ 43,949,717</u>

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, 2025 AND 2024

(Continued)

	Primary Government	
	2025	2024
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (50,800,474)	\$ (54,384,809)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	5,800,600	6,084,475
Amortization of leased assets	4,338,828	5,960,905
Amortization on subscription-based IT arrangements	1,073,317	1,077,156
Amortization of other assets	215,810	215,810
Accretion of deferred service concession arrangements	(411,776)	(411,775)
Decrease in deferred loss on refunding of bonds payable	25,367	25,367
Decrease in deferred gain on refunding of bonds payable	(37,597)	(58,503)
Decrease in bond premium	(181,141)	(381,599)
(Increase) decrease in operating assets and deferred outflows:		
Accounts receivable, net	1,472,388	(1,963,381)
Loans receivable	9,564	14,304
Inventories	8,471	46,511
Resources related to pension and OPEB obligations	496,175	1,740,555
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable	1,365,609	(1,258,169)
Accrued payroll and fringe benefits	2,606,401	108,412
Accrued interest and other liabilities	(13,577)	(6,654)
Accrued workers' compensation	7,346	182,696
Student deposits and unearned revenue	(349,372)	1,094,917
Accrued compensated absences	163,772	603,906
Accrued pension and OPEB obligations	(622,725)	(8,011,034)
Resources related to pension and OPEB obligations	(7,788,113)	(1,164,724)
Net cash used in operating activities	\$ (42,621,127)	\$ (50,485,634)

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 years ended June 30, 2025 and 2024, the Foundation distributed \$2,960,336 and \$2,701,092, 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 (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. 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 revenues, expenses, and changes in net position 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 or other obligations 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 _____, 2026, 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. 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
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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 \$58,607,506 and \$55,592,294 for the years ended June 30, 2025 and 2024, respectively. State supported tuition, in the amounts of \$412,279 and \$379,533 for the years ended June 30, 2025 and 2024, 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 from the Commonwealth of \$1,496 and \$51,891 as of June 30, 2025 and 2024, 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, 2025. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20% 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. 103, *Financial Reporting Model Improvements* is effective for reporting periods beginning after June 15, 2025. The objective of this Statement is to improve key components of the GASB financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. Management has not completed its review of the requirements of this Standard and its applicability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* is effective for reporting periods beginning after June 15, 2025. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Management has not completed its review of the requirements of this Standard and its applicability.

2 - CASH AND CASH EQUIVALENTS

The University's cash and temporary investments are as follows as of June 30, 2025 and 2024:

	2025	2024
Carrying amount	\$ 40,103,488	\$ 34,902,397
Bank balance	\$ 42,525,342	\$ 36,272,588
Less amounts		
Covered by depository insurance	819,850	820,280
Collateralized repurchase agreements	34,869,401	32,687,748
Remaining bank balance	\$ 6,836,091	\$ 2,764,560

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - CASH AND CASH EQUIVALENTS (Continued)

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, 2025 and 2024, the University held \$953,669 and \$158,304, respectively, in money market funds maintained by its investment custodian.

As of June 30, 2025 and 2024, the University was party to a repurchase agreement with a bank. The value of this agreement was \$34,869,401 and \$32,687,748 as of June 30, 2025 and 2024, 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.

3 - 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 \$2,102,478 and \$1,932,782 as of June 30, 2025 and 2024, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$2,282,788 and \$7,114,538 as of June 30, 2025 and 2024, respectively. None of these cash balances are insured or collateralized.

4 - 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, 2025 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2025</u>				
Investment type				
U.S. Treasuries	\$ 43,472,682	\$ 21,749,723	\$ 12,953,093	\$ 8,769,866
U.S. Agencies	5,070,085	-	5,070,085	-
Total	<u>\$ 48,542,767</u>	<u>\$ 21,749,723</u>	<u>\$ 18,023,178</u>	<u>\$ 8,769,866</u>

The fair value of these investments as of June 30, 2024 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2024</u>				
Investment type				
U.S. Treasuries	\$ 33,729,238	\$ 16,665,252	\$ 10,204,636	\$ 6,859,350
U.S. Agencies	3,307,405	2,526,929	780,476	-
Total	<u>\$ 37,036,643</u>	<u>\$ 19,192,181</u>	<u>\$ 10,985,112</u>	<u>\$ 6,859,350</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - INVESTMENTS (Continued)

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, 2025 was 2.40 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.

The components of investment income are as follows:

	2025	2024
Interest	\$ 1,721,710	\$ 1,133,819
Realized gain (loss) on investments	(90,163)	83,914
Unrealized gain on investments	959,478	348,189
	\$ 2,591,025	\$ 1,565,922

Component Unit

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

	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market funds	\$ 492,769	\$ 492,769	\$ 122,390	\$ 122,390
Mutual funds	44,305,789	47,304,083	34,125,493	42,091,811
Limited partnership interest	1,105,500	1,629,907	812,500	1,190,468
	\$ 45,904,058	\$ 49,426,759	\$ 35,060,383	\$ 43,404,669

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - 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, 2025 and 2024.

