

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

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

***YEARS ENDED JUNE 30, 2020 AND 2019***

***AND***

***INDEPENDENT AUDITOR'S REPORT***

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

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

YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Worcester State University

**Report on the Financial Statements**

We have audited the accompanying financial statements of Worcester State University (an agency of the Commonwealth of Massachusetts) (the "University") and the financial statements of Worcester State Foundation, Inc., its discretely presented component unit, as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Worcester State University and Worcester State Foundation, Inc., its discretely presented component unit, as of June 30, 2020 and 2019, and the changes in its net position, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement related to the University's accounting other postemployment benefits under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 and certain information pertaining to liabilities recorded in accordance with Government Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* on pages 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worcester State University's basic financial statements. The supplemental schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 52 through 56 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical information on pages 57 through 62 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 November 17, 2020, on our consideration of Worcester State 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 Worcester State 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 Worcester State University's internal control over financial reporting and compliance.

*Ballus Lynch, LLP*

Worcester, Massachusetts  
November 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Worcester State University, we offer readers of Worcester State University's financial statements this narrative overview and analysis of the financial activities of Worcester State University for the fiscal year ended June 30, 2020. This discussion is provided by management and should be read in conjunction with the financial statements and notes thereto.

Worcester State University was founded in 1871, and is one of nine comprehensive public colleges/universities in the Commonwealth of Massachusetts. The University affirms the principles of liberal learning as the foundation for all advanced programs of study and offers programs in the traditional liberal arts and science disciplines, while maintaining its historical focus on teacher education. The University offers 59 undergraduate majors and minors, 29 graduate programs, 82 study abroad programs, and a student-to-faculty ratio of 17:1. The University currently has 5,332 full and part-time undergraduate students and 872 full and part-time graduate and professional students.

**Financial Highlights**

- FY 2020 began with a budget that provided resources to invest in the Strategic Plan Trust Fund and Capital Improvement Trust Fund with the intent of accelerating the University's ability to achieve mid and long-term goals. Enrollment was on target and the FY 2021 budget was approved in January 2020 just prior to the onset of COVID-19 in March 2020. Operating results during the final quarter of FY 2020 were significantly impaired by the worldwide pandemic as residence halls were closed, instruction pivoted to an entirely remote setting, all on campus activities suspended and all employees telecommuting. The contraction of campus activity and remote instruction has continued beyond June 30, 2020.
- The assets and deferred outflows of resources of Worcester State University exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$58,840,408, inclusive of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position) of \$55,778,445.
- The University's total net position decreased by \$2,324,611. Pension and insurance expense increased by \$2,583,689 as a result of recording University's portion of the Commonwealth's postretirement obligations. Overall the revenues earned, when combined with non-operating revenues, exceeded operating expenses excluding depreciation expense (non-cash item) and the additional pension accrual to reflect the University's portion of the Commonwealth's liability.
- The Commonwealth of Massachusetts adjusted its estimate for the OPEB accrual after the publication of our June 30, 2019 audited financial statements. As a result, the June 30, 2019 financial statements have been restated to reflect the accrual adjustment. The prior period adjustment decreases University Net Position at the beginning of the fiscal year by \$1,533,363.
- The University's Net Position as June 30, 2020 was \$58,840,408. Unrestricted Net Position from Operations as of June 30, 2020 was \$39,197,848. The healthy operational reserves is offset by the University's allocation of the Commonwealth's accumulated Net Retirement Obligations of \$17,767,478 related to Pensions and \$39,218,355 related to OPEB, resulting in Net Unrestricted Reserves of (\$17,787,985).
- Auxiliary Services, specifically Residence Life and Housing, closed the year with an operating deficit of \$1,734,627 for the year ended June 30, 2020. As the pandemic emerged in March 2020, the University evacuated campus sending resident students home and refunding resident hall charges for the remainder of the semester. The loss of revenue was partially offset by the release of investment earnings by the MSCBA to campuses to provide some financial relief.

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

**Overview of the Financial Statements**

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

The Financial Statements are designed to provide readers with a broad overview of Worcester State University's finances in a manner similar to a private sector college.

The Statement of Net Position presents information on all of the University's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving or deteriorating.

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

The Statement of Cash Flows is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services.) The Government Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used.

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

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

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

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

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indication of Worcester State University's financial position. In the case of Worcester State University, assets exceeded liabilities by \$58,840,408 at the close of Fiscal Year 2020.

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

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

**Worcester State University's Net Position as of  
June 30, 2020, with comparative data as of June 30, 2019**

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 62,237,656	\$ 63,619,523
Capital assets	<u>97,697,525</u>	<u>100,696,221</u>
Total assets	<u>159,935,181</u>	<u>164,315,744</u>
Deferred outflows of resources	<u>15,128,539</u>	<u>18,177,948</u>
Non-current outstanding liabilities	80,901,382	91,606,569
Other liabilities	<u>14,603,707</u>	<u>18,415,410</u>
Total liabilities	<u>95,505,089</u>	<u>110,021,979</u>
Deferred inflows of resources	<u>20,718,223</u>	<u>11,306,694</u>
Net position		
Invested in capital assets, net of related debt	75,835,001	78,092,336
Restricted	793,392	603,323
Unrestricted	<u>(17,787,985)</u>	<u>(17,530,640)</u>
Total net position	<u>\$ 58,840,408</u>	<u>\$ 61,165,019</u>

The following schedule presents an analysis of Worcester State University's net position as of June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Invested in capital assets, net	<u>\$ 75,835,001</u>	<u>\$ 78,092,336</u>
Restricted reserves, expendable for:		
Other	653,958	467,961
Capital projects	<u>139,434</u>	<u>135,362</u>
Total restricted reserves, expendable	<u>793,392</u>	<u>603,323</u>
Unrestricted net position		
Unrestricted reserves from operations	39,197,848	36,364,288
Accumulated Commonwealth of Massachusetts retirement obligations - Pension	<u>(17,767,478)</u>	<u>(16,246,067)</u>
Accumulated Commonwealth of Massachusetts retirement obligations - OPEB	<u>(39,218,355)</u>	<u>(37,648,861)</u>
Total net unrestricted reserves	<u>(17,787,985)</u>	<u>(17,530,640)</u>
Total net position	<u>\$ 58,840,408</u>	<u>\$ 61,165,019</u>



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

A portion of the Worcester State University's net position (less than 1.0 percent) as of June 30, 2020, represent funds that are subject to external restrictions on how they must be used. Unrestricted net reserves from operations of \$37,197,848 at June 30, 2020 may be used to meet the University's ongoing obligations to its stakeholders. The University's net position decreased by \$2,324,611, during the year ended June 30, 2020. At the end of the current fiscal year, Worcester State University reports a positive balance in restricted reserves, a positive balance in unrestricted reserves from operations and accumulated net negative obligations for the allocated share of the Commonwealth of Massachusetts pension and OPEB plans.

The University's primary reserve ratio, calculated as expendable net position divided by total expenses, is 33.45% and 32.38%, respectively, for the years ended June 30, 2020 and June 30, 2019. This ratio provides a snapshot of financial strength and flexibility by indicating the percent of operating expenses that could be funded by expendable reserves without relying on additional net position generated by operations.

The implementation of GASB 68 and GASB 75 requires the annual accrual of the University's allocation of the Commonwealth's Net Pension and OPEB Liability. The additional accrual of pension and insurance expense of \$3,090,904 in FY 2020 and \$5,226,500 in FY 2019 was recorded to reflect the University's allocation of the Commonwealth's accrued obligation of Pension and OPEB liabilities.

The application of GASB 68 and GASB 75 requires certain reporting and disclosures with regard to the Massachusetts State Employees' Retirement System (MSERS). The authority for establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts. The allocation provided to the University from the Commonwealth of Massachusetts Comptroller's Office reflects the University's proportionate share of the net pension liability related to its participation in MSERS. The University's participation in MSERS is directly related to the share of annual payroll costs funded from campus-based trust funds in contrast to payroll expended from annual operating appropriations allocated to the University from Commonwealth resources. In FY 2020, payroll funded from campus-based trust funds was \$12,561,991 and total payroll costs for FY 2020 were \$40,510,166.

The University's return on net position ratio, calculated as the change in total net position divided by total net position – beginning of the year, is (3.80)% and (2.31)%, respectively, for the years ended June 30, 2020 and June 30, 2019. This ratio measures total economic return including capital investment and positive operating results. An improving trend indicates increasing net position which provide for increased financial flexibility.

The negative ratios in FY 2020 and FY 2019 are the result of the GASB required postretirement benefit accruals to reflect the campus share of the Commonwealth's liability related to the third party management of the retirement assets. When the postretirement benefit accruals are removed, the return on net position ratios improve respectively, at 1.25% and 6.04%, for the years ended June 30, 2020 and June 30, 2019.

The net operating revenue ratio is (2.09)% and (1.28)% respectively, for the years ended June 30, 2020, and June 30, 2019. The ratio measures whether an institution is living within its available resources. Worcester State University strives to achieve an annual operating surplus as measured by this ratio as part of its long-term plan to improve its primary reserve and viability ratios and maintain a healthy annual return on net position. These ratios are also deflated as a result of the postretirement benefit accruals at year end. When removed, the ratios improve to 0.69% and 3.36%, respectively, for the years ended June 30, 2020 and June 30, 2019.

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

In FY 2020 the University experienced a net operating deficit of \$2,324,611, inclusive of the net posting of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position) of \$3,090,904. Operating results, exclusive of the retirement and OPEB accruals and posting of annual depreciation, met annual budget expectations despite the interruption to campus operations due to the Coronavirus pandemic outbreak in March 2020.

Net capital assets decreased by \$2,998,696 in FY 2020, while depreciation expense on capital assets was \$5,472,690, building improvements of \$1,780,783, equipment of \$81,158, and leases of \$612,053 were capitalized.

The University's viability ratio, calculated as expendable net position divided by long term debt, is 1 : 1.76 and 1 : 1.59 respectively, as of June 30, 2020 and June 30, 2019. The viability ratio measures the availability of expendable net position to cover debt as of the statement of net position date. A ratio of 1:1 or greater indicates an institution has sufficient expendable net position to satisfy its debt obligations as of the statement of net position date.

