

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

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

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

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2022

C O N T E N T S

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-16
Financial Statements:	
Statement of Net Position	17
Statement of Revenues and Expenses and Change in Net Position	18
Statement of Cash Flows	19-20
Notes to the Financial Statements	21-57
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability (Unaudited)	58
Schedule of Contributions – Pension (Unaudited)	59
Notes to the Required Supplementary Information – Pension (Unaudited)	60-62
Schedule of Proportionate Share of Net OPEB Liability (Unaudited)	63
Schedule of Contributions – OPEB (Unaudited)	64
Notes to the Required Supplementary Information – OPEB (Unaudited)	65-67

Supplemental Information:

Schedule of Net Position - Dormitory Trust Fund Report (Unaudited) 68

Schedule of Revenues, Expenses and Changes in Net
Position - Dormitory Trust Fund Report (Unaudited) 69

**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*** 70-71



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit, of Westfield State University (the "University"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the University adopted new accounting guidance, *GASB Statement Number 87, Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 generally accepted auditing standards in the United States of America 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 generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

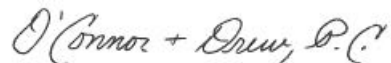
financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 12, 2022

WESTFIELD STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Introduction

The following discussion and analysis provides an overview of the financial position and results of operations of Westfield State University (the "University") for the fiscal year ended June 30, 2022. This discussion has been prepared by management along with the financial statements and footnotes. Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the basic financial statements and notes thereto. The financial statements, footnotes and this discussion are the responsibility of management.

Westfield State University is a comprehensive public institution of higher learning with approximately 4,400 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers undergraduate majors in both the traditional arts and sciences and in professional fields with multiple options for discipline-specific or interdisciplinary minors and concentrations. The University also offers several graduate-level degree and certificate programs. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State University to providing quality educational programs.

Financial Highlights

- The University's financial position increased significantly during the fiscal year ended June 30, 2022, with a \$12.4 million or 24.4% increase in total net position. Net position, which represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows of resources are deducted, increased to \$62.9 million in 2022. The increase was largely related to the one-time Federal grant funds (HEERF and FEMA) in the amount of \$5.8 million, \$4.9 million in pension and OPEB expense reductions, and \$3.8 million in salary and fringe savings due to vacant positions and savings on fringe due to additional state appropriation revenue. Overall budget underspending offset with a \$2.8 million investment loss and a \$3.3 million increase in GASB 87 adjustments are responsible for the remaining change in financial position.
- Expenses incurred during fiscal year 2022 totaled \$127.7 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$140.1 million resulting in an increase in net position of \$12.4 million.
- In June 2017, GASB issued Statement 87 *Leases*. This statement is effective for fiscal years beginning after June 15, 2021. During the fiscal year June 30, 2022, the University implemented GASB 87. With the new reporting change, upon implementation, the University recognized \$112,680,686 in right of use assets and lease liabilities on their statement of net position from leases categorized as operating leases.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

**GASB No. 68 – Accounting and Financial Reporting For Pensions and GASB No. 75 –
Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, established standards for how governmental employers (and other entities) that contribute to state and local pension plans report liabilities and plan details on their financial statements. GASB 68 and its required disclosures were implemented in fiscal year 2015. GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. The tables below show the financial statement impact of GASB 68 and GASB 75 in fiscal year 2022:

	2022		
	Pension	OPEB	Total
Statement of Net Position (Balance Sheet)			
Deferred outflows (like an Asset)	\$ 5,379,979	\$ 10,507,950	\$ 15,887,929
Net liability (Non-Current Liability)	(21,788,225)	(38,255,065)	(60,043,290)
Deferred inflows (like a Liability)	(16,421,528)	(38,140,936)	(54,562,464)
Net position	\$ (32,829,774)	\$ (65,888,051)	\$ (98,717,825)
Statement of Revenues and Expenses			
Pension expense, net of subsequent contributions	\$ (2,055,384)	\$ -	\$ (2,055,384)
OPEB expense, net of subsequent contributions	-	(2,839,986)	(2,839,986)
Total	\$ (2,055,384)	\$ (2,839,986)	\$ (4,895,370)

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

GASB No. 68 – Accounting and Financial Reporting For Pensions and GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Continued

The required reporting of the pension and OPEB liability on the financial statements of the University reduced the unrestricted net position as follows:

Effect of GASB 68 and GASB 75 on Unrestricted Net Position

	Without Pension/OPEB	Pension/ OPEB Adjustment	With Pension/OPEB
Unrestricted net position, June 30, 2021	\$ 66,418,882	\$ (103,613,195)	\$ (37,194,313)
Change in unrestricted net position for 2022	<u>6,446,508</u>	<u>4,895,370</u>	<u>11,341,878</u>
Unrestricted net position, June 30, 2022	<u>\$ 72,865,390</u>	<u>\$ (98,717,825)</u>	<u>\$ (25,852,435)</u>

The combined impact of the pension and OPEB liabilities for fiscal year 2022 is a reduction in unrestricted net position of \$98.7 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements. Westfield State University's basic financial statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of Westfield State University's finances in a manner similar to a private-sector university. The University's financial report includes three financial statements: the *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position* and the *Statement of Cash Flows*.

These statements have been prepared in accordance with Government Accounting Standards Board (GASB) principles. These principles establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the institution. A description of the financials is as follows:

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Overview of the Financial Statements - Continued

The Westfield State Foundation, Inc. (the 'Foundation'), a component unit of the University, is an independent not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes for the benefit of the University. The financial information of the Foundation has been discretely presented and included within these financial statements because of the nature and significance of its relationship with the University. Complete financial statements for the Foundation can be obtained from its administrative office in Westfield, Massachusetts.

The *Statement of Net Position* presents the financial position of the University at the end of the fiscal year and include all assets and deferred outflows of resources less liabilities and deferred inflows of resources of the University. The difference between these amounts, net position, is one indicator of the current financial position of the University, while the change in net position serves as a useful indicator of whether the financial position of the University is improving or deteriorating.

The *Statement of Revenues, Expenses & Changes in Net Position* presents the University's results of operations and other non-operating revenues, and how the University's net position changed during the most recent fiscal year.

The *Statement of Cash Flows* provides additional information about the University's financial results by reporting the major sources and uses of cash. Government Accounting Standards Board (GASB) Statements 34 and 35 require that the direct method be used to prepare this statement. The direct method of cash flow reporting portrays the net cash flow from operations by major categories of operating receipts and disbursements.

The financial statements can be found on pages 17-20 of this financial report.

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 21-57 of this financial report.

Other Information

In addition to the financial statements and accompanying footnotes, this financial report also contains certain required supplementary information concerning the University's Building Authority trust fund. This supplementary information can be found on pages 68-69 of this financial report.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Financial Analysis of the University

The University's total net position for fiscal year 2022 increased by \$12.4 million or 24.4%. A summary of the University's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, is presented below:

<u>Assets</u>	<u>2022</u>	<u>2021*</u>
Current Assets	\$ 90,956,152	\$ 83,501,867
Capital Assets, net	218,664,968	107,430,822
Other Non-current assets	5,454,399	7,997,107
Total Assets	<u>315,075,519</u>	<u>198,929,796</u>
Deferred Outflows of Resources	18,100,939	30,131,439
Total Assets and Deferred Outflows	<u>\$ 333,176,458</u>	<u>\$229,061,235</u>
 <u>Liabilities</u>		
Current Liabilities	\$ 24,710,995	\$ 21,826,344
Non-current Liabilities	190,359,602	126,005,107
Total Liabilities	<u>215,070,597</u>	<u>147,831,451</u>
Deferred Inflows of Resources	55,170,277	30,651,398
 <u>Net Position</u>		
Investment in Capital Assets, net	87,635,910	86,891,380
Restricted: Expendable	1,152,109	881,319
Unrestricted	(25,852,435)	(37,194,313)
Total Net Position	<u>62,935,584</u>	<u>50,578,386</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 333,176,458</u>	<u>\$229,061,235</u>

** The assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net assets for the year ended June 30, 2021 do not reflect the implementation of GASB 87, Leases, which was adopted as of July 1, 2021.*

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Financial Analysis of the University – Continued

Total assets in fiscal year 2022 increased by \$116.1 million or 58.4% over the prior year due to an increase in cash and equivalents (\$12.6 million) and capital assets (\$111.2 million), offset by decreases in investments (\$2.9 million), other assets (\$0.1 million) and accounts receivable (\$4.7 million). Total liabilities in fiscal year 2022 increased by \$67.2 million or 45.4% over the prior year mostly due to the implementation of GASB 87 (\$110.5 million) and the significant decrease in the net pension and net OPEB liabilities (\$41.0 million). The \$12.0 million decrease in deferred outflows of resources and the \$24.6 million increase in deferred inflows of resources was due to the adjustments related to the fiscal year 2022 pension and OPEB activity.