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, 2025 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasuries	\$ -	\$ 43,472,682	\$ -	\$ 43,472,682
U.S. Agencies	-	5,070,085	-	5,070,085
Total investments, at fair value	\$ -	\$ 48,542,767	\$ -	\$ 48,542,767

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, 2024 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasuries	\$ -	\$ 33,729,238	\$ -	\$ 33,729,238
U.S. Agencies	-	3,307,405	-	3,307,405
Total investments, at fair value	\$ -	\$ 37,036,643	\$ -	\$ 37,036,643

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

6 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2025 and 2024:

	2025	2024
Students	\$ 1,774,450	\$ 1,644,317
Other	1,859,209	3,352,165
	3,633,659	4,996,482
Less: Allowance for uncollectible accounts	619,437	509,872
	\$ 3,014,222	\$ 4,486,610

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - 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, 2025 are expected to be received as follows:

2026	\$	927,304
2027		239,196
2028		857,000
2029		838,000
2030		810,500
Thereafter		<u>1,602,000</u>
		5,274,000
Less: Discount on contributions receivable		<u>651,019</u>
		<u>\$ 4,622,981</u>

8 - 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 \$261,261 and \$270,825 as of June 30, 2025 and 2024, respectively, represents student loans issued through the Perkins Loans program and consists of the following:

	<u>2025</u>	<u>2024</u>
Enrolled students	\$ -	\$ 4,325
Repayment on schedule	2,350	4,383
In default	<u>258,911</u>	<u>262,117</u>
	<u>\$ 261,261</u>	<u>\$ 270,825</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	8,495,842	2,715,225	-	11,211,067
Capital assets, being depreciated				
Land improvements	9,965,277	691,100	-	10,656,377
Buildings, including improvements	155,173,706	-	-	155,173,706
Furnishings and equipment	14,951,447	358,062	-	15,309,509
Leased buildings	105,648,491	-	-	105,648,491
Leased furnishings and equipment	3,865,393	956,499	-	4,821,892
Subscription-based IT arrangements	4,722,518	69,314	115,486	4,676,346
Total capital assets	<u>303,011,324</u>	<u>4,790,200</u>	<u>115,486</u>	<u>307,686,038</u>
Less accumulated depreciation for				
Land improvements	7,011,094	567,401	-	7,578,495
Buildings, including improvements	82,147,770	4,168,444	-	86,316,214
Furnishings and equipment	14,140,959	157,858	-	14,298,817
Less accumulated amortization for				
Leased assets	27,331,057	5,245,725	-	32,576,782
Subscription-based IT arrangements	1,803,196	1,073,317	38,495	2,838,018
Total accumulated depreciation and amortization	<u>132,434,076</u>	<u>11,212,745</u>	<u>38,495</u>	<u>143,608,326</u>
Capital assets, net	<u>\$170,577,248</u>	<u>\$ (6,422,545)</u>	<u>\$ 76,991</u>	<u>\$164,077,712</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	7,074,942	1,420,900	-	8,495,842
Capital assets, being depreciated				
Land improvements	9,965,277	-	-	9,965,277
Buildings, including improvements	155,173,706	-	-	155,173,706
Furnishings and equipment	14,570,926	380,521	-	14,951,447
Leased buildings	109,250,877	-	3,602,386	105,648,491
Leased furnishings and equipment	3,256,459	608,934	-	3,865,393
Subscription-based IT arrangements	3,848,732	1,643,487	769,701	4,722,518
Total capital assets	<u>303,329,569</u>	<u>4,053,842</u>	<u>4,372,087</u>	<u>303,011,324</u>
Less accumulated depreciation for				
Land improvements	6,494,388	516,706	-	7,011,094
Buildings, including improvements	77,945,982	4,201,788	-	82,147,770
Furnishings and equipment	13,923,912	217,047	-	14,140,959
Less accumulated amortization for				
Leased assets	20,221,217	7,109,840	-	27,331,057
Subscription-based IT arrangements	1,495,741	1,077,156	769,701	1,803,196
Total accumulated depreciation and amortization	<u>120,081,240</u>	<u>13,122,537</u>	<u>769,701</u>	<u>132,434,076</u>
Capital assets, net	<u>\$183,248,329</u>	<u>\$ (9,068,695)</u>	<u>\$ 3,602,386</u>	<u>\$170,577,248</u>

10 - 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, 2025 and 2024, in the amounts of \$1,913,572 and \$1,865,188, respectively, and have been recorded as auxiliary enterprise expenditures.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - DEFERRED SERVICE CONCESSION ARRANGEMENTS

Deferred service concession arrangements as of June 30, 2025 and 2024 in the amounts of \$2,369,818 and \$2,781,594, 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 \$411,776 and \$411,775 for the years ended June 30, 2025 and 2024, respectively.