The University's results from operations for the year ended June 30, 2020 were in line with the approved budget for the year. The annual operating budget excludes accruals for depreciation expense and the allocation of Commonwealth of Massachusetts liabilities for pension and postemployment benefits other than pensions (OPEB), which significantly impact the presentation of the University's operating results. As anticipated through the budget process the University ended the year with a planned operating surplus in the Capital Improvement Trust Fund and planned transfers of operating surplus in the General Purpose Trust Fund to the Capital Improvement Trust Fund. The results are also consistent with the University's five year capital financing plan which focuses on growth of unrestricted reserves from operations through net revenue accumulation in the Capital Improvement Trust Fund and a targeted annual operating surplus in the General Purpose Trust Fund. While Net Unrestricted Reserves and Total Net Position are significantly impacted by depreciation expense and the required allocation of retirement plan accruals to the University, we are progressing toward University goals with regard to the growth of unrestricted cash within the campus based trust funds.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

Worcester State University's Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2020 with comparative data for the year ended June 30, 2019.

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Tuition and fees, net of scholarships discounts and allowances	\$ 49,988,138	\$ 52,375,323
Operating grants and contributions	14,286,525	14,232,338
Sales and services of auxiliary enterprises and other sources	<u>629,708</u>	<u>854,299</u>
Total operating revenues	64,904,371	67,461,960
Operating Expenses		
Instruction	45,100,954	42,981,193
Academic support	6,152,467	6,456,196
Student service	11,188,502	11,881,289
Institutional support	12,592,784	11,580,453
Operations and maintenance of plant	15,220,970	20,098,656
Scholarships	4,429,390	2,089,119
Depreciation	5,472,690	5,448,274
Debt service	645,168	672,047
Auxiliary enterprises	<u>12,773,826</u>	<u>12,954,983</u>
Total operating expense	<u>113,576,751</u>	<u>114,162,210</u>
Net operating loss	<u>(48,672,380)</u>	<u>(46,700,250)</u>
Non-operating revenues		
State appropriation, including fringe benefits provided to employees by the Commonwealth, net of tuition remitted to the Commonwealth	41,086,913	39,400,435
Federal Assistance	1,934,404	-
Investment income	<u>1,519,274</u>	<u>1,188,164</u>
Total non-operating revenues	<u>44,540,591</u>	<u>40,588,599</u>
Loss before other revenues, expenses, gains or losses	(4,131,789)	(6,111,651)
Capital appropriations	<u>1,807,178</u>	<u>4,667,913</u>
Change in net position	(2,324,611)	(1,443,738)
Net position - July 1	<u>61,165,019</u>	<u>62,608,757</u>
Net position - June 30	<u>\$ 58,840,408</u>	<u>\$ 61,165,019</u>

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

In FY 2020 the University received its first year of funding with regard to the Commonwealth's five year campus infrastructure critical repair funds in the form of state capital appropriations. During FY 2020, \$1,807,178 of critical repair and deferred maintenance projects were accomplished of which \$1,780,783 were capitalized.

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

The following schedule details the Commonwealth appropriations received by the University for the years ending June 30, 2020 and June 30, 2019, respectively.

	2020	2019
State Appropriations	\$ 30,320,954	\$ 29,684,752
Appropriations to cover fringe benefits provided to employees of the Commonwealth	11,070,784	10,096,880
Tuition remitted back to the State	(304,826)	(381,197)
Net appropriations	41,086,912	39,400,435
Additional State capital appropriations	1,807,178	4,667,913
Total Appropriations	\$ 42,894,090	\$ 44,068,348

In March 2020, as the United States began to react to the global pandemic, the University evacuated its campus and pivoted to remote learning for students and telecommuting for employees. The Federal government quickly recognized the need of higher education institutions, specifically enrolled students impacted by the disruption to campus operations and the upheaval of their lives caused by the pandemic. Along with other higher education institutions across the country, the University was awarded student relief funds through the Higher Education Emergency Relief Fund under Section 18004 of the Coronavirus Aid, Relief and Economic Security (CARES) Act - Emergency Grants to Students. The University was awarded \$2,111,416 to fund direct relief payments to students. The funds were disbursed through a direct payment formula using credit hours to allocate funds, with a portion of funding set aside for emergency grants based on demonstrated need. The funds must be expended by April 2021. As of June 30, 2020, the University had awarded \$1,934,404 of the grant funds.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Loss from Operations**

State appropriations are a significant source of funding for the University. Under GASB 35, appropriations are considered non-operating revenue. As such, the University incurs a loss from operations. The Commonwealth's Board of Higher Education sets tuition for the day division. The University's Board of Trustees sets all fees and tuition of the Division of Graduate and Continuing Education. The University's Board of Trustees approves the annual budget with the intention of mitigating losses after consideration of Commonwealth appropriations while balancing educational and operational needs. The following schedule presents Worcester State University's incurred losses from operations for the fiscal years ended June 30, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Net Tuition and Fee Revenue	\$ 49,988,138	\$ 52,375,323	\$ (2,387,185)
Other Revenue, net of Student Financial Aid	14,916,233	15,086,637	(170,404)
Operational Expenses	<u>(113,576,751)</u>	<u>(114,162,210)</u>	<u>585,459</u>
Operating loss	(48,672,380)	(46,700,250)	(1,972,130)
Direct State appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth	41,086,913	39,400,435	1,686,478
Federal assistance	1,934,404	-	1,934,404
Investment and non-operating income	1,519,274	1,188,164	331,110
Capital appropriations	<u>1,807,178</u>	<u>4,667,913</u>	<u>(2,860,735)</u>
Change in net position	<u>\$ (2,324,611)</u>	<u>\$ (1,443,738)</u>	<u>\$ (880,873)</u>

**Capital Assets and Debts of the University**

Capital Assets: Worcester State University's investment in capital assets as of June 30, 2020 amounts to \$97,697,525 net of accumulated depreciation, compared to \$100,696,221 net of accumulated depreciation as of June 30, 2019. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books. In FY 2020 gross capital assets increased by \$2,473,994. The increase was related roadway improvements, track and field replacement and capitalized leases for information technology equipment.

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

**Long-Term Debt**

*Compensated Absences*

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

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

*MHEFA Financing*

On December 4, 2002, the College entered into a financing agreement with MHEFA to receive \$14,000,000 for renovations to the Sullivan and Administration Buildings. A call provision became available on this bond issue in December 2012. As a result, the issue was refunded on December 18, 2012, with \$10,585,000 MDFA Revenue Bonds, Worcester State University Series 2012. There is no debt service reserve related to this issue. Annual principal payments range from \$255,000 to \$875,000 through November of 2032.

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

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

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

MSCBA issued revenue bonds for various projects on December 20, 2012. Included in the issue was a component to provide \$15,000,000 of debt financing to Worcester State University's Wellness Center in accordance with the Memorandum of Agreement between, the Commonwealth, MSCBA and the University. The proceeds from the bond issue, combined with funds earmarked by the University and General Obligation bond funds earmarked by the Commonwealth, provided the resources for construction of a new Wellness Center at WSU. The Wellness Center is an asset of the Commonwealth and recorded as a fixed asset on the University's financial records. The MSCBA holds Debt Service Reserve funds of \$249,214 on this component of the issue. Annual principal payments ranging from \$135,000 to \$787,950 are scheduled through May, 2042. Campus trust funds provide the revenue source for the annual debt service.

**Economic Factors that will affect the Future**

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

During fiscal year 2020 Worcester State University expended approximately \$1.8 million on critical repair projects. Projects were generally confined to work that was in progress in July and August of 2019. The traditional spring deferred maintenance season in May and June of 2020 was significantly impacted by the public health crisis brought on by COVID-19. Projects were slowed slightly as plans were adjusted and funding and schedule was re-assessed by the State. DCAMM still remains committed to Worcester State University's five year spending plan as we enter year three, despite the pandemic.

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

The comprehensive budget for FY 2021 was presented and approved by the Board of Trustees in January 2020. Based on anticipated declining demographics of traditional college age students in our region, the budget presented a 2% reduction in undergraduate day enrollment. In a similar fashion other revenue sources were evaluated against historical performance and anticipated trends, and reduced where appropriate. Growth in expenditure categories was experienced in the employment related accounts reflecting cost of living adjustments as provided for in collective bargaining agreements, an increase in minimum wage and an increase in the fringe benefit and payroll tax assessments by the Commonwealth of Massachusetts.

The administration continued to evaluate operating costs as the budget planning subgroup to Cabinet explored options to reduce the reliance on part-time employees and ways to increase operating efficiencies in the areas of travel, student field experiences, internships, and grants and research administration. This work continued until early March when the University, along with the rest of the country, began to react to the outbreak of COVID-19.

By the end of March 2020 the University has closed its residence halls, transitioned all classes to remote and sent staff and faculty home to telecommute in response to the pandemic. Class offerings were moved to fully remote for the remainder of the spring 2020 semester. Under this operating model there was a natural contraction in many budget categories while at the same time unused portions of room rent and meals were refunded to resident students and personal protective supplies were purchased for employees required to remain on campus and as inventory for the uncertain fall 2020 semester.

A majority of employees will continue to work from home throughout the fall 2020 semester. Class offerings are currently being adjusted to address changes in instructional modality, with the majority of offerings conducted in a blended format providing a limited student presence on campus. All travel is suspended through the fall with minor exceptions related to student recruitment and donor engagement. On campus events have been suspended until further notice. The majority of onsite support will be achieved with current full time staffing there by significantly reducing the need to hire part-time temporary staff.

In July the FY 2021 budget was amended to reflect current operations as a result of COVID-19 leading the University to plan for a 10 % reduction in state appropriations in addition to a total decline in all campus revenues by 10% as various income producing activities are suspended while others experience a decline in enrollment. This is an additional 8% decline in revenues over the 2% decline in enrollment that had already been incorporated in to the previously approved FY 2021 base budget.