A condensed summary of the Statements of Revenues and Expenses for the years ended June 30 is as follows:

<u>Operating Revenues</u>	<u>2022</u>	<u>2021*</u>
Tuition and fees	\$ 49,972,964	\$ 53,243,430
Residence and dining fees	21,508,596	8,590,132
Less: scholarships and fellowships	(10,975,319)	(10,236,061)
Federal, state, and private grants	13,299,863	12,905,962
Other sources	1,808,703	1,398,148
Total Operating Revenues	<u>75,614,807</u>	<u>65,901,611</u>
 <u>Operating Expenses</u>		
Compensation and benefits	80,820,501	78,067,948
Supplies and services	23,531,943	24,458,428
Depreciation	11,208,763	5,242,275
Scholarships	10,875,532	5,821,909
GASB 68 pension expense, net of subsequent contribution	(2,055,384)	4,071,463
GASB 75 OPEB expense, net of subsequent contributions	(2,839,986)	947,435
Total Operating Expenses	<u>121,541,369</u>	<u>118,609,458</u>
 <u>Non-Operating Revenues (Expenses):</u>		
State appropriations, net	\$ 46,984,608	\$ 41,889,628
Federal grants	15,049,297	8,196,599
Other revenue - MSCBA	610,518	-
Net investment income	(2,718,759)	4,826,460
Loss on disposal of assets	(10,275)	(4,602)
Interest expense	(6,184,496)	(568,675)
Total Net Non-Operating Revenues	<u>53,730,893</u>	<u>54,339,410</u>
State capital appropriations	4,552,867	8,169,150
Increase in net position	<u>\$ 12,357,198</u>	<u>\$ 9,800,713</u>

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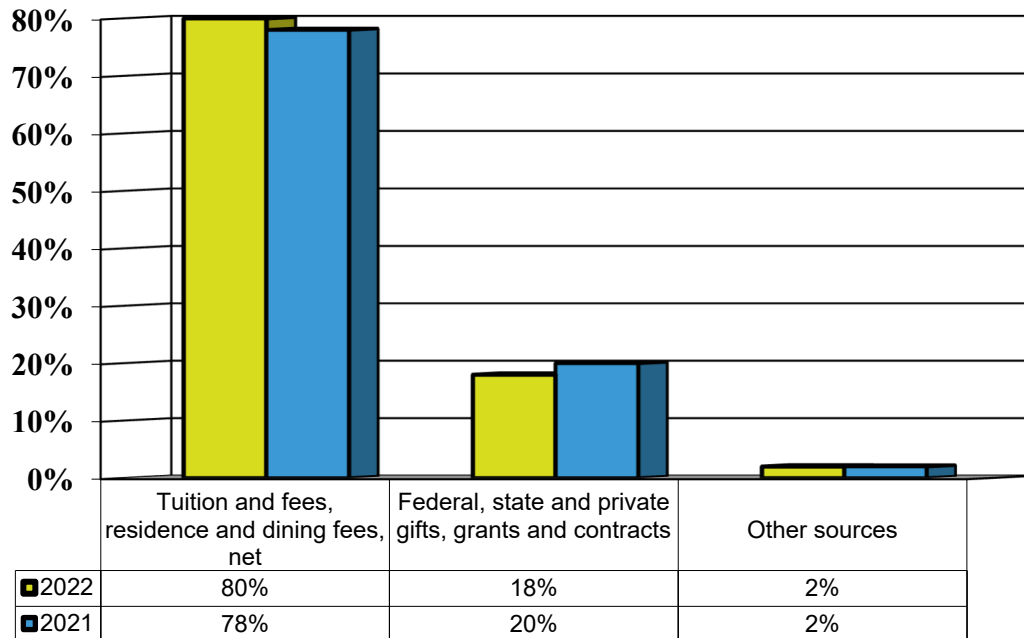
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Financial Analysis of the University - Continued

The following is a graphic illustration of operating revenues by source, as a percent of total operating revenue, which were used to fund the University’s operating activities for the years ended June 30, 2022 and 2021.

Operating Revenues by Source



The University’s operating revenues consist primarily of tuition and fee revenues and residence and dining fee revenues. Tuition and fees revenue decreased \$3.3 million or 6.1% during the fiscal year ended June 30, 2022. The decrease was due to an enrollment decline of 280 students (\$3.0 million impact) combined with a decrease in graduate and continuing education tuition and fees of \$0.5 million offset by a revenue increase in other fee revenue of \$0.2 million.

Residence and dining fee revenue generated by the auxiliary operations of the University’s food service and building authority trust funds was \$21,508,596 and \$8,590,132, for the years ended June 30, 2022 and 2021. The significant increase in revenues for the year ended June 30, 2022 in the amount of \$12,918,464 or 150.4%, is the result of the increase in the number of students residing on campus post-pandemic.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

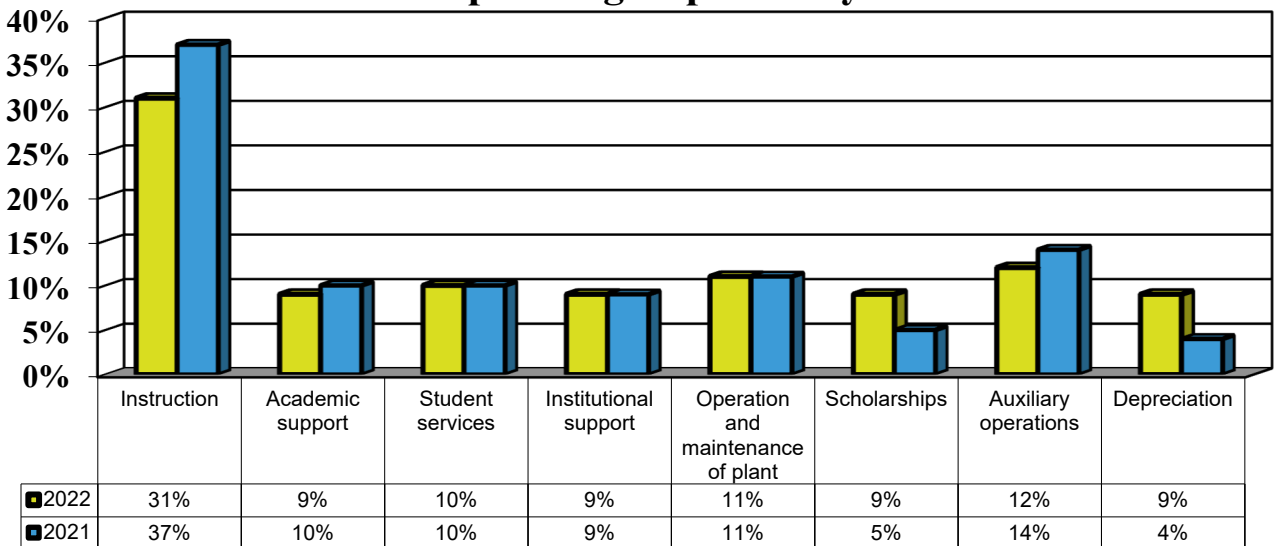
Financial Analysis of the University - Continued

Tuition and fees received by the University include the following at June 30:

	<u>2022</u>	<u>2021</u>
Tuition	\$16,147,861	\$16,773,029
Student Fees:		
General fees	29,649,610	32,223,451
Student activity fees	1,019,677	995,119
Capital improvement fees	321,620	349,570
Technology fees	2,550,116	2,773,752
Miscellaneous fees	284,080	128,509
Total	<u>\$49,972,964</u>	<u>\$53,243,430</u>

The following is a graphic illustration of operating expenses by function, shown as a percent of total operating expense, for the years ended June 30, 2022 and 2021.

Operating Expenses by Function



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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Financial Analysis of the University - Continued

A summary of the University's expenses by functional classification for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021*</u>
Instruction	\$ 37,241,933	\$ 43,207,570
Public service	314,857	390,670
Academic support	10,664,859	12,218,690
Student services	12,754,482	12,176,778
Institutional support	10,327,307	10,813,707
Operation and maintenance of plant	13,609,893	12,777,874
Scholarships and fellowships	10,875,532	5,821,909
Auxiliary operations	14,543,743	15,959,985
Depreciation and amortization	11,208,763	5,242,275
Total	<u>\$ 121,541,369</u>	<u>\$ 118,609,458</u>

The University's total operating expenses increased during fiscal year ended June 30, 2022 by \$2.9 million or 2.5%. The increase in fiscal year 2022 is attributable to several factors, the most significant of which are: the implementation of GASB 87, Leases. The debt service payments to the MSCBA had previously been expensed as incurred and now are amortized and considered interest expense (\$3.3 million impact), scholarship expense increase of \$5.1 million from Federal HEERF funds, compensation and fringe net increase of \$2.6 million due to collective bargaining increases, a \$1.0 million increase in utilities, and a \$0.9 million increase in other operating expenses. These increases are offset by a significant decrease in OPEB and pension expense of \$9.9 million.

A condensed summary of the Statements of Cash Flows for years ended June 30, is as follows:

	<u>2022</u>	<u>2021</u>
Cash received from operating activities	\$ 99,178,025	\$ 89,053,958
Cash expenses for operating activities	<u>(126,716,334)</u>	<u>(118,354,076)</u>
Net cash applied to operating activities	(27,538,309)	(29,300,118)
Net cash provided by non-capital financing activities	52,868,725	35,708,171
Net cash provided by (applied to) capital financing activities	(12,884,565)	149,965
Net cash provided by investing activities	<u>109,350</u>	<u>1,072,367</u>
Net increase in cash and equivalents	12,555,201	7,630,385
Cash and equivalents - beginning of year	59,578,379	51,947,994
Cash and equivalents - end of year	<u>\$ 72,133,580</u>	<u>\$ 59,578,379</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Financial Analysis of the University - Continued

The University's liquidity increased during the year ended June 30, 2022 with a \$12,555,201 increase in cash and equivalents. The following discussion further amplifies the overview of cash flows presented above.