12 - LONG-TERM LIABILITIES

Long-term liabilities of the University as of June 30, 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 19,090,080	\$ -	\$ 1,218,637	\$ 17,871,443	\$ 1,080,221
Lease obligations	99,153,005	956,499	4,641,976	95,467,528	4,659,152
Subscription-based IT arrangements	2,933,312	69,314	1,136,925	1,865,701	887,390
Accrued workers' compensation	1,679,227	7,346	-	1,686,573	220,455
Accrued compensated absences	6,461,434	163,772	-	6,625,206	3,921,515
Accrued pension and OPEB obligations	22,300,193	-	622,725	21,677,468	-
Refundable grant	306,645	1,528	-	308,173	-
	<u>\$151,923,896</u>	<u>\$ 1,198,459</u>	<u>\$ 7,620,263</u>	<u>\$145,502,092</u>	<u>\$ 10,768,733</u>

Long-term liabilities of the University as of June 30, 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 20,136,679	\$ -	\$ 1,046,599	\$ 19,090,080	\$ 1,037,496
Lease obligations	105,345,541	608,934	6,801,470	99,153,005	4,382,533
Subscription-based IT arrangements	2,373,729	1,643,487	1,083,904	2,933,312	1,063,775
Accrued workers' compensation	1,496,531	182,696	-	1,679,227	204,543
Accrued compensated absences	5,857,528	603,906	-	6,461,434	3,772,159
Accrued pension and OPEB obligations	30,311,227	-	8,011,034	22,300,193	-
Refundable grant	306,684	-	39	306,645	-
	<u>\$165,827,919</u>	<u>\$ 3,039,023</u>	<u>\$ 16,943,046</u>	<u>\$151,923,896</u>	<u>\$ 10,460,506</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - BONDS PAYABLE

- (A) 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, 2025, was \$5,847. The remaining loss to be amortized as June 30, 2025 is \$46,779.
- (B) 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, 2025, was \$19,520. The remaining loss to be amortized as June 30, 2025 is \$253,759.
- (C) 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. Amortization of this gain for the year ended June 30, 2025, was \$37,597. The remaining gain to be amortized as June 30, 2025 is \$347,216.

The composition of the University's Bonds payable as of June 30, 2025 and 2024 is as follows:

	2025	2024
(A) Bond payable, MDFA 2012 Series	\$ 6,494,983	\$ 7,205,605
(B) Bond payable, MSCBA 2020 Series	681,052	681,052
(C) Bond payable, MSCBA 2022 Series	10,695,408	11,203,423
	17,871,443	19,090,080
Less: Current maturities	1,080,221	1,037,496
	\$ 16,791,222	\$ 18,052,584

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - BONDS PAYABLE (Continued)

Debt service requirements as of June 30, 2025 are as follows:

Year Ended June 30	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,080,221	\$ 606,081
2027	1,117,432	566,458
2028	1,161,604	526,892
2029	1,196,284	484,843
2030	1,241,498	440,254
2031 - 2035	5,502,491	1,509,547
2036 - 2040	3,459,105	706,791
2041 - 2042	1,459,248	88,081
	<u>16,217,883</u>	<u>4,928,947</u>
Unamortized premium	1,653,560	-
	<u>\$ 17,871,443</u>	<u>\$ 4,928,947</u>

14 - 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, 2025 are as follows:

Year Ended June 30	<u>Principal</u>	<u>Interest</u>
2026	\$ 4,659,152	\$ 3,890,255
2027	4,641,355	3,722,737
2028	4,346,615	3,742,273
2029	4,728,400	3,021,464
2030	5,003,905	2,847,762
2031 - 2035	28,298,714	11,239,787
2036 - 2040	30,924,016	5,733,455
2041 - 2043	12,865,371	950,845
	<u>\$ 95,467,528</u>	<u>\$ 35,148,578</u>

15 - SUBSCRIPTION-BASED IT ARRANGEMENTS

The University licenses various software under various subscription-based IT agreements.

Future minimum payments on these arrangements as of June 30, 2025 are as follows:

Year Ended June 30	<u>Principal</u>	<u>Interest</u>
2026	\$ 887,390	\$ 36,971
2027	742,779	19,565
2028	235,532	4,835
	<u>\$ 1,865,701</u>	<u>\$ 61,371</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

16 - 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, 2025 and 2024, unrestricted net position from operations of \$33,737,496 and \$32,145,916, respectively, has been internally designated by the University for future capital investments. The remaining undesignated unrestricted net position from operations was \$42,375,082 and \$37,201,771 as of June 30, 2025 and 2024, respectively.

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:

	2025	2024
Restricted - expendable		
Capital projects	\$ -	\$ (88,910)
Scholarships and other grants	2,008,062	1,662,590
	\$ 2,008,062	\$ 1,573,680

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.

17 - 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, 2025 and 2024 of \$2,951,834 and \$2,402,748, respectively, has been included in accrued payroll and fringe benefits in the statement of net position.