The projected revenue short fall in excess of \$10 million was significantly offset by reductions in spending categories in FY2021 to address our adjusted base operating model. Other offsets to the revenue shortfall are achieved by temporarily suspending investments in the University's Capital Investment Plan. Instead of transferring the planned \$1,210,431 annual investment from operations to the Capital Improvement Trust Fund (CITF) in FY 2021, those resources will be used to fund operating expenditures. In addition, surplus revenue from the assessment of the Capital Improvement Fee intended to build equity in the CITF for future large scale capital projects as provided for in the University's Capital Investment Plan, will be transferred to the General Fund to temporarily offset operations in FY2021. The remaining offset needed to fill the revenue shortfall is a \$2,049,750 reduction in the annual capital adaptation and renewal budget. The University had committed to funding this line at \$4 million annually in an effort to address backlogged and up and upcoming deferred maintenance needs. A portion of the funding is necessary to provide the required match towards the Commonwealth of Massachusetts Critical Repair Grants awarded to WSU through FY 2023 and has remained in the budget.

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

The Residence Hall Trust Fund (RHTF) budget was also adjusted to reflect the impact of COVID-19 on residential operations. Residential occupancy for the fall semester is 58%. Operating costs have been reduced but of most significance is the reduction in rental costs due to actions taken by the MSCBA. In an effort to relieve the financial pressures on the State University System, the MSCBA refunded a series of outstanding bond obligations on building infrastructure on the State University campuses. Significant savings has been achieved through this refinancing action. The restructuring has reduced FY 2021 obligations by approximately 52% with a continuation of savings in FY 2022 of approximately 27% of the original obligation. Those savings have been reflected as reductions in debt costs throughout the budget and will provide significant relief while we work towards achieving a more traditional occupancy level in the residence halls during the 2022 academic year.

In addition to reducing expenditures and the re-distribution of previously committed funds, strict budget controls have been implemented across all funding sources. Temporary measures include removing some discretionary spending from departmental lines and pooling the funds in a central account. Spending categories subject to increased oversight include Temporary Part-time Employees, Administrative Expenses, some categories of Facility Operation Supplies, and Professional and Operational Services. These controls will be in place at least through the end of the calendar year.

In response to the pandemic the University developed the "Safe Return to Campus" plan for the 2020/2021 academic year. The plan articulates the framework that will guide the operations of the University and ensure a high quality academic experience during the 2020/2021 academic year. In July 2020 the financial plan to support the "Safe Return to Campus" plan was approved by the Board of Trustees. The financial plan was developed with input from the various committees that contributed to the creation of the "Safe Return to Campus" plan. While the budget was prepared to reflect traditional expenditure categories, funding was also accumulated by functional category. The Academic Contingency budget of \$1,280,309 addresses the change in instructional modality and includes funding for support services, equipment and supplies. The Facilities Management budget of \$830,089 addresses campus operational issues under the Commonwealth Of Massachusetts guidelines for safe re-opening. The Health Services budget of \$2,953,200 provides resources towards protecting the health of students, faculty and staff including a wide range of PPE, support services and testing. Other costs supported through this budget amendment include additional information technology equipment to support students and employees, support services for incoming first year students and new platforms to support outreach to the WSU community.

The cumulative budget supporting the WSU Safe Return to Campus Plan is \$5,655,359 of which \$2,111,416 is funded through the Higher Education Emergency Relief Fund under Section 18004 of the Coronavirus Aid, Relief and Economic Security (CARES) Act – Institution Funds and a draw from WSU unrestricted operating reserves of \$3,543,943. The CARES Act Education Stabilization Fund Institution Funds are a complement to the HEERF funds distributed by the Federal Government to higher education institutions across the United States in response to the effects of the pandemic on operations.

As we continue well into the fall 2020 semester the Commonwealth of Massachusetts has not approved a budget for FY 2021 that began on July 1, 2020. The University budget reflects a 10% reduction in state funding while we are hopeful for level funding for FY 2021. Revenue and expenditure information through September 30, 2020 remain on target with current budget estimates. The Safe Return to Campus planning groups continue to be active and have turned their attention to planning for the spring 2021 and fall 2021 semester.

### **Requests for Information**

This financial report is designed to provide a general overview of the Worcester State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President of Administration and Finance, 486 Chandler Street, Worcester, MA 01602-2597.



FINANCIAL STATEMENTS

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

**STATEMENTS OF NET POSITION**

JUNE 30, 2020 AND 2019

	Worcester State University		Component Unit Worcester State Foundation	
	2020	2019	2020	2019
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 23,877,110	\$ 23,315,422	\$ 1,910,469	\$ 1,891,264
Cash held by State Treasurer	6,625,482	9,138,015	-	-
Cash held by Foundation	82,004	39,004	-	-
Accounts receivable, net	1,397,295	1,891,119	19,713	10,114
Current portion of loans receivable	132,137	154,327	-	-
Current portion of contributions receivable	-	-	388,206	447,801
Inventories	314,116	50,885	91,801	88,783
Prepaid expenses and other current assets	413,821	219,902	20,646	18,023
Total current assets	<u>32,841,965</u>	<u>34,808,674</u>	<u>2,430,835</u>	<u>2,455,985</u>
Non-current assets:				
Investments	21,744,152	20,846,622	30,550,109	28,457,872
Deposits held with trustee	249,214	249,214	-	-
Loans receivable, less current portion	274,486	371,364	-	-
Contributions receivable, less current portion	-	-	875,994	999,122
Other non-current assets	7,127,839	7,343,649	153,323	348,764
Capital assets, net of accumulated depreciation	<u>97,697,525</u>	<u>100,696,221</u>	<u>4,073,567</u>	<u>4,243,322</u>
Total non-current assets	<u>127,093,216</u>	<u>129,507,070</u>	<u>35,652,993</u>	<u>34,049,080</u>
Total assets	<u>159,935,181</u>	<u>164,315,744</u>	<u>38,083,828</u>	<u>36,505,065</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Resources related to pension and OPEB obligations	15,052,524	18,096,085	-	-
Loss on refunding of long-term debt	<u>76,015</u>	<u>81,863</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>15,128,539</u>	<u>18,177,948</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Current portion of bonds payable	730,667	705,667	19,102	2,218,199
Current portion of capital lease obligation	412,712	275,694	-	-
Accounts payable	2,815,935	6,311,410	66,346	104,192
Accrued payroll and fringe benefits	5,290,247	5,745,610	-	-
Accrued interest and other liabilities	109,780	451,709	44,373	43,866
Funds held for others	-	-	98,946	61,696
Student deposits and unearned revenue	1,682,940	1,233,698	42,748	77,448
Current portion of split-interest agreements	-	-	25,304	37,454
Current portion of accrued workers' compensation	216,588	226,897	-	-
Current portion of accrued compensated absences	<u>3,344,838</u>	<u>3,464,725</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>14,603,707</u>	<u>18,415,410</u>	<u>296,819</u>	<u>2,542,855</u>
Non-current liabilities:				
Bonds payable, less current portion	21,225,413	21,991,774	2,670,736	491,335
Capital lease obligation, less current portion	321,693	296,515	-	-
Split-interest agreements, less current portion	-	-	-	-
Accrued workers' compensation, less current portion	761,882	718,032	-	-
Accrued compensated absences, less current portion	2,275,497	2,256,195	-	-
Accrued pension and OPEB obligations	55,778,445	65,563,443	-	-
Refundable grant - federal financial assistance program	<u>538,452</u>	<u>780,610</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>95,505,089</u>	<u>110,021,979</u>	<u>2,967,555</u>	<u>3,034,190</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Resources related to pension and OPEB obligations	16,259,912	6,427,571	-	-
Deferred service concession arrangements	<u>4,458,311</u>	<u>4,879,123</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>20,718,223</u>	<u>11,306,694</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in capital assets, net	75,835,001	78,092,336	-	-
Restricted - Non-expendable	-	-	19,080,476	17,963,764
Restricted - Expendable	793,392	603,323	10,779,163	11,363,690
Unrestricted	<u>(17,787,985)</u>	<u>(17,530,640)</u>	<u>5,256,634</u>	<u>4,143,421</u>
Total net position	<u>\$ 58,840,408</u>	<u>\$ 61,165,019</u>	<u>\$ 35,116,273</u>	<u>\$ 33,470,875</u>

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

**WORCESTER STATE UNIVERSITY**  
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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2020 AND 2019

	Worcester State University		Component Unit Worcester State Foundation	
	2020	2019	2020	2019
<b>REVENUES</b>				
Operating Revenues:				
Student tuition and fees	\$ 48,742,481	\$ 49,364,735	\$ 308,697	\$ 445,311
Auxiliary enterprises, student housing	10,336,443	12,437,212	-	-
Less: Scholarship discounts and allowance	9,090,786	9,426,624	-	-
Net student tuition and fees	49,988,138	52,375,323	308,697	445,311
Contributions	-	-	3,043,584	2,471,477
Federal grants and contracts	8,295,669	8,341,655	-	-
State and local grants and contracts	1,695,926	1,575,071	-	-
Nongovernmental grants and contracts	3,165,387	2,846,919	-	-
Auxiliary enterprises, other	629,708	854,299	177,811	230,933
Other operating revenues	1,129,543	1,468,693	287,044	208,381
Total operating revenues	64,904,371	67,461,960	3,817,136	3,356,102
<b>EXPENSES</b>				
Operating expenses:				
Instruction	45,100,954	42,981,193	-	-
Academic support	6,152,467	6,456,196	-	-
Student services	11,188,502	11,881,289	-	-
Institutional support	12,592,784	11,580,453	1,291,396	1,318,083
Operation and maintenance of plant	15,220,970	20,098,656	104,337	79,232
Scholarship	4,429,390	2,089,119	606,382	496,695
Depreciation	5,472,690	5,448,274	167,570	198,110
Debt service	645,168	672,047	103,058	104,011
Auxiliary enterprises	12,773,826	12,954,983	-	-
Total operating expenses	113,576,751	114,162,210	2,272,743	2,196,131
Operating loss	(48,672,380)	(46,700,250)	1,544,393	1,159,971
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State appropriations	41,086,913	39,400,435	-	-
Federal assistance	1,934,404	-	-	-
Interest and investment income (loss)	1,519,274	1,188,164	649,834	997,101
Other payments to Worcester State University	-	-	(1,319,700)	(1,004,652)
Other non-operating revenues (losses)	-	-	(103,702)	-
Net non-operating revenues	44,540,591	40,588,599	(773,568)	(7,551)
Income (loss) before other revenues, expenses, gains, or losses	(4,131,789)	(6,111,651)	770,825	1,152,420
Capital appropriations	1,807,178	4,667,913	-	-
Additions to permanent endowments	-	-	874,573	482,835
Change in net position	(2,324,611)	(1,443,738)	1,645,398	1,635,255
<b>NET POSITION</b>				
Beginning of year	61,165,019	62,608,757	33,470,875	31,835,620
End of year	\$ 58,840,408	\$ 61,165,019	\$ 35,116,273	\$ 33,470,875