During the year ended June 30, 2022, the University's net cash applied to operating activities decreased by \$1.8 million over the prior year. This was due to a reclassification of the MSCBA assessments from operating expenses to non-operating interest expense. Net cash provided by non-capital financing activities increased by \$17.2 million due to an increase in federal grant funding (HEERF and FEMA) of \$13.7 million and an increase in state appropriation of \$3.5 million. Net cash applied to capital financing activities increased by \$13 million mainly due to the reclassification of the MSCBA assessments from operating to interest expense, along with the principal payments on the lease liability. Also, an increase in capital asset purchases of \$3.0 million offset by a decrease in state capital appropriation of \$2.4 million. The \$1.0 million decrease in net cash provided by investing activities was due to the decrease in purchase of investments of \$4.8 million offset by a decrease in proceeds from the sales of investments of \$5.8 million.

Loss from Operations

The following table presents the University's incurred losses from operations and its net non-operating revenues for the fiscal years ended June 30, 2022, and 2021.

	<u>2022</u>	<u>2021*</u>
Operating revenues, net	\$ 75,614,807	\$ 65,901,611
Operating expenses	<u>(121,541,369)</u>	<u>(118,609,458)</u>
Operating loss	<u>(45,926,562)</u>	<u>(52,707,847)</u>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	46,984,608	41,889,628
Net investment income	(2,718,759)	4,826,460
Loss on disposal of assets	(10,275)	(4,602)
Other revenues	15,659,815	8,196,599
Other expenses	(6,184,496)	(568,675)
Capital appropriations	<u>4,552,867</u>	<u>8,169,150</u>
Net non-operating revenues	<u>58,283,760</u>	<u>62,508,560</u>
Increase in net position	<u>\$ 12,357,198</u>	<u>\$ 9,800,713</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Loss from Operations – Continued

Due to the nature of accounting for appropriations as non-operating revenues in accordance with GASB principles, the University incurred a loss from operations. The Commonwealth's Department of Higher Education establishes tuition rates while the University sets fees and other charges. The University, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

The \$4.2 million decrease in net non-operating revenues during fiscal year 2022 is partly attributable to reclassifying MSCBA payments from operating expenses as assessment expense to amortization and interest expense for the right of use assets and liabilities in accordance with the implementation of GASB 87. Because of this, approximately \$5.5 of interest expense has been recorded for FY22. An increase in other revenues of \$7.5 million (mostly HEERF/FEMA grant funding) combined with a \$5.1 million increase in net state appropriation were offset by decreases in net investment income of \$7.6 million and state capital appropriation revenue in the amount of \$3.6 million.

Capital Assets

A summarized comparison of the University's capital asset categories at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021*</u>
Land and improvements	\$ 7,982,420	\$ 7,896,131
Construction-in-progress	22,926,166	16,047,808
Building and improvements	147,234,241	145,684,227
Equipment and furnishings	24,801,954	27,626,480
Library books	7,472,985	7,451,006
Vehicles	1,085,396	1,088,721
Leased equipment	1,096,451	-
Leased real estate	112,402,898	-
Total	<u>325,002,511</u>	<u>205,794,373</u>
Less: accumulated depreciation	<u>(106,337,543)</u>	<u>(98,363,551)</u>
Capital assets, net	<u>\$ 218,664,968</u>	<u>\$ 107,430,822</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Capital Assets – Continued

As of June 30, 2022, the University's investment in capital assets, net of accumulated depreciation and amortization, was \$218,664,968. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, library books, and right of use leased equipment and real estate. Capital assets increased by \$111.2 million or 103.5%* during fiscal year ended June 30, 2022. The increase was the result of the implementation of GASB 87, and also capital additions outpacing depreciation expense. In fiscal year 2022, the University increased its fixed asset capitalization threshold from \$40,000 to \$50,000 in order to be consistent with other Commonwealth agencies. This change will result in the University recognizing more non-capital expenses in the year the assets are purchased rather than spreading the costs over multiple years.

Capital additions, not related to the implementation of GASB 87, during fiscal year ended June 30, 2022 amounted to \$8,953,835.

Major additions include \$7.6 million in construction in progress for the renovation of Parenzo Hall (\$5.4 million), the installation of sprinklers in Wilson Hall (\$1.8 million) and other building upgrades (\$0.4 million). Other additions include \$0.5 million for replacement of the floor in the dining commons and \$0.7 million in HVAC upgrades.

Looking Ahead

The University welcomed a new President on July 1, 2021. Dr. Thompson completed her first year learning more about Westfield State, hosting open office hours, meeting with departments and divisions and beginning to set a refined vision for the University.

The President has carried forward the major goals in the current campus strategic plan and reported on progress regularly with the Board of Trustees at each quarterly meeting. The University is also moving forward with new initiatives to support revenue growth and design thinking innovation programs to foster new ideas and strategies to move the campus forward.

Enrollment stability remains an ongoing challenge at the University and the ability to adapt to changing enrollment patterns will be critical for Westfield's success. A 3-year Glide Path strategy has been developed to allow more time for program development and revenue enhancements which relies on combinations of financial strategies to stabilize campus resources.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022 and 2021

Looking Ahead - Continued

Further, the campus is updating the 5-year Financial Forecast in FY23 to advance long range financial planning and decision making at the University. It is expected that new investments in marketing, branding and advertising will be made to support various recruitment and retention initiatives.

The 10-year accreditation process is well underway with a spring 2023 visit scheduled with the NECHE Regional accreditation organization. A significant amount of effort is being dedicated to this important self-reflecting process.

The Board of Higher Education, in partnership with the Department of Education, has launched an effort to review how state appropriation funds may be allocated in the future. The work is being led by a consulting group, EY Parthenon, whose report is expected in fall 2022. Given the shift in statewide political and administrative leadership, it is unclear what effect this assessment will have on colleges and universities.

Requests for Information

This financial report is designed to provide a general overview of Westfield 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: Vice President of Administration and Finance, 333 Western Avenue, Westfield, Massachusetts 01085.

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

Statement of Net Position

June 30, 2022

Assets and Deferred Outflow of Resources

	<u>Westfield State University</u>	<u>Component Unit</u>
Current Assets:		
Cash and equivalents	\$ 63,775,384	\$ 1,506,950
Cash held by State Treasurer	4,360,692	-
Deposits held by State Treasurer	2,597,504	-
Deposits held by MSCBA	1,400,000	-
Short-term investments	16,269,440	-
Accounts receivable, net	2,393,599	239,213
Perkins loans receivable, net	105,954	-
Other current assets	<u>53,579</u>	<u>16,165</u>
Total Current Assets	<u>90,956,152</u>	<u>1,762,328</u>
Non-Current Assets:		
Debt service reserve	721,876	-
Investments	4,659,543	14,261,061
Perkins loans receivable, net	72,980	-
Capital assets, net	<u>218,664,968</u>	<u>407,421</u>
Total Non-Current Assets	<u>224,119,367</u>	<u>14,668,482</u>
Total Assets	<u>315,075,519</u>	<u>16,430,810</u>
Deferred Outflows of Resources:		
Loss on bond refunding	2,213,010	-
Pension related, net	5,379,979	-
OPEB related, net	<u>10,507,950</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>18,100,939</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 333,176,458</u>	 <u>\$ 16,430,810</u>

The accompanying notes are an integral part of the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Westfield State University	Component Unit
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 3,447,283	\$ 2,459
Accrued salaries, wages and benefits	6,087,274	-
Compensated absences	4,455,778	-
Accrued workers' compensation	207,764	-
Student deposits and unearned revenue	3,071,167	21,325
Current portion of notes payable	82,590	-
Current portion of bonds payable	1,159,691	-
Current portion of lease liability	5,459,236	-
Other liabilities	<u>740,212</u>	<u>294,224</u>
Total Current Liabilities	<u>24,710,995</u>	<u>318,008</u>
Non-Current Liabilities:		
Compensated absences	2,081,823	-
Accrued workers' compensation	1,515,678	-
Grants refundable	267,395	-
Notes payable	173,398	-
Bonds payable	21,273,115	-
Lease liability	105,004,903	-
Net pension liability	21,788,225	-
Net OPEB liability	<u>38,255,065</u>	<u>-</u>
Total Non-Current Liabilities	<u>190,359,602</u>	<u>-</u>
Total Liabilities	<u>215,070,597</u>	<u>318,008</u>
Deferred Inflows of Resources:		
Gain on bond refunding	217,029	-
Gain on lease modification	390,784	-
Pension related, net	16,421,528	-
OPEB related, net	<u>38,140,936</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>55,170,277</u>	<u>-</u>
Net Position:		
Net investment in capital assets	87,635,910	407,421
Restricted for:		
Expendable	1,152,109	7,753,407
Non-expendable	-	7,825,980
Unrestricted	<u>(25,852,435)</u>	<u>125,994</u>
Total Net Position	<u>62,935,584</u>	<u>16,112,802</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 333,176,458</u>	<u>\$ 16,430,810</u>