18 - 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, 2025 and 2024. Based upon the Commonwealth's analyses, accrued workers' compensation in the amount of \$1,686,573 and \$1,679,227 as of June 30, 2025 and 2024, respectively, have been recorded in the unrestricted current fund. Workers' compensation expense charged to operations was \$367,338 and \$514,280 in 2025 and 2024, respectively. The actual workers' compensation paid by the University was \$359,992 and \$331,584 in 2025 and 2024, respectively.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

19 - ACCRUED COMPENSATED ABSENCES

Included in accrued compensated absences are \$3,235,320 for accrued vacation time and \$3,389,886 for accrued sick time as of June 30, 2025 and \$3,218,466 for accrued vacation time and \$3,242,968 for accrued sick time as of June 30, 2024. Of these balances, \$898,484 and \$508,587 for June 30, 2025 and 2024, respectively, represent obligations due to employees funded through sources other than State appropriations, and \$5,726,722 and \$5,952,847 as of June 30, 2025 and 2024, 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.

20 - 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 2025, the University reimbursed the State a total of \$1,909,882 (\$819,148 for pensions and \$1,090,734 for health care premiums). For 2024, the University reimbursed the State a total of \$4,342,525 (\$1,836,454 for pensions and \$2,506,071 for health care premiums).

21 - 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 MSERS:

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.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

21 - RETIREMENT PLAN (Continued)

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.

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
July 1, 2001 to present	11% of regular compensation (for teacher hired after July 1, 2001 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000 except for teachers subject to Chapter 114 of the Acts of 2000

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 18.63% and 16.69% of annual covered payroll for the fiscal years ended June 30, 2025 and June 30, 2024, respectively. The University contributed \$1,101,403 and \$1,090,146 for the fiscal years ended June 30, 2025 and June 30, 2024, 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, 2025 and 2024, the University reported a net pension liability of \$10,190,978 and \$10,806,543, 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, 2024, 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 2024 and 2023. The Commonwealth's proportionate share was based on actual employer contributions to the MSERS for fiscal years 2024 and 2023 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2024 and 2023, the University's proportion was 0.08%. For the years ended June 30, 2025 and 2024, the University recognized pension benefit of \$892,691 and \$1,029,413, respectively.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

21 - RETIREMENT PLAN (Continued)

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

As of June 30, 2025 and 2024, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2025	2024
Deferred outflows of resources:		
Change in plan actuarial assumptions	\$ 73,134	\$ 181,622
Differences between expected and actual experience	510,767	383,880
Differences between projected and actual earnings on plan investments	-	290,836
Changes in proportion from Commonwealth due to internal allocation	13,740	82,531
Contributions subsequent to the measurement date	1,101,402	1,090,146
	\$ 1,699,043	\$ 2,029,015
Deferred inflows of resources:		
Differences between expected and actual experience	\$ 130,565	\$ 267,029
Differences between projected and actual earnings on plan investments	132,508	-
Changes in proportion from Commonwealth due to internal allocation	3,437,612	5,142,155
	\$ 3,700,685	\$ 5,409,184

Contributions of \$1,101,402 and \$1,090,146, respectively, are reported as deferred outflows of resources related to pensions resulting from the University contributions in fiscal years 2025 and 2024 subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the years ended June 30, 2026 and 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an addition to (reduction in) pension expense as follows:

2026	\$ (2,360,582)
2027	(82,762)
2028	(565,139)
2029	(94,561)
	\$ (3,103,044)

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:

	2024	2023
Cost of living increases (on the first \$13,000 per year for 2024 and 2023)	3.00%	3.00%
Salary increases	4.00 to 9.00%	4.00 to 9.00%
Investment rate of return	7.00%	7.00%
Interest rate credit to the annuity savings fund	4.76%	3.50%
Inflation rate	2.50%	2.50%

Pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2021 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-2021 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-2021 and set forward one year.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

21 - RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

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, 2024 and 2023 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2024	2023	2024	2023
Global equity	36%	37%	4.60%	4.90%
Core fixed income	15%	15%	2.10%	1.90%
Private equity	16%	16%	7.40%	7.40%
Real estate	10%	10%	3.90%	3.00%
Value added fixed income	9%	8%	5.10%	5.10%
Portfolio completion strategies	10%	10%	3.70%	3.80%
Timber/natural resources	4%	4%	4.40%	4.30%
Total	100%	100%		

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined 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.

Sensitivity Analysis

The following illustrates the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2024 and 2023. 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:

	2024	2023
1% decrease to 6.00% for 2024 and 2023	\$ 14,317,006	\$ 14,852,136
Current discount rate 7.00% for 2024 and 2023	10,190,978	10,806,543
1% increase to 8.00% for 2024 and 2023	6,700,365	7,382,908

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - 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, 2024 and 2023 and as of the valuation date (January 1, 2024), 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.