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

WORCESTER STATE UNIVERSITY  
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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	Primary Government	
	2020	2019
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 46,073,110	\$ 50,053,195
Federal grants and contracts	8,295,669	8,341,655
State and local grants and contracts	1,695,926	1,575,071
Nongovernmental grants and contracts	3,165,387	2,846,919
Auxiliary enterprise charges	629,708	854,299
Employee compensation and fringe benefit payments	(68,034,934)	(65,014,034)
Payments to suppliers	(36,182,300)	(30,549,843)
Interest paid	(981,250)	(889,467)
Loans repaid by students	119,068	159,700
Other receipts	1,104,945	512,307
Net cash used in operating activities	(44,114,671)	(32,110,198)
Cash flows from noncapital financing activities:		
State appropriations	41,086,913	39,400,435
Federal assistance	1,934,404	-
Net deposits	32,490	30,469
Net cash provided by noncapital financing activities	43,053,807	39,430,904
Cash flows from capital and related financing activities:		
Capital appropriations	1,807,178	4,667,913
Purchases of capital assets	(1,861,940)	(3,010,839)
Principal payments of bonds payable	(741,361)	(716,362)
Principal payments of capital lease obligation	(449,857)	(351,123)
Perkins loan program, net funds paid	(242,158)	2,297
Net cash provided by (used in) capital and related financing activities	(1,488,138)	591,886
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	9,206,376	5,255,542
Purchases of investments	(9,015,051)	(5,527,277)
Interest and investment income	449,832	1,192,701
Net cash provided by investing activities	641,157	920,966
Net change in cash and cash equivalents	(1,907,845)	8,833,558
Cash and cash equivalents, beginning of year	32,492,441	23,658,883
Cash and cash equivalents, end of year	\$ 30,584,596	\$ 32,492,441

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019  
(Continued)

	Primary Government	
	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (48,672,380)	\$ (46,700,250)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	5,472,690	5,448,274
Amortization of other assets	215,810	230,810
Accretion of deferred service concession arrangements	(420,812)	(422,405)
Decrease in deferred loss on refunding of bonds payable	5,847	5,847
(Increase) decrease in operating assets and deferred outflows:		
Accounts receivable, net	493,824	(657,030)
Loans receivable	119,068	159,700
Inventories	(263,231)	(15,420)
Prepaid expenses and other assets	(213,332)	(8,230)
Resources related to pension and OPEB obligations	3,043,561	(6,997,322)
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable	(3,495,475)	4,862,554
Accrued payroll and fringe benefits	(455,363)	755,805
Accrued interest and other liabilities	(341,929)	(223,267)
Accrued workers' compensation	33,541	(45,422)
Student deposits and unearned revenue	416,752	(109,961)
Accrued compensated absences	(100,585)	97,532
Accrued pension and OPEB obligations	(9,784,998)	11,795,946
Resources related to pension and OPEB obligations	9,832,341	(287,359)
Net cash used in operating activities	\$ (44,114,671)	\$ (32,110,198)

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

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

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Component units

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

During the year ended June 30, 2020 and 2019, the Foundation distributed \$1,926,081 and \$1,544,510, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Worcester State University Business Office at 486 Chandler Street, Worcester, MA 01602.

Basis of presentation

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

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

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

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

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

Net position

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

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

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

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

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

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

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through November 17, 2020, the date that the financial statements were available to be issued.

Cash, temporary investments, and investments

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

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, temporary investments, and investments (continued)

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

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

Fair value measurements

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

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

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

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

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

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



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements (continued)

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

Allowance for doubtful accounts

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

Inventories

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

Loans receivable and payable

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

The prescribed practices for the Perkins program do not provide for accrual of interest on student loans receivable or for the provision of an allowance for doubtful loans. Accordingly, interest on loans is recorded as received and loan balances are reduced subsequent to the determination of their uncollectibility and have been accepted (assigned) by the Department of Education.

Capital assets

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

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

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student deposits and unearned revenue

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

Bond premiums

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

Funds held for others

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

State appropriations

The University's unrestricted State appropriations amounted to \$41,391,739 and \$39,781,632 for the years ended June 30, 2020 and 2019, respectively. State supported tuition, in the amounts of \$304,826 and \$381,197 for the years ended June 30, 2020 and 2019, respectively, were remitted to the State and have been offset against these appropriations. State supported tuition receipts and transfers have been recorded in an agency fund during the year with a net amount due from the Commonwealth of \$78,070 and \$64,854 as of June 30, 2020 and 2019, respectively.

Pension plan

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

Other postemployment benefits plan (OPEB)

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

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation leave is the amount earned by all eligible employees through June 30, 2020. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fringe benefits

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

Trust funds

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

Tax status

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

New government accounting pronouncements

GASB Statement 84, *Fiduciary Activities* is required for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and reporting financial purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The University is in the process of evaluating this Statement and expects the impact on their financial reporting to be immaterial.

GASB Statement No. 87, *Leases* is required for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement established as single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. It requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Management is in the process of reviewing this statement and potential effects on their financial reporting.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - PRIOR PERIOD ADJUSTMENT

In August 2020, the University was notified by the Commonwealth of Massachusetts of errors in the actuarial calculations and reports used to account for its proportionate share of the Commonwealth's unfunded other post-employment benefits as of and for the year ended June 30, 2018, which is period used for reporting in the University's 2019 financial statements. Revised calculations were issued, and the University's 2019 financial statement have been adjusted accordingly through the following prior period adjustment:

	2019 As Originally Presented	Prior Period Adjustment	2019 As Restated
Deferred outflows of resources related to pension and OPEB obligations	\$ 18,052,985	\$ 43,100	\$ 18,096,085
Accrued pension and OPEB obligations	56,685,255	8,878,188	65,563,443
Deferred inflows of resources related to pension and OPEB obligations	13,729,296	(7,301,725)	6,427,571
Total operating expenses	112,628,847	1,533,363	114,162,210

3 - RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses, including the University. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the University operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the University, the University expects significant impacts to its business operations from government restrictions and mandated operating protocols surrounding re-opening from prior quarantine and isolation orders.

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

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

4 - CASH AND CASH EQUIVALENTS

The University's cash and temporary investments are as follows as of June 30, 2020 and 2019:

	2020	2019
Carrying amount	\$ 23,877,110	\$ 23,315,422
Bank balance	\$ 26,480,424	\$ 26,673,611
Less amounts		
Covered by depository insurance	1,528,304	1,530,652
Collateralized repurchase agreements	16,412,435	18,034,634
Remaining bank balance	\$ 8,539,685	\$ 7,108,325

The differences between the carrying amounts and the bank balances are attributable to deposits-in-transit and outstanding checks. While the remaining bank balance is uninsured and uncollateralized, the University has lowered its risk of loss by maintaining these funds in high quality financial institutions. Further, as of June 30, 2020 and 2019, the University held \$893,045 and \$329,950 respectively, in money market funds maintained by its investment custodian.

As of June 30, 2020 and 2019, the University was party to a repurchase agreement with a bank. The value of this agreement was \$16,412,435 and \$18,034,634 as of June 30, 2020 and 2019, respectively.

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

5 - CASH HELD BY STATE TREASURER

The University has recorded cash held for the benefit of the University by the State Treasurer in the amounts of \$254,552 and \$3,601,527 as of June 30, 2020 and 2019, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$6,370,930 and \$5,536,488 as of June 30, 2020 and 2019, respectively. None of these cash balances are insured or collateralized.

6 - INVESTMENTS

The University maintains pooled investments in long-term U.S. Treasury and Agency Securities. The fair value of these investments as of June 30, 2020 and 2019 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2020</u>				
Investment type				
U.S. Treasuries	\$ 19,298,200	\$ -	\$ 12,666,268	\$ 6,631,932
U.S. Agencies	2,445,952	-	2,445,952	-
Total	\$ 21,744,152	\$ -	\$ 15,112,220	\$ 6,631,932

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - INVESTMENTS (Continued)

<u>June 30, 2019</u>	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
Investment type				
U.S. Treasuries	\$ 15,425,842	\$ 1,383,237	\$ 8,534,363	\$ 5,508,242
U.S. Agencies	5,420,780	1,477,831	3,613,068	326,881
Total	\$ 20,846,622	\$ 2,861,068	\$ 12,147,431	\$ 5,835,123

Interest Rate Risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average life of the maturities is evaluated regularly with the weighted average life of the portfolio being limited to five years or less, whenever possible. The weighted average life of the portfolio as of June 30, 2020 was 3.6 years.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

	2020	2019
Interest	\$ 430,419	\$ 487,546
Realized gain (loss) on investments	15,653	(5,546)
Unrealized gain on investments	1,073,202	706,164
	\$ 1,519,274	\$ 1,188,164

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - INVESTMENTS (Continued)

Component Unit

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

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market funds	\$ 1,509,027	\$ 1,509,027	\$ 309,669	\$ 309,669
Mutual funds - equity based	17,406,505	20,383,522	17,136,675	19,595,626
Mutual funds - bonds based	7,937,246	8,300,120	8,078,591	8,115,076
Limited partnership interest	250,000	357,440	250,000	437,501
	<u>\$ 27,102,778</u>	<u>\$ 30,550,109</u>	<u>\$ 25,774,935</u>	<u>\$ 28,457,872</u>