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2022

	<u>Westfield State University</u>	<u>Component Unit Foundation</u>
Operating Revenues:		
Tuition and fees	\$ 49,972,964	\$ -
Residence and dining fees	21,508,596	-
Less: scholarships and fellowships	<u>(10,975,319)</u>	<u>-</u>
Net tuition and fees	60,506,241	-
Federal grants and contracts	7,845,925	-
State grants and contracts	4,604,551	-
Private grants and contracts	849,387	1,923,249
Public service	283,467	-
Other sources	<u>1,525,236</u>	<u>70,829</u>
Total Operating Revenues	<u>75,614,807</u>	<u>1,994,078</u>
Operating Expenses:		
Instruction	37,241,933	-
Public service	314,857	-
Academic support	10,664,859	49,621
Student services	12,754,482	-
Institutional support	10,327,307	736,620
Operation and maintenance of plant	13,609,893	-
Scholarships and fellowships	10,875,532	577,822
Auxiliary operations	14,543,743	-
Depreciation and amortization	<u>11,208,763</u>	<u>9,755</u>
Total Operating Expenses	<u>121,541,369</u>	<u>1,373,818</u>
Operating (Loss) Income	<u>(45,926,562)</u>	<u>620,260</u>
Non-Operating Revenues (Expenses):		
State appropriations, net	46,984,608	-
Federal grants	15,049,297	-
Other revenue - MSCBA	610,518	-
Loss on disposal of capital assets	(10,275)	-
Investment income, net of expenses	(2,718,759)	(2,446,140)
Interest expense	<u>(6,184,496)</u>	<u>-</u>
Net Non-Operating Revenues (Expenses)	<u>53,730,893</u>	<u>(2,446,140)</u>
Increase (Decrease) in Net Position Before Other Revenues	7,804,331	(1,825,880)
Capital appropriations	<u>4,552,867</u>	<u>-</u>
Increase (Decrease) in Net Position	12,357,198	(1,825,880)
Net Position, at Beginning of Year	<u>50,578,386</u>	<u>17,938,682</u>
Net Position, at End of Year	<u>\$ 62,935,584</u>	<u>\$ 16,112,802</u>

The accompanying notes are an integral part of the financial statements.

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

Statement of Cash Flows

For the Year Ended June 30, 2022

	<u>Westfield State University</u>
Cash Flows from Operating Activities:	
Tuition and fees	\$ 37,934,268
Residence and dining fees	18,216,000
Grants and contracts	14,208,777
Payments to suppliers	(25,661,062)
Payments to employees	(67,427,109)
Payments to students	(6,571,937)
Direct lending receipts	27,056,226
Direct lending disbursements	(27,056,226)
Collections of loans to students	91,130
Other receipts	<u>1,671,624</u>
Net Cash Applied to Operating Activities	<u>(27,538,309)</u>
Cash Flows from Non-Capital Financing Activities:	
State appropriation	35,246,411
Tuition remitted to state	(1,180,412)
Federal grants	<u>18,802,726</u>
Net Cash Provided by Non-Capital Financing Activities	<u>52,868,725</u>
Cash Flows from Capital Financing Activities:	
Capital appropriations	1,240,757
Proceeds from sale of bonds	1,422,412
Purchases of capital assets	(5,980,488)
Principal paid on notes payable	(61,959)
Interest paid on notes payable	(8,292)
Principal paid on bonds payable and lease liability	(3,357,231)
Interest paid on bonds payable and lease liability	(6,153,445)
Receipts from debt service reserve	<u>13,681</u>
Net Cash Applied to Capital Financing Activities	<u>(12,884,565)</u>
Cash Flows from Investing Activity:	
Proceeds from sales of investments	6,253,662
Purchase of investments	(6,740,417)
Interest income	<u>596,105</u>
Net Cash Provided by Investing Activities	<u>109,350</u>
Net Increase in Cash and Equivalents	12,555,201
Cash and Equivalents, Beginning of Year	<u>59,578,379</u>
Cash and Equivalents, End of Year	\$ <u>72,133,580</u>

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2022

	Westfield State University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:	
Operating loss	\$ (45,926,562)
Adjustments to Reconcile Net Operating Loss to Net Cash Applied to Operating Activities:	
Depreciation	11,208,763
Fringe benefits provided by the State	12,918,609
Bad debts	12,957
Changes in Assets and Liabilities:	
Accounts receivable	530,566
Perkins loans receivable	220,358
Other current assets	38,645
Accounts payable and accrued liabilities	(2,210,418)
Accrued salaries, wages and benefits	(39,160)
Compensated absences	182,509
Accrued workers' compensation	170,829
Student deposits and unearned revenue	357,793
Grants refundable	(125,335)
Other liabilities	17,507
Net pension activity	(2,055,384)
Net OPEB activity	<u>(2,839,986)</u>
Net Cash Applied to Operating Activities	<u>\$ (27,538,309)</u>
Non-Cash Transactions:	
Fringe benefits paid by State	<u>\$ 12,918,609</u>
Capital improvements provided by capital appropriations	<u>\$ 1,370,149</u>
Capital additions acquired through leases	<u>\$ 818,663</u>
Construction in progress included in accounts payable and accrued liabilities	<u>\$ 1,603,198</u>
Change in deferred revenue related to capital appropriations	<u>\$ 1,941,961</u>
MSCBA lease payments paid through BABs and DFRS	<u>\$ 610,518</u>
Interest income from amortization of deferred inflows of lease modification	<u>\$ (12,308)</u>
Cash and Equivalents, End of Year:	
Cash and equivalents	\$ 63,775,384
Cash held by State Treasurer	4,360,692
Deposits held by State Treasurer	2,597,504
Deposits held by MSCBA	<u>1,400,000</u>
Total	<u>\$ 72,133,580</u>

The accompanying notes are an integral part of the financial statements.

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

Notes to the Financial Statements

June 30, 2022

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

Organization

Westfield State University (the "University") is a public, state-supported university located in Westfield, Massachusetts and governed by a local Board of Trustees under the direction of the Massachusetts Department of Higher Education. The University is empowered to award baccalaureate and post-graduate degrees in education, business, and arts and sciences, as well as conduct programs of continuing education. The University is accredited by the New England Commission of Higher Education.

COVID-19

In response to the pandemic, the Federal government provided to the University the Higher Education Emergency Relief Funds ("HEERF") and funds for the Strengthening Institution Program ("SIP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

The University has been awarded the following HEERF and SIP funds as of June 30, 2022:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ 2,256,030	\$ 2,256,030	\$ 224,568	\$ 4,736,628
CRRSAA	2,256,030	4,960,844	308,060	7,524,934
ARPA	6,466,657	6,321,907	569,984	13,358,548
Total	\$ 10,978,717	\$ 13,538,781	\$ 1,102,612	\$ 25,620,110

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

Notes to the Financial Statements - Continued

June 30, 2022

The University has recognized the following as non-operating Federal grants for the year ended June 30, 2022:

For the Year Ended June 30, 2022				
	Student Aid	Institutional	Strengthening Institutions	Total
	Award	Award	Program	
CARES	\$ -	\$ -	\$ -	\$ -
CRRSAA	105,280	245,879	-	351,159
ARPA	6,466,657	6,321,907	569,984	13,358,548
Total	\$ 6,571,937	\$ 6,567,786	\$ 569,984	\$ 13,709,707

In April 2022, the Department of Education extended all HEERF funds deadlines to be spent by June 2023. As of June 30, 2022, the University has spent all of the HEERF and SIP funds that it was awarded. The University also received approximately \$1,326,000 and \$13,000 of FEMA and GEER funds, respectively, as a pass through from the state of Massachusetts.

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 accounting principles generally accepted in the United States of America, as prescribed by the *Governmental Accounting Standards Board* (“GASB”).

Westfield State Foundation, Inc. (the “Foundation”) is a related tax-exempt organization founded to foster and promote the growth, progress and general welfare of the University. The Foundation is included in the University’s financial statements and is reported in a separate column from the University to emphasize that it is a Massachusetts not-for-profit organization legally separate from the University. Because of the significance of its financial relationship with the University, the Foundation is included in the University’s financial statements. Complete financial statements can be obtained from the Foundation's administrative office in Westfield, Massachusetts.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The University’s policy for defining operating activities in the statement of revenues,

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

Notes to the Financial Statements - Continued

June 30, 2022

expenses 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. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, gifts and interest expense.

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

Net Position

Resources are classified for accounting purposes into the following four net asset categories:

Net Investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted - nonexpendable: Net position subject to externally imposed conditions such that the University must maintain the funds in perpetuity.

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the University or the passage of time.

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net assets 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.

The University has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

Use of Estimates

The preparation of financial statements in accordance 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

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

Notes to the Financial Statements - Continued

June 30, 2022

disclosures of contingencies at the dates of the financial statements and revenues and expenses recognized during the reporting periods. The University's significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, net pension and OPEB liabilities, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

Trust Funds

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

Cash and Equivalents

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

Allowance for Doubtful Accounts

Accounts and pledges receivable are periodically evaluated for collectability. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and current economic conditions.

Investments

Investments in marketable securities are stated at fair value.