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

As of June 30, 2025 and 2024, the University reported a net OPEB liability of \$11,486,490 and \$11,493,650, 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, 2024, 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 2024 and 2023. The Commonwealth's proportionate share was based on actual employer contributions to the OPEB Plan for fiscal year 2024 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2024 and 2023, the University's proportion was 0.09%. For the years ended June 30, 2025 and 2024, the University recognized OPEB benefit of \$5,443,858 and \$4,746,472, respectively.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

As of June 30, 2025 and 2024, 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:

	2025	2024
Deferred outflows of resources:		
Changes in proportion from Commonwealth due to internal allocation	\$ 687,388	\$ 318,320
Changes in plan actuarial assumption	223,940	504,922
Differences between expected and actual experience	319,276	467,479
Differences between projected and actual earnings on plan investments	-	37,568
Contributions subsequent to the measurement date	442,883	511,401
	\$ 1,673,487	\$ 1,839,690
Deferred inflows of resources:		
Changes in proportion from Commonwealth due to internal allocation	\$ 8,364,969	\$ 13,643,603
Change in plan actuarial assumptions	2,562,792	2,964,626
Differences between expected and actual experience	887,310	1,291,023
Differences between projected and actual earnings on plan investments	4,567	-
	\$ 11,819,638	\$ 17,899,252

Contributions of \$442,883 and \$511,041, respectively are reported as deferred outflows of resources related to OPEB resulting from the University contributions in fiscal years 2025 and 2024 subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the years ended June 30, 2026 and 2025. 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:

2026	\$ (4,842,040)
2027	(3,230,942)
2028	(1,697,224)
2029	(766,142)
2030	(52,686)
	\$ (10,589,034)

Actuarial Assumptions

The total OPEB liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024. The total OPEB liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2023. This valuation used the following assumptions:

- For 2024, the annual healthcare cost trend rates were developed based on the SOA-Getzen trend rate model, version 2024_1b. The healthcare cost trend rate changed from 5.79% in 2023 to 5.35% for Medicare benefits and from 7.50% to 7.42% for non-Medicare benefits, then increasing in 2025 before decreasing in 2026, 2027 and 2028 to a blended rate of 4.87% in 2033 and additional decrease in 2043, 2053, 2063, 2073, and 2075.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions (continued)

2. For 2023, the annual healthcare cost trend rates were developed based on the Getzen trend rate model, version 2023_1f. The healthcare cost trend rate changed from 5.00% in 2022 to 5.79% for Medicare benefits and from 7.60% to 7.50% for non-Medicare benefits, then increasing in 2024 before decreasing in 2025, 2026 and 2027 to a blended rate of 4.77% in 2032 and additional decrease in 2042, 2052, 2062, 2072, and 2075.
3. For 2024 and 2023, the mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2021, with females set forward one year.
4. Participation rates, for 2024 and 2023:
 - 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 a Medicare Supplement 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 and reflect the migration of members to new plans.

	2024		2023	
	Retirement Age		Retirement Age	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	18%	0%	27%	0%
POS/PPO	72%	0%	63%	0%
HMO	10%	0%	10%	0%
Medicare Supplement	0%	96%	0%	96%
Medicare Advantage	0%	4%	0%	4%

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - 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, 2024 and 2023 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2024	2023	2024	2023
Global equity	36%	37%	4.90%	4.90%
Portfolio completion strategies	10%	10%	3.90%	3.80%
Core fixed income	15%	15%	2.10%	1.90%
Private equity	16%	16%	7.40%	7.40%
Value added fixed income	9%	8%	5.10%	5.10%
Real estate	10%	10%	3.70%	3.00%
Timber/natural resources	4%	4%	4.40%	4.30%
Total	100%	100%		

Discount Rate

The discount rates used to measure the OPEB liability as of June 30, 2024 and 2023 was 4.61% and 4.34%, respectively. This rate was based on a blend of the Bond Buyer Index rates of 3.93% and 3.65% as of the measurement date of June 30, 2024 and 2023, 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. Therefore, the long-term expected rate of return on plan investments of 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2024 and 2023, respectively.

Sensitivity Analysis

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 discount rate that is one-percentage-point lower or one percentage-point higher than the current discount rate:

	2024	2023
1% decrease to 3.61% for 2024 and 3.34% for 2023	\$ 13,378,026	\$ 13,429,202
Current discount rate 4.61% for 2024 and 4.34% for 2023	11,486,490	11,493,650
1% increase to 5.61% for 2024 and 5.34% for 2023	9,925,346	9,905,419

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity Analysis (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:

	2024	2023
1% decrease for Medical and EGWP and Administrative costs	\$ 9,642,710	\$ 9,630,806
Current cost trend rate as described on page 40	11,486,490	11,493,650
1% increase for Medical and EGWP and Administrative costs	13,805,743	13,850,033

23 - 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 2025 were \$7,473,127 and \$9,950,812, respectively. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2024 were \$7,048,966 and \$9,619,196, respectively.