7 - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

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

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

The University's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of June 30, 2020 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasuries	\$ 19,298,200	\$ -	\$ -	\$ 19,298,200
U.S. Agencies	2,445,952	-	-	2,445,952
Total investments, at fair value	<u>\$ 21,744,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,744,152</u>

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - FAIR VALUE MEASUREMENTS (Continued)

The University's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of June 30, 2019 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasuries	\$ 15,425,842	\$ -	\$ -	\$ 15,425,842
U.S. Agencies	5,420,780	-	-	5,420,780
Total investments, at fair value	\$ 20,846,622	\$ -	\$ -	\$ 20,846,622

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

8 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2020 and 2019:

	2020	2019
Students	\$ 803,147	\$ 824,428
Other	893,776	1,373,156
	1,696,923	2,197,584
Less: Allowance for uncollectible accounts	299,628	306,465
	\$ 1,397,295	\$ 1,891,119

9 - CONTRIBUTIONS RECEIVABLE – COMPONENT UNIT

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

Payments of contributions receivable as of June 30, 2020 are expected to be received as follows:

2021	\$ 400,206
2022	291,570
2023	176,078
2024	122,062
2025	112,144
Thereafter	182,339
	1,284,399
Less: Discount on contributions receivable	8,199
Less: Allowance for uncollectible contributions receivable	12,000
	\$ 1,264,200



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

10 - DEPOSITS HELD WITH TRUSTEE

The University's bond payable indentures require the maintenance of restricted construction and debt service reserve funds on deposit with a bank trustee. Deposits with bank trustee are held in various trust accounts and are available for future debt service of \$249,214 as of June 30, 2020 and 2019.

11 - LOANS RECEIVABLE

The University participates in the Federal Perkins Loan Program. This program is funded through a combination of Federal and institutional resources. The portion of this program that has been funded with Federal funds is ultimately refundable to the U.S. government upon the termination of the University's participation in the program. The loans receivable balance of \$406,623 and \$525,691 as of June 30, 2020 and 2019, respectively, represents student loans issued through the Perkins Loans program and consists of the following as of June 30, 2020 and 2019:

	2020	2019
Enrolled students	\$ 1,500	\$ 71,781
Repayment on schedule	156,200	144,412
In default	248,923	309,498
	\$ 406,623	\$ 525,691

12 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	2,940,085	29,500	2,940,085	29,500
Capital assets, being depreciated				
Land improvements	5,273,909	4,691,368	-	9,965,277
Buildings, including improvements	155,173,706	-	-	155,173,706
Furnishings and equipment	14,524,250	693,211	-	15,217,461
Total capital assets	178,100,600	5,414,079	2,940,085	180,574,594
Less accumulated depreciation for				
Land improvements	4,319,689	437,168	-	4,756,857
Buildings, including improvements	61,023,843	4,300,914	-	65,324,757
Furnishings and equipment	12,060,847	734,608	-	12,795,455
Total accumulated depreciation	77,404,379	5,472,690	-	82,877,069
Capital assets, net	\$100,696,221	\$ (58,611)	\$ 2,940,085	\$ 97,697,525

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

12 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	-	2,940,085	-	2,940,085
Capital assets, being depreciated				
Land improvements	5,273,909	-	-	5,273,909
Buildings, including improvements	155,173,706	-	-	155,173,706
Furnishings and equipment	13,686,298	837,952	-	14,524,250
Total capital assets	<u>174,322,563</u>	<u>3,778,037</u>	<u>-</u>	<u>178,100,600</u>
Less accumulated depreciation for				
Land improvements	4,141,911	177,778	-	4,319,689
Buildings, including improvements	56,553,529	4,470,314	-	61,023,843
Furnishings and equipment	11,260,665	800,182	-	12,060,847
Total accumulated depreciation	<u>71,956,105</u>	<u>5,448,274</u>	<u>-</u>	<u>77,404,379</u>
Capital assets, net	<u>\$102,366,458</u>	<u>\$ (1,670,237)</u>	<u>\$ -</u>	<u>\$100,696,221</u>

13 - MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

The land on which the dormitory residence halls are located is leased by the Massachusetts State College Building Authority (MSCBA) from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms which extend to the year and 2022 and 2026. The leases can be extended at the end of these terms for additional ten year periods.

The University, under the terms of a management and service agreement between MSCBA and the Commonwealth, is charged a semi-annual revenue assessment which is based on the certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations are guaranteed by the Commonwealth. The assessments charged for the years ended June 30, 2020 and 2019, in the amounts of \$9,051,234 and \$9,133,569, respectively, and have been recorded as auxiliary enterprise expenditures.

The Commonwealth of Massachusetts also executed a lease with MSCBA for land on which a parking garage is located. MSCBA owns the parking garage and has entered into a long-term lease agreement with the University to occupy and operate the facility.

All facilities and obligations of the MSCBA are included in the financial statements of MSCBA. The specific asset cost or liability attributable to the University cannot be reasonably determined. The leases, therefore, have been accounted for under the operating method for financial statement purposes.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

14 - DEFERRED SERVICE CONCESSION ARRANGEMENTS

Deferred service concession arrangements as of June 30, 2020 and 2019 in the amounts of \$4,458,311 and \$4,879,123, respectively, consist of the unamortized balances of multiple food service agreements with an outside party. This outside party contributed multiple payments since 2004 totaling \$8,788,017, to upgrade the food service facilities. The contributions are being amortized over various periods ranging from 12 to 18 years. Amortization of these contributions was \$420,812 and \$422,405 for the years ended June 2020 and 2019, respectively.

15 - LONG-TERM LIABILITIES

Long-term liabilities of the university as of June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 22,697,441	\$ -	\$ 741,361	\$ 21,956,080	\$ 730,667
Capital lease obligations	572,209	612,053	449,857	734,405	412,712
Accrued workers' compensation	944,929	33,541	-	978,470	216,588
Accrued compensated absences	5,720,920	-	100,585	5,620,335	3,446,838
Accrued pension and OPEB obligations	65,563,443	-	9,784,998	55,778,445	-
Refundable grant	780,610	-	242,158	538,452	-
	<u>\$ 96,279,552</u>	<u>\$ 645,594</u>	<u>\$ 11,318,959</u>	<u>\$ 85,606,187</u>	<u>\$ 4,806,805</u>

Long-term liabilities of the university as of June 30, 2019 (as restated) were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 23,413,803	\$ -	\$ 716,362	\$ 22,697,441	\$ 705,667
Capital lease obligations	156,134	767,198	351,123	572,209	275,694
Accrued workers' compensation	990,351	-	45,422	944,929	226,897
Accrued compensated absences	5,623,388	97,532	-	5,720,920	3,464,725
Accrued pension and OPEB obligations	53,052,262	12,511,181	-	65,563,443	-
Refundable grant	778,313	2,297	-	780,610	-
	<u>\$ 84,014,251</u>	<u>\$ 13,378,208</u>	<u>\$ 1,112,907</u>	<u>\$ 96,279,552</u>	<u>\$ 4,672,983</u>

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

16 - BONDS PAYABLE

- (A) On November 9, 2007, the University signed a financing agreement to receive \$310,000 from a Massachusetts Development Financing Agency (MDFA) clean renewable energy bond. These funds have been received and were used for the installation of a 100 KW photovoltaic panel, mounting system and inverter on the roof of the Learning Resource Center. The bond is non-interest bearing with annual principal installments of \$20,667 due through 2022.
- (B) On December 4, 2002, the University signed a financing agreement used for the renovation of the Sullivan and Administration Buildings, which was completed in 2009. A call provision became available on this bond issue and the issue was refunded on December 18, 2012, with \$10,585,000 of Massachusetts Development Financing Agency (MDFA) Revenue Bonds. The obligation is being repaid solely by the University through revenues. Interest on the MDFA bonds is due in semi-annual installments at varying rates ranging from 2.00% to 4.00%. Annual principal installments ranging from \$255,000 to \$875,000 are due through November 2032. The refunding of the MHEFA bonds resulted in a loss, which is included in deferred outflows of resources and will be amortized over the term of the bond. Amortization of this loss for the year ended June 30, 2020, was \$5,848. The remaining loss to be amortized as June 30, 2020 is \$76,015.
- (C) On December 20, 2012, the University signed a financing agreement to receive \$15,000,000 from a Massachusetts State College Building Authority (MSCBA) revenue bond. These funds will be used for the construction of a new Wellness Center. Interest on the bonds is due in semi-annual installments at varying rates ranging from 2.00% to 5.00%. Annual principal installments ranging from \$135,000 to \$765,000 are due through May 2042.

The composition of the University's Bonds payable for the year ended June 30, 2020 is as follows:

	2020	2019
(A) Bond payable, MDFA 2007 Series	\$ 41,334	\$ 62,000
(B) Bond payable, MDFA 2012 Series	8,878,097	9,188,720
(C) Bond payable, MSCBA	13,036,649	13,446,721
	21,956,080	22,697,441
Less: Current maturities	730,667	705,667
	\$ 21,225,413	\$ 21,991,774

Debt service requirements as of June 30, 2020 are as follows:

Year Ended June 30	Principal	Interest
2021	\$ 730,667	\$ 654,488
2022	760,666	623,363
2023	770,000	593,563
2024	1,120,000	560,413
2025	1,165,000	519,563
2026 - 2030	6,340,000	2,074,182
2031 - 2035	5,495,000	1,122,150
2036 - 2040	3,400,000	538,500
2041 - 2045	1,510,000	68,250
	21,291,333	6,754,472
Unamortized premium	664,747	-
	\$ 21,956,080	\$ 6,754,472

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

17 - LEASE COMMITMENTS

The University leases property, a motor vehicle, modular building, and furniture and equipment under various lease agreements. These leases are classified as either capital or operating in the financial statements. Operating lease expenditures were \$6,904 and \$7,302 for 2020 and 2019, respectively.