Dividends, interest, and net gains or losses on investments of endowments and similar funds are reported in the statements of revenues, expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

- A) as increases in restricted – nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- B) as increases in temporarily restricted – expendable net position if the terms of the gift or the University's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The University has relied upon the Attorney General's interpretation of state

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

Notes to the Financial Statements - Continued

June 30, 2022

law that unappropriated endowment gains should generally be classified as restricted - expendable; and

C) as increases in unrestricted net position in all other cases.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Library materials are generally expenses during the year. University capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Amortization of leasehold improvements and leased assets is included within depreciation expense.

Restricted Gifts

The University recognizes restricted gifts as revenues or receivables when all applicable eligibility requirements, including time requirements, are met.

Grants and Contracts

The University receives monies from the federal and state government and other private agencies under grants and contracts. The costs, both direct and indirect, charged to these grants and contracts are subject to audit by the granting agency. The University administration believes that any audit adjustments would not have a material adverse effect on the University's financial position, its revenues, expenses and changes in net position, or its cash flows.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave or when using compensatory time. Accrued vacation and compensatory time is the amount earned by all eligible employees through June 30, 2022. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2022. Upon retirement, those employees are entitled to receive payment for this accrued balance. Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

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

Notes to the Financial Statements - Continued

June 30, 2022

Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred. Funds received in advance from various grants and contracts are deferred. Deposits and unearned revenue are recorded as revenue when earned.

Deposits Held by State Treasurer

Deposits held represents funds accessible by the University held by the Commonwealth of Massachusetts for payments on payroll.

Deposits Held by MSCBA

Deposits held represents funds accessible by the Massachusetts State College Building Authority for specific projects.

Pensions

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 Employees' Retirement System plan ("SERS") and the additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Student Fees

Student tuition and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts paid directly to, or refunded to, the student are generally reflected as expenses.

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

Notes to the Financial Statements - Continued

June 30, 2022

Fringe Benefits

The University participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, and workers' compensation benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the University. Workers' compensation costs are assessed separately based on the University's actual experience. The Commonwealth requires the University to record, as a liability, its portion of the future estimated workers' compensation benefits to be paid.

Income Tax Status

The University is a component unit of the Commonwealth of Massachusetts and is exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Foundation is also exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

New Governmental Accounting Pronouncements

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

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

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

GASB Statement 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation*

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

Notes to the Financial Statements - Continued

June 30, 2022

Plans, is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board would perform. In the absence of a governing board of the potential component unit, the situation should be treated the same as the primary government appointing a majority of the potential component unit's governing board. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

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

Note 2 - **Implementation of Newly Effective Accounting Standard**

As of July 1, 2021, the University implemented GASB 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

There was no change to net position as of July 1, 2021, upon the implementation of GASB 87 since the adjustment for the right to use assets of \$112,680,686 was completely offset by the adjustment for the lease liability. The right of use assets and lease liability was previously \$0 as of July 1, 2021.

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 3 - **Cash and Equivalents**

The carrying amount of the University's bank deposits and deposits in trust depositories are \$63,775,384 as compared to bank balances of \$64,337,298 at June 30, 2022. The differences between the carrying amount and the bank balances were attributed to deposits in transit and outstanding checks.

In addition to Federal Deposit Insurance Corporation insurance, the University has deposits insured through collateralization in a pool of eligible securities held by Berkshire Bank's Asset Management/Trust Group as custodian. Amounts remaining that are exposed to custodial risk at June 30, 2022 were \$13,052,310.

Note 4 - **Cash Held by the State Treasurer**

Accounts payable, accrued salaries, wages and withholdings to be funded from state-appropriated funds totaled \$4,360,692 at June 30, 2022. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which was subsequently used to pay for such liabilities.

Note 5 - **Investments**

University

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2022, the entire balance of investments are held in trust depository accounts in the name of the University and are uninsured. At June 30, 2022, the investments are stated at fair value.

At June 30, 2022, the fair value of the University's investments in debt securities by contractual maturities is as follows:

June 30, 2022 Investment Maturity in Years					
Investment Type:	Fair Value	Less than 1	1-5	6-10	> 10
Corporate bonds	\$ 4,433,633	\$ 1,125,581	\$ 3,308,052	\$ -	\$ -
U.S. Treasuries	3,536,403	2,561,832	974,571	-	-
Government Agencies	376,920	-	376,920	-	-
Total fixed income	8,346,956	\$ 3,687,413	\$ 4,659,543	\$ -	\$ -
Equity securities	12,582,027				
Total investments	\$ 20,928,983				

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

Notes to the Financial Statements - Continued

June 30, 2022

At June 30, 2022, the University's U.S. Treasury Notes and Government Securities and corporate debt securities credit quality ratings are as follows:

	Quality Ratings									
	Fair Value	BBB-	BBB	BBB+	A-	A	A+	AA-	AAA	Not Rated
Corporate bonds	\$ 4,433,633	\$ 262,744	\$ 1,176,370	\$ 1,262,724	\$ 938,920	\$ 457,840	\$ 75,235	\$ 259,800	\$ -	\$ -
U.S. Treasuries	3,536,403	-	-	-	-	-	-	-	3,536,403	-
Government Agencies	376,920	-	-	-	-	-	-	-	376,920	-
Totals	\$ 8,346,956	\$ 262,744	\$ 1,176,370	\$ 1,262,724	\$ 938,920	\$ 457,840	\$ 75,235	\$ 259,800	\$ 3,913,323	\$ -

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

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

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

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 Foundation 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.

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

Notes to the Financial Statements - Continued

June 30, 2022

	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
International equities	\$ 977,509	\$ -	-	\$ 977,509
U.S. Treasuries	18,775	-	-	18,775
International emerging	1,196,997	-	-	1,196,997
Small and Mid Cap equities	1,774,826	-	-	1,774,826
Total mutual funds	3,968,107	-	-	3,968,107
U.S. Treasuries	-	3,536,403	-	3,536,403
Government Agencies	-	376,920	-	376,920
Common stocks	8,613,920	-	-	8,613,920
Corporate bonds	-	4,433,633	-	4,433,633
Total investment assets	\$ 12,582,027	\$ 8,346,956	\$ -	\$ 20,928,983

Foundation

Investments of the Foundation at June 30, 2022 are categorized as Level 1 investments and are valued at quoted prices of the shares held in an active market:

	<u>2022</u>
Investments:	
Stock Market Index Fund	\$ 6,178,492
Bond Market Index Fund	4,368,981
International Stock Market Index Fund	3,713,588
	<u>\$14,261,061</u>

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 6 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2022 is summarized as follows:

Student accounts receivable	\$ 2,701,506
Grants receivable	1,571,410
Other receivables	<u>186,649</u>
	4,459,565
Less: allowance for doubtful accounts	<u>(2,065,966)</u>
	<u><u>\$ 2,393,599</u></u>

Note 7 - **Perkins Loans Receivable and Grants Refundable**

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The Federal Government provides the majority of the funds to support this program. The portion of the Perkins program provided by the Federal Government, identified as grants refundable on the statements of net position, is refundable to the Federal Government upon the termination of the University's participation in the program.

Loans receivable include the following at June 30, 2022:

Perkins loans receivable	\$ 230,433
Less: allowance for doubtful accounts	<u>(51,499)</u>
Total loans receivable, net	178,934
Less: amount due in one year	<u>(105,954)</u>
Long term loans receivable	<u><u>\$ 72,980</u></u>

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

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 8 - **Related Party Transactions**

University

The University provides certain personnel and payroll services to the Foundation at no charge.

Note 9 - **Capital Assets**

The University's capital asset activity for the year ended June 30, 2022 is summarized as follows:

	<u>Estimated lives (in years)</u>	<u>(Restated) Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction-in-progress	-	<u>16,047,808</u>	<u>7,573,654</u>	<u>-</u>	<u>(695,296)</u>	<u>22,926,166</u>
Total		<u>17,271,670</u>	<u>7,573,654</u>	<u>-</u>	<u>(695,296)</u>	<u>24,150,028</u>
Depreciable:						
Buildings, including improvements	20-40	145,413,144	1,207,206	352,488	695,296	146,963,158
Land improvements	20	6,672,269	86,289	-	-	6,758,558
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	27,626,480	64,707	2,889,233	-	24,801,954
Library books	5	7,451,006	21,979	-	-	7,472,985
Vehicles	5	1,088,721	-	3,325	-	1,085,396
Leased equipment	5-7	277,788	818,663	-	-	1,096,451
Leased real estate	8-24	<u>112,402,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,402,898</u>
Total		<u>301,203,389</u>	<u>2,198,844</u>	<u>3,245,046</u>	<u>695,296</u>	<u>300,852,483</u>
Less accumulated depreciation:						
Buildings, including improvements		65,322,168	4,191,093	352,488	-	69,160,773
Land improvements		2,106,789	282,548	-	-	2,389,337
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		22,238,646	706,904	2,878,958	-	20,066,592
Library books		7,388,308	35,397	-	-	7,423,705
Vehicles		1,036,557	28,324	3,325	-	1,061,556
Leased equipment		-	110,035	-	-	110,035
Leased real estate		<u>-</u>	<u>5,854,462</u>	<u>-</u>	<u>-</u>	<u>5,854,462</u>
Total accumulated depreciation		<u>98,363,551</u>	<u>11,208,763</u>	<u>3,234,771</u>	<u>-</u>	<u>106,337,543</u>
Capital Assets, Net		<u>\$ 220,111,508</u>	<u>\$ (1,436,265)</u>	<u>\$ 10,275</u>	<u>\$ -</u>	<u>\$ 218,664,968</u>

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 10 - **Student Deposits and Unearned Revenue**

Student deposits and unearned revenue includes tuition received in advance from students for summer courses commencing after June 30, the subsequent fall semester, state capital appropriations, and grant funds received in advance. Student deposits and unearned revenue of the University include the following as of June 30, 2022:

Tuition and fees	\$ 1,470,592
State capital appropriations	1,184,963
Grants	<u>415,612</u>
Total student deposits and unearned revenue	<u>\$ 3,071,167</u>

Note 11 - **Line of Credit**

The Foundation has a demand line of credit allowing maximum borrowings of \$500,000. Interest on the note is charged at the prime rate minus 0.5% (4.75% at June 30, 2022).