24 - 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:

	2025	2024
Direct unrestricted appropriations	\$ 41,183,568	\$ 38,924,137
Fringe benefits for benefitted employees on state payroll	17,423,938	16,668,157
Tuition remitted	(412,279)	(379,533)
Total appropriations	\$ 58,195,227	\$ 55,212,761

A reconciliation between the University and MMARS fund 901 activity as of June 30, 2025 is as follows:

Revenue per MMARS	\$ 92,126,375
Revenue per University	92,126,454
Net reporting classification and differences	\$ (79)

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

25 - 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 \$291,031 and \$210,262 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024.

The University provides certain operating costs for WSF Real Estate, Inc. in exchange for 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 \$10,697 and \$85,497 during the years ended June 30, 2025 and 2024, respectively.

26 - 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, 2025 and 2024 are as follows:

	2025		2024	
	Residence Life and Housing	Health Services	Residence Life and Housing	Health Services
Total revenue	\$ 12,019,176	\$ 978,775	\$ 11,792,367	\$ 993,455
Total expenses	13,846,567	622,843	14,983,314	491,956
Increase (decrease) in net position before transfers	\$ (1,827,391)	\$ 355,932	\$ (3,190,947)	\$ 501,499

27 - 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.

DISCUSSION DRAFT 2/17/26

REQUIRED
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, 2025
(With Comparative Totals for 2016 through 2024)

	2025	2024	2023	2022	2021
University's proportion of the net pension liability	0.08%	0.08%	0.11%	0.15%	0.15%
University's proportion of the net pension liability	\$ 10,190,978	\$ 10,806,543	\$ 13,421,011	\$ 11,319,876	\$ 23,033,837
University's covered-employee payroll	\$ 5,900,631	\$ 6,936,263	\$ 8,039,088	\$ 9,176,617	\$ 10,458,847
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	172.71%	155.80%	166.95%	123.36%	220.23%
Plan fiduciary net position as a percentage of the total pension liability	72.90%	70.71%	71.05%	77.54%	62.48%
	2020	2019	2018	2017	2016
University's proportion of the net pension liability	0.14%	0.17%	0.15%	0.15%	0.18%
University's proportion of the net pension liability	\$ 19,332,813	\$ 20,564,468	\$ 18,014,320	\$ 18,674,184	\$ 18,901,770
University's covered-employee payroll	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835	\$ 11,013,323
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	153.90%	159.14%	158.91%	164.79%	171.63%
Plan fiduciary net position as a percentage of the total pension liability	66.28%	67.91%	67.21%	63.48%	67.87%

See accompanying independent auditor's report.

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

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2016 through 2024)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily required contribution*	\$ 1,090,146	\$ 1,087,817	\$ 1,290,957	\$ 1,290,289	\$ 1,450,748
Contributions in relation to the statutorily required contribution*	<u>1,090,146</u>	<u>1,087,817</u>	<u>1,290,957</u>	<u>1,290,289</u>	<u>1,450,748</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 5,900,631	\$ 6,936,263	\$ 8,039,088	\$ 9,176,617	\$ 10,458,847
Contributions as a percentage of covered-employee payroll	18.48%	15.68%	16.06%	14.06%	13.87%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution*	\$ 1,315,547	\$ 1,421,424	\$ 1,098,173	\$ 972,477	\$ 1,039,592
Contributions in relation to the statutorily required contribution*	<u>1,315,547</u>	<u>1,421,424</u>	<u>1,098,173</u>	<u>972,477</u>	<u>1,039,592</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835	\$ 11,013,323
Contributions as a percentage of covered-employee payroll	10.47%	11.00%	9.69%	8.58%	9.44%

*Annual contributions 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, 2016 THROUGH 2025

1 - CHANGES IN ACTUARIAL ASSUMPTIONS

The actuarial assumptions used as of the June 30, 2024 measurement date included a change in the interest rate credit to the annuity savings fund from 3.50% in 2023 to 4.76% for 2024.

The actuarial assumptions used as of the June 30, 2023 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-2021 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-2021 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-2021 and set forward one year.

The actuarial assumptions used as of the June 30, 2022 measurement date included a change in the inflation rate from 0.00% in 2021 to 2.50% for 2022.

The actuarial assumptions used as of the June 30, 2021 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-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.

The actuarial assumptions used as of the June 30, 2021 measurement date included a change in the investment rate of return from 7.15% in 2020 to 7.00% for 2021.

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%.

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, 2016 THROUGH 2025
(Continued)

1. CHANGES IN ACTUARIAL ASSUMPTIONS (Continued)

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).