Property and equipment includes the following acquired under capital lease agreements:

	2020	2019
Buildings, including improvements	\$ 789,809	\$ 789,809
Furnishings and equipment	2,307,877	1,786,568
Total capital assets	3,097,686	2,576,377
Less: Accumulated depreciation	1,820,879	1,837,953
	\$ 1,276,807	\$ 738,424

Future minimum lease payments under leases, together with the present value of future minimum lease payments as of June 30, 2020 are as follows:

	Capital Lease	Operating Lease
Year Ending		
2021	\$ 458,050	\$ 1,070
2022	281,110	-
2023	9,964	-
2024	4,981	-
Total minimum lease payments	754,105	\$ 1,070
Less: Amount representing interest	19,700	
Present value of minimum lease payments	\$ 734,405	

18 - NET POSITION

Unrestricted net position from operations is not subject to externally imposed stipulations; however, it may be subject to internal restrictions. For example, unrestricted net position from operations may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2020 and 2019, unrestricted net position from operations of \$25,628,678 and \$22,272,641, respectively, has been internally designated by the University for future capital investments. The remaining undesignated unrestricted net position from operations was \$13,569,170 and \$14,091,647 as of June 30, 2020 and 2019, respectively.

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

	2020	2019
Restricted - expendable		
Capital projects	\$ 139,434	\$ 135,362
Scholarships and other grants	653,958	467,961
	\$ 793,392	\$ 603,323

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

18 - NET POSITION (Continued)

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

19 - FACULTY COMPENSATION

Contracts for full-time faculty begin on September 1, and end May 31 of any given academic year. The Commonwealth of Massachusetts and the University pay all faculty members over the twelve-month period of September 1 through August 31. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's appropriation. The balance due as of June 30, 2020 and 2019 of \$2,574,373 and \$2,604,019 respectively, has been included accrued payroll in the financial statements.

20 - ACCRUED WORKERS' COMPENSATION

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured Workers' Compensation program were conducted as of June 30, 2020 and 2019. Based upon the Commonwealth's analyses, accrued workers' compensation in the amount of \$978,470 and \$944,929 as of June 30, 2020 and 2019, respectively have been recorded in the unrestricted current fund. Workers' compensation expense charged to operations was \$386,920 and \$406,136 in 2020 and 2019, respectively. The actual workers' compensation paid by the University was \$353,379 and \$451,558 in 2020 and 2019, respectively.

21 - ACCRUED COMPENSATED ABSENCES

Included in accrued compensated absences are \$2,795,616 for accrued vacation time and \$2,824,719 for accrued sick time as of June 30, 2020 and \$2,880,435 for accrued vacation time and \$2,840,485 for accrued sick time as of June 30, 2019. Of these balances, \$454,949 and \$248,194 for June 30, 2020 and 2019, respectively, represent obligations due to employees funded through sources other than State appropriations, and \$5,165,386 and \$5,472,726 as of June 30, 2020 and 2019, respectively, represent obligations to employees funded through State appropriations. The University anticipates that the obligations due to employees funded by State appropriations will be discharged through future State appropriations.

22 - FRINGE BENEFIT CHARGES

Certain fringe benefit costs associated with University staff, compensated through State appropriations, are paid out of non-University State budget line items. The University is required to reimburse the State for such costs for employees funded from other than State appropriations, based on a percentage of payroll. For 2020, the University reimbursed the State a total of \$5,050,500 (\$2,179,291 for pensions and \$2,871,209 for health care premiums). For 2019, the University reimbursed the State a total of \$4,430,811 (\$1,691,684 for pensions and \$2,739,127 for health care premiums).

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - RETIREMENT PLAN

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

Plan Description

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

Benefit Provisions

MSERS provides retirement, disability, survivor and death benefits to plan members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service and group classification. The authority for establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts.

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

Contributions

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

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

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

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - RETIREMENT PLAN (Continued)

Contributions (continued)

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate determined by the State. The rate was 14.08% and 12.06% of annual covered payroll for the fiscal years ended June 30, 2020 and June 30, 2019, respectively. The University contributed \$1,450,748 and \$1,315,547 for the fiscal years ended June 30, 2020 and June 30, 2019, equal to 100% of the required contributions for the year.

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

As of June 30, 2020 and 2019, the University reported a net pension liability of \$19,332,813 and \$20,564,468, respectively, for its proportionate share of the net pension liability related to its participation in MSERS. The net pension liability was measured as of June 30, 2019, the measurement date, as determined by an actuarial valuation. The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed the University for the fiscal years 2019 and 2018. The Commonwealth's proportionate share was based on actual employer contributions to the MSERS for fiscal years 2019 and 2018 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2019 and 2018, the University's proportion was 0.14% and 0.17% respectively. For the year end June 30, 2020 and 2019, the University recognized pension expense of \$2,972,160 and \$3,029,723, respectively.

As of June 30, 2020 and 2019, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2020	2019
Deferred outflows of resources:		
Change in plan actuarial assumptions	\$ 1,433,032	\$ 2,084,081
Differences between expected and actual experience	642,047	652,131
Changes in proportion from Commonwealth due to internal allocation	1,645,536	2,730,789
Contributions subsequent to the measurement date	1,450,748	1,315,547
	\$ 5,171,363	\$ 6,782,548
Deferred inflows of resources:		
Differences between expected and actual experience	\$ 251,433	\$ 419,105
Differences between projected and actual earnings on plan investments	288,375	714,800
Changes in proportion from Commonwealth due to internal allocation	3,066,220	1,330,242
	\$ 3,606,028	\$ 2,464,147



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - RETIREMENT PLAN (Continued)

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

Contributions of \$1,450,748 and \$1,315,547, respectively, are reported as deferred outflows of resources related to pensions resulting from the University contributions in fiscal year 2020 and 2019 subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the year ended June 30, 2021 and 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in pension expense as follows:

2021	\$	179,950
2022		(56,549)
2023		159,767
2024		(191,901)
2025		23,320
		23,320
	\$	114,587

Actuarial Assumptions

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

	2019	2018
Cost of living increases (on the first \$13,000 per year for 2019 and 2018)	3.00%	3.00%
Salary increases	4.00 to 9.00%	4.00 to 9.00%
Investment rate of return	7.25%	7.35%
Interest rate credit to the annuity savings fund	3.50%	3.50%

Pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2016 and set forward one year for females. Post-retirement mortality rates reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year for females. Mortality rates for disability reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year.

Experience studies were performed as of February 27, 2014, encompassing the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target assets allocation as of June 30, 2019 and 2018 are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

Asset Class	Target allocation	Long-term expected real Rate of return	
		2019	2018
Global equity	39%	4.90%	5.00%
Core fixed income	15%	1.30%	0.90%
Private equity	13%	8.20%	6.60%
Real estate	10%	3.60%	3.80%
Value added fixed income	8%	4.70%	3.80%
Portfolio completion strategies	11%	3.90%	3.70%
Timber/natural resources	4%	4.10%	3.40%
Total	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.35% for 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2019 and 2018. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one percentage-point higher than the current discount rate:

	2019	2018
1% decrease to 6.25% for 2019 and 6.35% for 2018	\$ 25,732,601	\$ 27,717,465
Current discount rate 7.25% for 2019 and 7.35% for 2018	19,332,813	20,564,468
1% increase to 8.25% for 2019 and 8.35% for 2018	13,864,501	14,452,507

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Plan Description

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

Benefit Provisions

Chapter 32A of the General Laws of the Commonwealth (MGL), requires the Commonwealth of Massachusetts to provide certain health care and life insurance benefits for retired employees. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs, which are compatible to contributions required from employees.

Contributions

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2019 and 2018 and as of the valuation date (January 1, 2019), Commonwealth participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status.

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

As of June 30, 2020 and 2019, the University reported a net OPEB liability of \$36,445,632 and \$44,998,975, respectively, for its proportionate share of the net OPEB liability related to its participation in the OPEB Plan. The net OPEB liability was measured as of June 30, 2019, the measurement date, as determined by an actuarial valuation. The University's proportion of the net OPEB liability was based on its share of the Commonwealth of Massachusetts' collective OPEB amounts allocated on the basis of actual fringe benefit charges assessed the University for the fiscal years 2019 and 2018. The Commonwealth's proportionate share was based on actual employer contributions to the OPEB Plan for fiscal years 2019 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2019 and 2018, the University's proportion was 0.21% and 0.25% respectively. For the year end June 30, 2019 and 2018, the University recognized OPEB expense of \$2,577,708 and \$4,708,011, respectively.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

As of June 30, 2019 and 2018, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to postemployment benefits other than pensions from the following sources:

	2020	2019 (As restated)
Deferred outflows of resources:		
Changes in proportion from Commonwealth due to internal allocation	\$ 7,639,954	\$ 9,872,428
Changes in plan actuarial assumption	28,043	43,100
Differences between expected and actual experience	1,461,640	438,719
Contributions subsequent to the measurement date	751,524	959,290
	\$ 9,881,161	\$ 11,313,537
Deferred inflows of resources:		
Changes in proportion from Commonwealth due to internal allocation	\$ 7,109,964	\$
Change in plan actuarial assumptions	5,480,487	3,796,132
Differences between expected and actual experience	16,762	77,097
Differences between projected and actual earnings on plan investments	46,671	90,195
	\$ 12,653,884	\$ 3,963,424

Contributions of \$751,524 and \$959,290, respectively are reported as deferred outflows of resources related to OPEB resulting from the University contributions in fiscal year 2020 and 2019 subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the year ended June 30, 2021 and 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in OPEB expense as follows:

2021	\$ (490,165)
2022	(490,165)
2023	(466,105)
2024	(715,692)
2025	(1,362,120)
	\$ (3,524,247)

Actuarial Assumptions

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions (continued)

1. For 2019, the following annual healthcare cost trend rates: (1) 7.5%, decreasing by 0.5% each year to 5.5% in 2023 and 2024 and then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for medical and (2) 4.5% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver Plans (EGWP), which are assumed to increase 5.0% per year until 2025, then decrease to 4.5% in 2026.
2. For 2018, the following annual healthcare cost trend rates: (1) 8.0%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for medical and (2) 5.0% for 5.0% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver EGWP, which are assumed to increase 5.0%.
3. For 2019 and 2018, the mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 form the central year, with females set forward one year.
4. Participation rates:
  - a. 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.
  - b. All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
  - c. 85% for 2019 and 80% for 2018 of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
  - d. For 2019, Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity	25%	85%
POS/PPO	60%	0%
HMO	15%	15%

- e. For 2018, Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity	40%	85%
POS/PPO	50%	0%
HMO	10%	15%

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions (continued)

Investment assets of the Plan are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

Asset Class	Target allocation	Long-term expected real Rate of return	
		2019	2018 (As restated)
Global equity	39%	4.90%	5.00%
Portfolio completion strategies	11%	3.90%	3.70%
Core fixed income	15%	1.30%	0.90%
Private equity	13%	8.20%	6.60%
Value added fixed income	8%	4.70%	3.80%
Real Estate	10%	3.60%	3.80%
Timber/natural resources	4%	4.10%	3.40%
Total	<u>100%</u>		

Discount Rate

The discount rates used to measure the OPEB liability as of June 30, 2019 and 2018 was 3.63% and 3.92%, respectively. This rate was based on a blend of the Bond Buyer Index rates of 3.51% and 3.87% as of the measurement date of June 30, 2019 and 2018, respectively and the expected rates of return. The 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 2025. Therefore, the long-term expected rate of return on plan investments of 7.25% and 7.35% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019 and 2018, respectively.