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 12 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2022 consist of:

	(Restated) Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Leases and bonds payable:					
Notes payable	\$ 317,947	\$ -	\$ 61,959	\$ 255,988	\$ 82,590
Lease liability	112,680,686	5,115,398	7,331,945	110,464,139	5,459,236
Bonds payable	22,175,605	1,180,238	1,323,323	22,032,520	1,068,665
Bonds premium	<u>214,243</u>	<u>242,174</u>	<u>56,131</u>	<u>400,286</u>	<u>91,026</u>
Total leases and bonds payable	<u>135,388,481</u>	<u>6,537,810</u>	<u>8,773,358</u>	<u>133,152,933</u>	<u>6,701,517</u>
Other long-term liabilities:					
Compensated absences	6,355,092	182,509	-	6,537,601	4,455,778
Workers' compensation	1,552,613	170,829	-	1,723,442	207,764
Grants refundable	392,730	-	125,335	267,395	-
Net pension liability	44,175,215	-	22,386,990	21,788,225	-
Net OPEB liability	<u>56,843,150</u>	<u>-</u>	<u>18,588,085</u>	<u>38,255,065</u>	<u>-</u>
Total other long-term liabilities	<u>109,318,800</u>	<u>353,338</u>	<u>41,100,410</u>	<u>68,571,728</u>	<u>4,663,542</u>
Total	<u>\$ 244,707,281</u>	<u>\$ 6,891,148</u>	<u>\$ 49,873,768</u>	<u>\$ 201,724,661</u>	<u>\$ 11,365,059</u>

MSCBA Bonds Payable

On July 1, 2020 the University's MSCBA Series 2010A, 2010B, 2012A, 2014B, 2019C bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the University. The refunding resulted in an economic loss of approximately \$2,060,000 and a deferred loss of approximately \$2,414,000. The first principal payment is due on May 1, 2024, and the final payment is due on May 1, 2044 with an interest rate that ranges from 1.04% to 3.07%. Total principal related to 2020A partial refunding was \$12,095,901. At June 30, 2022 the outstanding amounts related to all MSCBA bond series was \$22,366,316 and is included in the project related bond payable amounts described below.

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

Notes to the Financial Statements - Continued

June 30, 2022

Science Center Building:

In December 2014, the University entered into a financing agreement with the MSCBA for partial funding of a new Science Center building. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2014B and 2020A). Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting November 1, 2015 and ending May 1, 2044, at an annual variable coupon rate averaging 5.0%. MSCBA requires that the University maintain a debt service reserve which totaled \$499,440 for the year ended June 30, 2022. At June 30, 2022, the balance on these bonds related to this project was \$12,529,399.

Ely Hall:

In November 2011, the University entered into a financing agreement with the MSCBA for an expansion of the wellness center, and the relocation of the food services and other student areas in Ely Hall. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2012A, 2019C, and 2020A). In fiscal year 2020 the 2012A bond was partially refunded with the Series 2019C bonds resulting in an economic gain of \$414,303 and a deferred gain of \$260,434. As disclosed above, in July 2020 both the Series 2012A and 2019C bonds were partially refunded with the Series 2020A bonds. Through its agreements with MSCBA, the University is to repay this debt in semi-annual installments, starting May 1, 2020 and ending May 1, 2044, at an annual variable coupon rate averaging 2.2%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2022, the balance on these bonds related to this project was \$5,557,036.

Dining Facility:

In December 2010, the University entered into a financing agreement with the MSCBA for an expansion of a dining facility. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2010A, 2010B, and 2020A). As disclosed above, in July 2020 the Series 2010A and 2010B bonds were partially refunded with the Series 2020A bonds. Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting May 1, 2011 and ending May 1, 2044, at an annual variable coupon rate averaging 5.5%. MSCBA requires that the University maintain a debt service reserve which totaled \$202,615 for the year ended June 30, 2022. At June 30, 2022, the balance on these bonds was \$2,857,469.

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

Notes to the Financial Statements - Continued

June 30, 2022

Dining Facility Equipment Replacement and Installation:

In February 2022, the University entered into a financing agreement with the MSCBA for the replacement of equipment in the dining facility. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2022A). Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting November 1, 2022 and ending May 1, 2032, at an annual coupon rate of 5.0%. MSCBA does not require that the University maintain a debt service reserve. At June 30, 2022, the balance on these bonds was \$1,422,412.

Other Bonds Payable

During November 2010, the University borrowed \$226,065 in clean renewable energy bonds issue Series 2010A-14 with the Massachusetts Development Finance Agency (“MDF A”). The Series 2010A-14 bonds are payable in annual principal installments of \$13,298 through fiscal year 2027. Interest is payable semiannually at a fixed interest rate of 3.5%. MDF A requires no debt reserve. At June 30, 2022, the balance on these bonds was \$66,490.

In August 2002, the University borrowed \$5,816,000 in tax-exempt revenue bonds issue Series M-2 with the Massachusetts Health and Educational Facilities Authority (“MHEFA”). The Series M-2 bonds are payable in annual installments through fiscal year 2022 with principal amounts ranging between approximately \$242,000 and \$435,000. Interest is payable monthly at a predetermined varying rate (.862% as of June 30, 2022). MHEFA requires that the University maintain a debt service reserve which totaled \$19,821 for the year ended June 30, 2022. At June 30, 2022, the balance on these bonds was \$0.

The University has a letter of credit agreement with Bank of America in support of the above MHEFA revenue bonds. Under the terms of the agreement, the University has pledged its right to receive continuing education tuition and fees, general fees, technical fees, and miscellaneous fees as collateral to Bank of America. The agreement also places certain limits on the University with regard to incurring additional debt; requires the University to maintain a minimum amount of unrestricted cash and equivalents, and to maintain a debt service ratio and debt service reserve fund. Fees paid under the terms of the agreement were \$14,227 at June 30, 2022. As of June 30, 2022, there is no outstanding balance on the letter of credit.

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

Notes to the Financial Statements - Continued

June 30, 2022

Future Maturities of Bonds Payable

Maturities of the bonds payable subsequent to June 30, 2022 are as follows:

Years Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,068,665	\$ 708,487	\$ 1,777,152
2024	1,272,170	656,438	1,928,608
2025	1,314,795	612,625	1,927,420
2026	1,367,178	566,019	1,933,197
2027	1,421,849	514,938	1,936,787
2028-2032	6,711,961	1,805,042	8,517,003
2033-2037	4,145,142	1,036,088	5,181,230
2038-2042	3,350,760	519,086	3,869,846
2043-2044	1,380,000	63,590	1,443,590
	<u>\$ 22,032,520</u>	<u>\$ 6,482,313</u>	<u>\$ 28,514,833</u>

Future Maturities of Notes Payable

The following schedule summarizes future minimum annual payments under non-cancelable notes payable as of June 30, 2022:

Years Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 82,590	\$ 8,398	\$ 90,988
2024	85,300	5,689	90,989
2025	88,098	2,890	90,988
	<u>\$ 255,988</u>	<u>\$ 16,977</u>	<u>\$ 272,965</u>

The University entered into finance purchase agreements for equipment. The notes payable require annual payments ranging from \$20,737 to \$70,250 with interest rates ranging from 3.19% to 3.53%

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 13 - **Lease Liability**

A summary of the University's leases at June 30, 2022 is as follows:

<u>Description</u>	Commencement	Lease Term at GASB 87	<u>Payment Amount</u>	<u>Rate Type</u>	<u>Interest Rate</u>	<u>Lease Liability</u>
	<u>Date for GASB 87</u>	<u>Commencement (Months)</u>				
Equipment leases	7/1/2021	Various	\$5,112 - \$10,337	IBR	5.00%	\$ 997,879
MSCBA-04A-New Hall	7/1/2021	262	Varies	Implicit Rate	3.11%	29,483,287
MSCBA-04A-Renewal	7/1/2021	238	Varies	Implicit Rate	2.86%	681,231
MSCBA-06A-Renewal (2006)	7/1/2021	142	Varies	Implicit Rate	2.10%	1,024,807
MSCBA-06A-Renewal (2007)	7/1/2021	142	Varies	Implicit Rate	2.21%	2,157,832
MSCBA-08A-Renewal (20)	7/1/2021	250	Varies	Implicit Rate	3.64%	506,372
MSCBA-08A-Renewal (30)	7/1/2021	250	Varies	Implicit Rate	3.10%	2,446,029
MSCBA-09A-Renewal	7/1/2021	250	Varies	Implicit Rate	3.71%	1,382,431
MSCBA-09C-Renewal	7/1/2021	238	Varies	Implicit Rate	5.01%	2,801,317
MSCBA-10B-Renewal	7/1/2021	238	Varies	Implicit Rate	5.22%	1,364,768
MSCBA-12A-Renewal	7/1/2021	238	Varies	Implicit Rate	2.49%	1,485,573
MSCBA-12A-University Hall	7/1/2021	274	Varies	Implicit Rate	4.01%	48,539,775
MSCBA-12C-Renewal	7/1/2021	130	Varies	Implicit Rate	4.25%	2,536,423
MSCBA-14A-Davis	7/1/2021	262	Varies	Implicit Rate	3.17%	1,718,398
MSCBA-14C-Dickinson	7/1/2021	214	Varies	Implicit Rate	4.75%	5,178,005
MSCBA-15A-Davis	7/1/2021	178	Varies	Implicit Rate	4.46%	4,635,614
MSCBA-99A-Pooled Debt Service	7/1/2021	82	Varies	Implicit Rate	35.61%	3,524,398
						<u>\$ 110,464,139</u>

Equipment Leases

In July 2019, the University entered into a seven-year lease agreement for equipment. Payments of \$5,243 are due monthly. There are no options to renew the lease or purchase the leased equipment. The University did not make payments for the lease other than the monthly payments for the year ended June 30, 2022.

In January 2022, the University entered into a five-year lease agreement for equipment. Payments of \$5,112 are due monthly. There are no options to renew the lease or purchase the leased equipment. The University did not make payments for the lease other than the monthly payments for the year ended June 30, 2022.

In April 2022, the University entered into a five-year lease agreement for equipment. Payments of \$10,337 are due monthly. There are no options to renew the lease or purchase the leased equipment. The University did not make payments for the lease other than the monthly payments for the year ended June 30, 2022.

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

Notes to the Financial Statements - Continued

June 30, 2022

The University's incremental borrowing rate ("IBR") for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability.

MSCBA

The land on which the residence hall resides is leased by the Massachusetts State College Building Authority ("MSCBA") from the Commonwealth of Massachusetts. MSCBA has issued bonds to construct and refurbish the University's residence halls. The residence halls and the associated liability of the are reflected on the financial statements of MSCBA. MSCBA leases the residence halls to the University.

According to an agreement between the Commonwealth of Massachusetts and the University, the University is responsible for reimbursing MSCBA for debt service payments of the bonds that MSCBA has issued for the residence halls and operating costs for the residence halls incurred by MSCBA.

The lease terms are completed when the final bond payment is made. Final payment for all bonds is scheduled for May, 2044. If MSCBA refunds the bonds, any cost savings are passed through to the University. For the year ended June 30, 2022, \$2.9 million of the bonds were refunded. The difference in the lease liability due to the refunding was recognized as deferred outflow of resources.

Payments to MSCBA are due in semi-annual installments that coincide with the fall and spring academic semesters. For the year ended June 30, 2022, debt service payments related to leases paid by the University was \$8,059,054 and other payments of \$1,115,931.

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

Notes to the Financial Statements - Continued

June 30, 2022

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2022 are as follows:

Years Ended	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	5,459,236	\$ 5,443,745	\$ 10,902,981
2024		5,588,663	5,171,511	10,760,174
2025		5,872,450	4,870,920	10,743,370
2026		6,204,806	4,521,976	10,726,782
2027		6,468,823	4,108,678	10,577,501
2028-2032		29,181,799	13,335,333	42,517,132
2033-2037		24,994,935	7,618,631	32,613,566
2038-2042		23,660,466	2,837,608	26,498,074
2043-2044		3,032,961	117,592	3,150,553
		<u>\$110,464,139</u>	<u>\$ 48,025,994</u>	<u>\$ 158,490,133</u>

Note 14 - **Pension**

Defined Benefit Plan Description

Certain employees of the University participate in a cost-sharing multiple-employer defined benefit pension plan - the Massachusetts State Employees' Retirement System - administered by the Massachusetts State Board of Retirement (the "Board"), which is a public employee retirement system ("PERS"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees' Retirement System does not issue stand-alone financial statements. Additional information regarding the Plan is contained in the Commonwealth's financial statements, which is available on-line from the Office of State Comptroller's website.

Benefit Provisions

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws ("MGL") establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated based on the last five years or

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

Notes to the Financial Statements - Continued

June 30, 2022

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 amending these provisions rests with the Massachusetts State Legislature (the “Legislature”).

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

Contributions

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

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

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

The Commonwealth does not require the University to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to approximately \$5,556,000 and \$4,536,000 for the year ended June 30, 2022.

For employees covered by SERS but not paid from state appropriations, the University is required to contribute at an actuarially determined rate. The rate was 16.11% of annual covered payroll for the year ended June 30, 2022. The University contributed \$2,274,638 for the year ended June 30, 2022, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 89% of total related payroll for the year ended 2022.

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

Notes to the Financial Statements - Continued

June 30, 2022

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

At June 30, 2022, the University reported a liability of \$21,788,225 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal year 2022. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022, the University's proportion was 0.209%.

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

Notes to the Financial Statements - Continued

June 30, 2022

For the year ended June 30, 2022, the University recognized pension expense of \$219,254. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2022:

Deferred Outflows of Resources Related to Pension

Contributions subsequent to the measurement date	\$ 2,274,638
Differences between expected and actual experience	751,825
Changes in proportion from Commonwealth	8,710
Change in plan actuarial assumptions	1,485,390
Changes in proportion due to internal allocation	<u>859,416</u>
Total	<u>\$ 5,379,979</u>

Deferred Inflows of Resources Related to Pension

Changes in proportion due to internal allocation	\$ 6,232,990
Changes in proportion from Commonwealth	68,839
Differences between expected and actual experience	1,577,451
Differences between projected and actual earnings of pension plan investments	<u>8,542,248</u>
Total	<u>\$ 16,421,528</u>

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

Notes to the Financial Statements - Continued

June 30, 2022

The University's contributions of \$2,274,638 made during the year ended June 30, 2022, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2023	\$ (2,798,444)
2024	(2,737,859)
2025	(3,244,057)
2026	(4,156,734)
2027	<u>(379,093)</u>
	<u>\$ (13,316,187)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2021
Inflation	3.00%
Salary increases	4.00% to 9.00%
Investment rate of return	7.00%
Interest rate credited to annuity savings fund	3.50%

For measurement date June 30, 2021, mortality rates were based on:

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

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

Notes to the Financial Statements - Continued

June 30, 2022

Experience studies were performed as follows:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

The 2022 pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 and rolled forward to June 30, 2021.

Investment assets of SERS are with the Pension Reserves Investment Trust (“PRIT”) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	4.8%
Portfolio Completion Strategies	11.0%	2.9%
Core Fixed Income	15.0%	0.3%
Private Equity	13.0%	7.8%
Real Estate	10.0%	3.7%
Value Added Fixed Income	8.0%	3.9%
Timber/Natural Resources	4.0%	4.3%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the

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

Notes to the Financial Statements - Continued

June 30, 2022

long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00)%
\$ 33,350,098	\$ 21,788,225	\$ 12,285,268

Note 15 - **OPEB**

Plan Description

As an agency of the Commonwealth, certain employees of the University participate in the Commonwealth's single-employer defined benefit-OPEB plan - the State Retirees' Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2022

Benefits Provided

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

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2022 and as of the valuation date (January 1, 2021), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participants' status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs. The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 7.65% of annual covered payroll for the fiscal year ended June 30, 2022.

The University contributed \$1,080,253 for the fiscal year ended June 30, 2022, equal to 100% of the required contribution for the year.

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

At June 30, 2022, the University reported a liability of \$38,255,065 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability as of June 30, 2022, was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021. The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal year 2021. The University's proportionate share was based on the actual employer contributions to the SRBT for

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

Notes to the Financial Statements - Continued

June 30, 2022

fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022, the University's proportion was 0.239%.