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, 2025
(With Comparative Totals for 2017 through 2024)

	2025	2024	2023	2022	2021
University's proportion of the net OPEB liability	0.09%	0.09%	0.13%	0.13%	0.15%
University's proportion of the net OPEB liability	\$ 11,486,490	\$ 11,493,650	\$ 16,890,216	\$ 19,875,075	\$ 29,639,150
University's covered-employee payroll	\$ 5,900,631	\$ 6,936,263	\$ 8,039,088	\$ 9,176,617	\$ 10,458,847
University's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	194.67%	165.70%	210.10%	216.58%	283.39%
Plan fiduciary net position as a percentage of the total OPEB liability	15.60%	13.80%	13.00%	10.70%	6.40%
	2020	2019	2018	2017	
University's proportion of the net OPEB liability	0.21%	0.25%	0.21%	0.18%	
University's proportion of the net OPEB liability	\$ 36,445,632	\$ 44,998,975	\$ 35,037,942	\$ 33,225,679	
University's covered-employee payroll	\$ 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	290.13%	348.23%	309.07%	293.21%	
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2025
(With Comparative Totals for 2017 through 2024)

	2025	2024	2023	2022	2021
Statutorily required contribution*	\$ 511,401	\$ 474,061	\$ 644,941	\$ 677,546	\$ 751,524
Contributions in relation to the statutorily required contribution*	511,401	474,061	644,941	677,546	751,524
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 5,900,631	\$ 6,936,263	\$ 8,039,088	\$ 9,176,617	\$ 10,458,847
Contributions as a percentage of covered-employee payroll	8.67%	6.83%	8.02%	7.38%	7.19%
	2020	2019	2018	2017	
Statutorily required contribution*	\$ 959,290	\$ 1,076,188	\$ 882,031	\$ 745,202	
Contributions in relation to the statutorily required contribution*	959,290	1,076,188	882,031	745,202	
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
University's covered-employee payroll	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835	
Contributions as a percentage of covered-employee payroll	7.64%	8.33%	7.78%	6.58%	

*Annual contributions 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, 2017 THROUGH 2025

1 - CHANGES IN ACTUARIAL ASSUMPTIONS

The actuarial assumptions used as of the June 30, 2024 measurement date included a change in the annual healthcare cost trend rates used to measure the OPEB liability, developing such rates based on the SOA-Getzen trend rate model, version 2024_1b. The healthcare cost trend rate changed from 5.79% in 2023 to 5.35% for Medicare benefits and from 7.50% to 7.42% for non-Medicare benefits, then increasing in 2025 before decreasing in 2026, 2027 and 2028 to a blended rate of 4.87% in 2033 and additional decrease in 2043, 2053, 2063, 2073, and 2075.

The actuarial assumptions used as of the June 30, 2024 measurement date included a change in participant rates whereby in 2023 actives under age 65 taking coverage were assumed to have indemnity (27%), POS/PPO (63%) or HMO (10%) have been adjusted in 2024 to indemnity (18%), POS/PPO (72%) or HMO (10%).

The actuarial assumptions used as of the June 30, 2023 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, version 2023_1f. The healthcare cost trend rate changed from 5.00% in 2022 to 5.79% in 2023 for Medicare benefits and from 7.60% in 2022 to 7.50% in 2023 for non-Medicare benefits, then increasing in 2024 before decreasing in 2025, 2026 and 2027 to a blended rate of 4.77% in 2032 and additional decrease in 2042, 2052, 2062, 2072, and 2075.

The actuarial assumptions used as of the June 30, 2023 measurement date included a change in mortality rates. As of this date, mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2021 and set forward one year for females.

The actuarial assumptions used as of the June 30, 2023 measurement date included a change in participant rates whereby in 2022 actives under age 65 taking coverage were assumed to have indemnity (28%), POS/PPO (62%) or HMO (10%) have been adjusted in 2023 to indemnity (27%), POS/PPO (63%) or HMO (10%).

The actuarial assumptions used as of the June 30, 2023 measurement date included a change in participant rates whereby in 2022 actives over age 65 taking coverage were assumed to have indemnity (96%) or HMO (4%) have been adjusted in 2023 to Medicare Supplement (96%) or Medicare Advantage (4%).

The actuarial assumptions used as of the June 30, 2022 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, version 2022_f4. The healthcare cost trend rate changed from 4.40% in 2021 to 5.00% in 2022 for Medicare benefits and from 7.3% in 2021 to 7.60% in 2022 for non-Medicare benefits, then increasing in 2023 and 2024 before decreasing in 2025 and 2026 to a blended rate of 4.97% in 2031 and additional decrease in 2041, 2051, 2061, 2071, and 2075. The Getzen trend rate model also assumes inflation of 2.5%, real GDP growth of 1.4% and excess medical growth of 1.1%.

The actuarial assumptions used as of the June 30, 2022 measurement date included a change in participant rates whereby in 2021 actives under age 65 taking coverage were assumed to have indemnity (28%), POS/PPO (60%) or HMO (12%) have been adjusted in 2022 to indemnity (28%), POS/PPO (62%) or HMO (10%).