Sensitivity Analysis

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

	2019	2018 (As restated)
1% decrease to 2.63% for 2019 and 2.92% for 2018	\$ 43,504,306	\$ 53,489,477
Current discount rate 3.63% for 2019 and 3.92% for 2018	36,445,632	44,998,975
1% increase to 4.63% for 2019 and 4.92% for 2018	31,761,203	38,263,446

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

24 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity Analysis (continued)

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

	2019	2018 (As restated)
1% decrease for Medical and EGWP and Administrative costs	\$ 30,035,805	\$ 38,065,280
Current discount rate of 7.5% for 2019 8.0% for 2018 for Medical and 5% for EGWP and administrative costs	36,445,632	44,998,975
1% increase for Medical and EGWP and Administrative costs	44,902,713	53,764,312

25 - STATE CONTROLLED ACCOUNTS

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled and reported by the State through non-University line items in the State's budget. Under accounting principles generally accepted in the United States of America such transactions must be recorded in the financial statements of the University. These transactions include payments by the State for the employer's share of funding the Massachusetts State Employee's Retirement System and for the employer's share of health care premiums. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2020 were \$4,777,043 and \$6,293,741, respectively. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2019 were \$3,958,583 and \$6,409,627, respectively.

26 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM - (UNAUDITED)

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

The University's State appropriations are composed of the following for the years ended June 30:

	2020	2019
Direct unrestricted appropriations	\$ 30,320,955	\$ 29,684,752
Fringe benefits for benefitted employees on state payroll	11,070,784	10,096,880
Tuition remitted	(304,826)	(381,197)
Total appropriations	\$ 41,086,913	\$ 39,400,435

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

26 - MANAGEMENT ACCOUNTING NAD REPORTING SYSTEM – (UNAUDITED) (Continued)

A reconciliation between the University and MMARS fund 901 activity as of June 30, 2020 is as follows:

Revenue per MMARS	\$ 77,133,397
Revenue per University	<u>77,695,553</u>
Net reporting classification and differences	<u>\$ (562,156)</u>

27 - RELATED PARTY TRANSACTIONS

The University provided, at no cost, office space and certain personnel services to the Worcester State Foundation, Inc. (the “Foundation”).

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

The University and the Foundation have entered into an affiliation agreement with the Worcester Center for Crafts, Inc. to collaboratively offer venues for teaching and learning in the arts, exhibition space, safe, well-equipped studios for community-based programs as well as undergraduate visual and performing art classes. As part of the agreement, the University provides various forms of support to the Crafts Center including annual service fees for allowing the University to use the facilities. Service agreement fees were \$250,000 for the years ended June 30, 2020 and 2019. In addition, the University provided support including personnel, equipment, repairs and maintenance and other operating expenses. The value of this support is estimated to be \$350,084 and \$354,412 for the years ended June 30, 2020 and 2019 respectively.

The University provides certain operating costs for WSF Real Estate, Inc. in exchange of the use property adjacent to the University campus for various purposes. WSF Real Estate, Inc. is under the control and holds property on behalf of the Foundation. Operating costs provided by the University were \$110,026 and \$79,623 during the years ended June 30, 2020 and 2019, respectively.

28 - AUXILIARY ENTERPRISES

The University’s auxiliary enterprises consist of residence life and housing and health services. The related revenues and expenses for the years ended June 30, 2020 and 2019 are as follows:

	2020		2019	
	Residence Life and Housing	Health Services	Residence Life and Housing	Health Services
Total revenue	\$ 10,526,553	\$ 439,597	\$ 12,843,230	\$ 448,282
Total expenses	<u>12,261,180</u>	<u>512,646</u>	<u>12,461,827</u>	<u>493,157</u>
Increase (decrease) in net position before transfers	<u>\$ (1,734,627)</u>	<u>\$ (73,049)</u>	<u>\$ 381,403</u>	<u>\$ (44,875)</u>



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29 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Grants and entitlements

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

30 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2019 financial statements, with no effect on change in net position, to conform to the 2020 presentation.

31 - SUBSEQUENT EVENTS

On July 1, 2020, the MSCBA closed on \$395,735,000 of Refunding Revenue Bonds Series 2020A (Federally Taxable) for the purpose of providing budgetary relief to the Commonwealth of Massachusetts nine state universities in fiscal years 2021 and 2022. These bonds were issued to refund and restructure approximately \$338 million of debt outstanding from multiple series of bonds. In addition to the advance refunding, the May 2021 principal payment and a portion of the May 2022 principal payment from sixteen other series of bonds were also included in the refunding escrow to provide budgetary relief. The reduction of the fiscal year 2021 debt service assessment for Worcester State University is approximately \$4,470,000. The reduction of the fiscal year 2022 debt service assessment is approximately \$2,350,000. The overall impact through 2043 was an increase in gross debt service costs of approximately \$740,000.

The first principal payment is due on May 1, 2024, and the final term bond maturity is on May 1, 2043, which matches the final maturity of Worcester State University outstanding commitments prior to the 2020A. Interest is due semiannually each May 1st and November 1st. The bonds carry interest at rates ranging from 1.044% in 2024 to 3.072% in 2043. The refunding escrow is invested in Treasuries and State and Local Government Series ("SLGS") to the various call dates or maturity dates for non-callable maturities. The 2020A refunding and other reductions in assessments as a multi-faceted plan to reduce expenses in response to the impact of COVID-19 on the nine State Universities.

SUPPLEMENTARY INFORMATION

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

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

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2014 through 2019)

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

See accompanying independent auditor's report.

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

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS  
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2014 through 2019)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution*	\$ 1,315,547	\$ 1,421,424	\$ 1,098,173	\$ 972,477	\$ 1,039,592	\$ 741,444	\$ 700,426
Contributions in relation to the statutorily required contribution*	<u>1,315,547</u>	<u>1,421,424</u>	<u>1,098,173</u>	<u>972,477</u>	<u>1,039,592</u>	<u>741,444</u>	<u>700,426</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835	\$ 11,013,323	\$ 10,245,240	\$ 11,163,731
Contributions as a percentage of covered-employee payroll	11.02%	11.00%	9.69%	8.58%	9.44%	7.24%	6.27%

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

See accompanying independent auditor's report.

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

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

JUNE 30, 2015 THROUGH 2020

**1 - CHANGES IN ACTUARIAL ASSUMPTIONS**

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

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

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

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

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

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

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

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

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

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

See accompanying independent auditor's report.

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

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

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2017 through 2019)

	<u>2020</u>	<u>2019</u> (As restated)	<u>2018</u>	<u>2017</u>
University's proportion of the net OPEB liability	0.21%	0.25%	0.21%	0.18%
University's proportion of the net OPEB liability	\$ 36,445,632	\$ 44,998,975	\$ 35,037,942	\$ 33,225,679
University's covered-employee payroll	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835
University's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	290.13%	348.23%	309.07%	293.21%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	7.38%	5.39%	4.37%

See accompanying independent auditor's report.

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

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

YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019 (As restated)</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution*	\$ 959,290	\$ 1,076,188	\$ 882,031	\$ 745,202
Contributions in relation to the statutorily required contribution*	<u>959,290</u>	<u>1,076,188</u>	<u>882,031</u>	<u>745,202</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 12,561,991	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835
Contributions as a percentage of covered-employee payroll	8.04%	8.33%	7.78%	6.58%

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

See accompanying independent auditor's report.

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

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

JUNE 30, 2018 THROUGH 2020

1 - CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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

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

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

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

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

See accompanying independent auditor's report.



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

UNIVERSITY NET POSITION ANALYSIS

JUNE 30, 2020  
(With Comparative Totals for 2014 through 2019)

	<u>2020</u>	<u>2019</u> (As Restated)	<u>2018</u>	<u>2017</u>	<u>2016</u>
Invested in Capital Assets, Net	\$ 75,835,001	\$ 78,092,336	\$ 79,046,212	\$ 83,469,474	\$ 87,321,688
Restricted - Expendable for					
Other	653,958	467,961	90,205	178,233	3,241,368
Capital Projects	<u>139,434</u>	<u>135,362</u>	<u>130,815</u>	<u>127,017</u>	<u>123,819</u>
Total expendable	<u>793,392</u>	<u>603,323</u>	<u>221,020</u>	<u>305,250</u>	<u>3,365,187</u>
Unrestricted					
Unrestricted from operations	39,197,848	36,364,288	32,009,954	29,588,807	25,566,310
Accumulated Commonwealth pension obligations	(17,767,478)	(16,246,067)	(14,531,894)	(13,517,481)	(11,973,992)
Accumulated Commonwealth OPEB obligations	<u>(39,218,355)</u>	<u>(37,648,861)</u>	<u>(34,136,535)</u>	<u>-</u>	<u>-</u>
Total unrestricted	<u>(17,787,985)</u>	<u>(17,530,640)</u>	<u>(16,658,475)</u>	<u>16,071,326</u>	<u>13,592,318</u>
Total Net Position	<u>\$ 58,840,408</u>	<u>\$ 61,165,019</u>	<u>\$ 62,608,757</u>	<u>\$ 99,846,050</u>	<u>\$ 104,279,193</u>

See accompanying independent auditor's report.