For the year ended June 30, 2022, the University recognized an OPEB expense credit of \$(1,697,897). The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2022:

Deferred Outflows of Resources Related to OPEB

Contributions subsequent to the measurement date	\$ 1,080,253
Changes in proportion from Commonwealth	42,891
Differences between expected and actual experience	976,534
Changes of assumptions	3,212,804
Changes in proportion due to internal allocation	<u>5,195,468</u>
Total deferred outflows related to OPEB	<u>\$ 10,507,950</u>

Deferred Inflows of Resources Related to OPEB

Net differences between projected and actual earnings on OPEB plan investments	\$ 464,884
Differences between expected and actual experience	6,734,111
Changes in proportion from Commonwealth	166,154
Changes in proportion due to internal allocation	23,250,437
Changes in OPEB plan actuarial assumptions	<u>7,525,350</u>
Total deferred inflows related to OPEB	<u>\$ 38,140,936</u>

The University's contributions of \$1,080,253 made during the fiscal year ending 2022, reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Notes to the Financial Statements - Continued

June 30, 2022

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

Years Ending <u>June 30,</u>	
2023	\$ (7,107,434)
2024	(6,323,585)
2025	(6,275,031)
2026	(6,090,812)
2027	<u>(2,916,377)</u>
	<u>\$ (28,713,239)</u>

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2021
Inflation	2.50%
Salary increases	4.0% per year
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 7.30%

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

Notes to the Financial Statements - Continued

June 30, 2022

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

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage are assumed to elect coverage at retirement.
- Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
- 85% of current and future vested terminated participants will elect health care benefits at age 55, or current age if later.
- 100% of spouses are assumed to elect to continue coverage after the retiree's death.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	28.0%	96.0%
POS/PPC	60.0%	0.0%
HMO	12.0%	4.0%

The actuarial assumptions used in the January 1, 2021 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2019 through December 31, 2020, depending upon the criteria being evaluated.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term

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

Notes to the Financial Statements - Continued

June 30, 2022

expected real rate of return as of June 30, 2022 and 2021 are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 was 2.77%. This rate was based on a blend of the Bond Buyer Index rate (2.16%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date," when projected benefits are not covered by projected assets, is 2041 for the fiscal year 2022. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

June 30, 2022		
1.00% Decrease	Current Discount Rate	1.00% Increase
1.77%	2.77%	3.77%
\$ 45,446,717	\$ 38,255,065	\$ 32,462,332

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

Notes to the Financial Statements - Continued

June 30, 2022

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 31,323,032	\$ 38,255,065	\$ 47,289,831

(A) - Current healthcare cost trend rate, as disclosed in the actuarial assumptions

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed in the actuarial assumptions

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed in the actuarial assumptions

Note 16 - **Net Position**

Restricted Net Position

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30, 2022:

Scholarships and fellowships	\$ 748,485
Loans	15,095
Capital projects	118,871
Grants	<u>269,658</u>
	<u>\$ 1,152,109</u>

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support as of June 30, 2022.

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 17 - **Operating Expenses**

The University's operating expenses, on a natural classification basis, are comprised of the following at June 30, 2022:

Compensation and benefits	\$ 75,925,131
Supplies and services	23,531,943
Depreciation and amortization	11,208,763
Scholarships and fellowships	<u>10,875,532</u>
	<u>\$ 121,541,369</u>

Note 18 - **Other Fringe Benefits**

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and postemployment health insurance, unemployment, pension and workers' compensation benefits. Health insurance for active employees and retirees is paid through a fringe benefit rate charged to the University by the Commonwealth.

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors.

GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

The GIC is a quasi-independent state agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2022, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision

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

Notes to the Financial Statements - Continued

June 30, 2022

coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

The employees of the University can elect to participate in two defined contribution plans offered and administered by the Massachusetts Department of Higher Education – an IRC 403(b) Tax-Deferred Annuity Plan and an IRC 457 Deferred Compensation SMART Plan. Employees can contribute by payroll deduction a portion of before-tax salary into these plans up to certain limits. The University has no obligation to contribute to these plans and no obligation for any future payout.

Note 19 - **Commitments and Contingencies**

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

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

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

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

The University participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, and workers'

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

Notes to the Financial Statements - Continued

June 30, 2022

compensation. The Commonwealth is self-insured for employees' workers' compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

Note 20 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System, ("MMARS") on 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. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

The University's state appropriations are composed of the following at June 30, 2022:

Direct unrestricted appropriations	\$ 35,246,411
Add: Fringe benefits for benefited employees on the state payroll	12,918,609
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(1,180,412)</u>
Total unrestricted appropriations	46,984,608
Capital appropriations	<u>4,552,867</u>
Total appropriations	<u><u>\$ 51,537,475</u></u>

No timing differences occurred where the University had additional revenue that was reported to MMARS for the year ended June 30, 2022 (unaudited).

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

Notes to the Financial Statements - Continued

June 30, 2022

Note 21 - **Pass-Through Grants**

The University distributed \$27,056,226 as of June 30, 2022 for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues, or as cash disbursements and cash receipts in the accompanying financial statements.

Note 22 - **Massachusetts State College Building Authority**

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

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

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

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the University for building leases mainly for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the University for the year ended June 30, 2022 was \$9,174,985. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset by a lease liability.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.209%	0.257%	0.256%	0.265%	0.249%	0.240%	0.289%	0.218%
Proportionate share of the collective net pension liability	\$ 21,788,225	\$ 44,175,215	\$ 37,463,840	\$ 35,031,695	\$ 31,945,217	\$ 30,460,744	\$ 30,111,590	\$ 16,195,411
University's covered payroll	\$ 16,940,771	\$ 19,760,703	\$ 21,138,607	\$ 20,555,229	\$ 19,572,020	\$ 16,780,213	\$ 15,939,644	\$ 16,181,450
University's proportionate share of the net pension liability as a percentage of its covered payroll	128.61%	223.55%	177.23%	170.43%	163.22%	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,274,638	\$ 2,483,517	\$ 2,782,307	\$ 2,549,316	\$ 2,421,406	\$ 1,947,416	\$ 1,586,274	\$ 1,656,130
Contributions in relation to the statutorily required contribution	<u>(2,274,638)</u>	<u>(2,483,517)</u>	<u>(2,782,307)</u>	<u>(2,549,316)</u>	<u>(2,421,406)</u>	<u>(1,947,416)</u>	<u>(1,586,274)</u>	<u>(1,656,130)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 14,119,417	\$ 16,940,771	\$ 19,760,703	\$ 21,138,607	\$ 20,555,229	\$ 19,572,020	\$ 16,780,213	\$ 15,939,654
Contribution as a percentage of covered payroll	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2022

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

Measurement date – June 30, 2021

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

The mortality rates were changed as follows:

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

Measurement Date – June 30, 2020

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

Measurement Date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

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

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

For the Year Ended June 30, 2022

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement date – June 30, 2016

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

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

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)

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

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

For the Year Ended June 30, 2022

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.239%	0.275%	0.404%	0.433%	0.373%
Proportionate share of the collective net OPEB liability	\$ 38,255,065	\$ 56,843,150	\$ 70,625,670	\$ 76,656,042	\$ 62,133,611
University's covered payroll	\$ 16,940,771	\$ 19,760,703	\$ 21,138,607	\$ 20,555,229	\$ 19,572,020
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	225.82%	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	10.70%	6.40%	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,080,253	\$ 1,304,124	\$ 1,441,304	\$ 1,858,947	\$ 1,833,293
Contributions in relation to the statutorily required contribution	<u>(1,080,253)</u>	<u>(1,304,124)</u>	<u>(1,441,304)</u>	<u>(1,858,947)</u>	<u>(1,833,293)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 14,119,417	\$ 16,940,771	\$ 19,760,703	\$ 21,138,607	\$ 20,555,240
Contribution as a percentage of covered payroll	7.65%	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2022

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2022

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

Change in Mortality Rates

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

Change in Discount Rate

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

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

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

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

June 30, 2022

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

The discount rate was decreased to 2.28% (based upon a blend of the Bond Buyer Index rate (2.21%) as of the measurement date as required by GASB Statement 74.
Fiscal year June 30, 2020

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

Change in Discount Rate

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

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

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

June 30, 2022

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

SUPPLEMENTAL INFORMATION

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

Schedule of Net Position
Dormitory Trust Fund Report (Unaudited)

For the Year Ended June 30, 2022

Assets

Current Assets:

Cash and equivalents	\$ 5,485,869
Accounts receivable, net	18,183
Deposits held by State Treasurer	326,013
Other current assets	<u>375</u>

Total Assets \$ 5,830,440

Liabilities and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	\$ 201,379
Accrued employee compensation and benefits	353,923
Deposits held for others	<u>105,450</u>

Total Current Liabilities 660,752

Noncurrent Liability:

Accrued liability for employee compensation and benefits	<u>42,933</u>
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Total Liabilities 703,685

Net Position:

Unrestricted	<u>5,126,755</u>
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Total Liabilities and Net Position \$ 5,830,440

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

Schedule of Revenues, Expenses and Changes in Net Position
Dormitory Trust Fund Report (Unaudited)

For the Year Ended June 30, 2022

Operating Revenues:	
Room rent	\$ 13,675,397
Other sources	18,109
Deposits forfeited	73,150
Commissions - vending	22,637
University support	<u>1,656,021</u>
Total Operating Revenues	<u>15,445,314</u>
Operating Expenses:	
Employee compensation	2,001,341
Energy costs	1,725,943
Pension and insurance	786,476
Special employees	482,041
Operational services	369,354
Scholarships	386,704
Repairs and maintenance	9,669
Facility operations supplies	204,204
Administrative	15,646
Equipment purchase	25,446
Equipment lease, rental and maintenance	416,096
Consultant services	15,319
Employee related	2,199
Annual payment to the Massachusetts State College Building Authority	<u>9,174,986</u>
Total Operating Expenses	<u>15,615,424</u>
Operating Loss	<u>(170,110)</u>
Non-Operating Revenues:	
HEERF funds	<u>3,859,658</u>
Total Non-Operating Revenues	<u>3,859,658</u>
Increase in Net Position	3,689,548
Net Position, Beginning of Year	<u>1,437,207</u>
Net Position, End of Year	<u>\$ 5,126,755</u>

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Westfield State University (the "University"), and its discretely presented major component unit, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

O'Connor + Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 12, 2022