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, 2017 THROUGH 2025
(Continued)

1 - CHANGES IN ACTUARIAL ASSUMPTIONS (Continued)

The actuarial assumptions used as of the June 30, 2021 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, version 2021_b. The healthcare cost trend rate changed from 4.9% in 2020 to 4.4% for Medicare benefits and from 6.7% in 2020 to 7.3% in 2021 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%.

The actuarial assumptions used as of the June 30, 2021 measurement date included a change in discount rate used to measure the OPEB liability. 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 actuarial assumptions used as of the June 30, 2021 measurement date included a change in the long-term expected rate of return on plan investments from 7.15% to 7.00%.

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, 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%.

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.

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, 2017 THROUGH 2025
(Continued)

1 - CHANGES IN ACTUARIAL ASSUMPTIONS (Continued)

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%.

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.

DISCUSSION DRAFT 2/17/26

SUPPLEMENTAL SCHEDULE
PURSUANT TO THE UNIFORM GUIDANCE

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U. S. Department of Education:				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 239,523
Federal Work-Study Program	84.033	N/A	-	210,143
Federal Perkins Loans	84.038	N/A	-	269,517
Federal Pell Grant Program	84.063	N/A	-	9,734,415
Federal Direct Student Loans	84.268	N/A	-	17,570,778
Teacher Education Assistance for College and Higher Education Grants	84.379	N/A	-	1,886
Total Student Financial Assistance Cluster			-	28,026,262
Fund for the Improvement of Postsecondary Education	84.116Z	N/A	-	106,490
School Safety National Activities	84.184	N/A	-	2,254
Total U. S. Department of Education			-	28,135,006
National Science Foundation:				
Passed through Trustees of Clark University				
Computer and Information Science and Engineering	47.050	2A363-7531	-	16,653
STEM Education (formerly Education and Human Resources)				
Direct Award	47.076	N/A	-	109,557
Passed through Massachusetts Department of Higher Education		ISARGT70661575WOR23A	-	49,882
Total National Science Foundation			-	176,092
National Endowment for the Humanities:				
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	43.001	N/A	-	17,895
U.S. Department of Commerce:				
Congressionally Identified Awards and Projects	11.469	N/A	-	24,668
Total Expenditures of Federal Awards			\$ -	\$ 28,353,661

See accompanying independent auditor's report and notes to schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - BASIS OF PRESENTATION

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

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and departments of the federal government.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect cost rate

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

3 - FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The University did not make any new loans during 2025. The balance of loans outstanding at June 30, 2025 consists of:

	<u>Outstanding Balance as of June 30, 2025</u>
Federal Assistance Listing Number 84.038	
Perkins Loan Program	\$ 259,954

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

3 - FEDERAL STUDENT LOAN PROGRAMS (Continued)

Federally-guaranteed loans issued to students of the University during the year ended June 30, 2025 are summarized as follows:

	<u>Disbursements for the year ended June 30, 2025</u>
Federal Assistance Listing Number 84.268	
Federal Direct Student Loans	\$ 17,570,778

The University is only responsible for the performance of certain administrative duties with respect to federally-guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the University's general purpose financial statements. It is not practical to determine the balance of loans outstanding to students and former students of the University as of June 30, 2025.

4 - ADMINISTRATIVE COST ALLOWANCES

The Student Financial Assistance Administrative Cost Allowances for the year ended June 30, 2025 are as follows:

Federal Supplemental Educational Opportunity Grants	\$ 14,616
Federal Work-Study Program	13,119
Federal Pell Grant Program	9,040

DISCUSSION DRAFT 2/17/26

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

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 (an agency of the Commonwealth of Massachusetts) (the "University"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated _____, 2026.

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 have not been identified.

Report on Compliance and Other Matters

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

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
_____, 2026

DISCUSSION DRAFT 2/17/26

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

Board of Trustees
Worcester State University

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

(Continued)

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Worcester, Massachusetts
_____, 2026

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

Yes No

Identification of major programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

Student Financial Assistance Cluster:

84.007

Federal Supplemental Educational Opportunity Grants

84.033

Federal Work-Study Program

84.038

Federal Perkins Loans

84.063

Federal Pell Grant Program

84.268

Federal Direct Student Loans

84.379

Teacher Education Assistance for College and Higher Education Grants

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

\$750,000

Auditee qualified as low-risk auditee?

Yes No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025
(Continued)

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

As disclosed in Section I, the audit of the basic financial statements of Worcester State University as of and for the year ended June 30, 2025, disclosed no matters involving the internal control over financial reporting and its operations that are considered to be significant deficiencies or material weaknesses.

B. Compliance Findings

As disclosed in Section I, the audit disclosed no instances of noncompliance which are material to the financial statements of Worcester State University as of and for the year ended June 30, 2025.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Compliance

No matters were reported as of and for the year ended June 30, 2025.

B. Compliance Findings

No matters were reported as of and for the year ended June 30, 2025.

DISCUSSION DRAFT 2/17/26

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2025

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs, and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.

DISCUSSION DRAFT 2/17/26