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

FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	Instruction	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Totals	
						2020	2019
Regular employee compensation	\$ 22,002,938	\$ 3,485,395	\$ 4,828,083	\$ 5,653,299	\$ 4,540,451	\$ 40,510,166	\$ 40,065,815
Special employee contracted services	9,557,851	333,048	956,578	421,106	87,933	11,356,516	10,204,014
Pension and insurance	9,366,830	1,287,811	2,319,659	2,608,971	3,153,478	18,736,749	20,063,385
<b>Total payroll and employee benefits</b>	<b>40,927,619</b>	<b>5,106,254</b>	<b>8,104,320</b>	<b>8,683,376</b>	<b>7,781,862</b>	<b>70,603,431</b>	<b>70,333,214</b>
Regular employee related expenses	218,097	100,687	87,146	114,208	82,764	602,902	719,325
Administrative	1,733,178	727,919	659,798	1,717,623	420,514	5,259,032	5,270,998
Facility operations support and related expenses	475,307	94,942	501,720	659,333	54,031	1,785,333	2,141,997
Energy and space rental	156,502	21,349	633,337	43,697	2,385,017	3,239,902	3,249,816
Professional services	241,258	41,077	110,824	685,046	516,465	1,594,670	2,450,374
Operational services	416,304	26,106	396,607	428,343	44,311	1,311,671	1,162,993
Equipment purchases	816,085	22,396	221,917	133,679	261,125	1,455,202	640,032
Equipment lease and maintenance	116,604	11,737	472,833	127,479	269,491	998,144	1,307,670
Construction and building improvements	-	-	-	-	3,405,390	3,405,390	5,721,368
<b>Total operating expenses</b>	<b>4,173,335</b>	<b>1,046,213</b>	<b>3,084,182</b>	<b>3,909,408</b>	<b>7,439,108</b>	<b>19,652,246</b>	<b>22,664,573</b>
<b>Total educational and general expenses</b>	<b>\$ 45,100,954</b>	<b>\$ 6,152,467</b>	<b>\$ 11,188,502</b>	<b>\$ 12,592,784</b>	<b>\$ 15,220,970</b>	<b>\$ 90,255,677</b>	<b>\$ 92,997,787</b>

See accompanying independent auditor's report.

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

RESIDENCE LIFE AND HOUSING

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 2,535,923	\$ 4,300,250
Accounts receivable, net	<u>109,817</u>	<u>106,049</u>
Total assets	<u>2,645,740</u>	<u>4,406,299</u>
<b>LIABILITIES</b>		
Unearned rental income	211,057	245,598
Accrued and other liabilities	<u>222,847</u>	<u>214,238</u>
Total liabilities	<u>433,904</u>	<u>459,836</u>
<b>NET POSITION</b>		
Unrestricted	<u><u>\$ 2,211,836</u></u>	<u><u>\$ 3,946,463</u></u>

See accompanying independent auditor's report.

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

RESIDENCE LIFE AND HOUSING

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Fees	\$ 9,897,508	\$ 12,437,212
Other income	<u>629,045</u>	<u>406,018</u>
Total revenues	<u>10,526,553</u>	<u>12,843,230</u>
<b>EXPENSES</b>		
Regular employee compensation	1,241,331	1,134,982
Special employees/contracted services	191,842	263,347
Pension and insurance	470,627	408,391
Regular employee related expenses	14,224	9,848
Administrative	140,580	138,270
Debt payment	8,043,399	8,076,627
Facility operations support and related expenses	211,473	220,825
Energy and space rental	588,679	725,259
Professional services	12,415	12,730
Operational services	4,250	3,499
Equipment purchases	7,402	8,950
Equipment lease and maintenance	125,171	108,046
Building improvements	684,471	778,194
Benefits programs	<u>525,316</u>	<u>572,860</u>
Total expenses	<u>12,261,180</u>	<u>12,461,827</u>
Change in net position	(1,734,627)	381,403
<b>NET POSITION</b>		
Beginning of year	<u>3,946,463</u>	<u>3,565,060</u>
End of year	<u>\$ 2,211,836</u>	<u>\$ 3,946,463</u>

See accompanying independent auditor's report.

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

HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Fees	\$ 438,934	\$ 448,194
Other income	<u>663</u>	<u>88</u>
Total revenues	<u>439,597</u>	<u>448,282</u>
<b>EXPENSES</b>		
Regular employee compensation	79,895	85,315
Special employees/contracted services	6,533	7,800
Pension and insurance	28,746	46,416
Regular employee related expenses	-	3,073
Administrative	7,495	4,187
Facility operations support and related expenses	12,528	13,204
Professional services	376,924	302,188
Operational services	-	30,399
Equipment maintenance	325	325
Benefits programs	<u>200</u>	<u>250</u>
Total expenses	<u>512,646</u>	<u>493,157</u>
Change in net position	<u>\$ (73,049)</u>	<u>\$ (44,875)</u>

See accompanying independent auditor's report.

STATISTICAL INFORMATION  
(UNAUDITED)

**Worcester State University**  
**Schedule of Net Position by Component**  
**June 30, 2015 through 2020**

**Exhibit E-1**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Invested in capital assets, net of related debt	\$ 56,137,097	\$ 87,321,688	\$ 83,469,474	\$ 79,046,212	\$ 78,092,336	\$ 75,835,001
Restricted-expendable	2,630,207	3,365,187	305,250	221,020	603,323	793,392
Restricted-nonexpendable	-	-	-	-	-	-
Unrestricted	24,104,278	13,592,318	16,071,326	(16,658,475)	(17,530,640)	(17,787,985)
<b>Total primary government net position</b>	<b>\$ 82,871,582</b>	<b>\$ 104,279,193</b>	<b>\$ 99,846,050</b>	<b>\$ 62,608,757</b>	<b>\$ 61,165,019</b>	<b>\$ 58,840,408</b>

**Worcester State University  
Tuition & Mandatory Fees**

**Exhibit E-2**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b><i>Resident Undergraduate</i></b>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	6,186	6,683	7,187	7,587	7,587	7,887	8,232	8,562	8,562	8,562
<b><i>Total Annual</i></b>	<b>\$ 7,156</b>	<b>\$ 7,653</b>	<b>\$ 8,157</b>	<b>\$ 8,557</b>	<b>\$ 8,557</b>	<b>\$ 8,857</b>	<b>\$ 9,202</b>	<b>\$ 9,532</b>	<b>\$ 9,532</b>	<b>\$ 9,532</b>
<b><i>Non Resident Undergraduate</i></b>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	6,186	6,683	7,187	7,587	7,587	7,887	8,232	8,562	8,562	8,562
<b><i>Total Annual</i></b>	<b>\$ 13,236</b>	<b>\$ 13,733</b>	<b>\$ 14,237</b>	<b>\$ 14,637</b>	<b>\$ 14,637</b>	<b>\$ 14,937</b>	<b>\$ 15,282</b>	<b>\$ 15,612</b>	<b>\$ 15,612</b>	<b>\$ 15,612</b>
<b><i>Resident Graduate</i></b>										
Tuition	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 169	\$ 169	\$ 169
Mandatory Fees	112	115	115	117	117	138	148	153	153	153
<b><i>Total per Credit Hours</i></b>	<b>\$ 262</b>	<b>\$ 265</b>	<b>\$ 265</b>	<b>\$ 267</b>	<b>\$ 267</b>	<b>\$ 288</b>	<b>\$ 298</b>	<b>\$ 322</b>	<b>\$ 322</b>	<b>\$ 322</b>



Worcester State University  
 Schedule of Employment  
 2015-2019

Exhibit E-3

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Faculty - Primary Instruction</b> <sup>/1</sup>	<b>416</b>	<b>419</b>	<b>441</b>	<b>466</b>	<b>455</b>
Part-time	214	215	230	248	236
Full-time	202	204	211	218	219
<b>Staff and Administrators</b>	<b>353</b>	<b>354</b>	<b>356</b>	<b>356</b>	<b>356</b>
Part-time	13	12	12	12	12
Full-time	340	342	344	344	344
<b>Total Faculty &amp; Staff Employees</b>	<b>769</b>	<b>773</b>	<b>797</b>	<b>822</b>	<b>811</b>
Part-time	227	227	242	260	248
Full-time	542	546	555	562	563
<b>Non-Benefitted Employees</b> <sup>/2</sup>	<b>615</b>	<b>385</b>	<b>436</b>	<b>446</b>	<b>627</b>
Contract Workers	141	174	214	191	230
Student Workers	474	211	222	255	397
<b>Total All Employees</b>	<b>1,384</b>	<b>1,158</b>	<b>1,233</b>	<b>1,268</b>	<b>1,438</b>

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*/1 Includes Instruction, Research & Public Service*

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

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

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

**Exhibit E-4**

	<b>Fall Term</b>				
<b>Admissions-Freshman /1</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Applications	4,828	4,963	4,822	5,123	4,773
Applications accepted	3,458	3,651	3,742	4,062	3,931
Accepted as a percentage of applications	71.62%	73.56%	77.60%	79.29%	82.36%
Students enrolled /2	1,454	1,366	1,494	1,461	1,420
Enrolled as a percentage of accepted	42.05%	37.41%	39.93%	35.97%	36.12%

/1 Includes all undergraduate admissions including transfer students.

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

	<b>Annual</b>				
<b>Enrollment</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Full-time equivalent	5,339.5	5,409.8	5,449.0	5,465.3	5,273.7
Unduplicated credit headcount	9,774	10,679	10,276	9,691	8,694
Percent undergraduate /3	87.44%	83.16%	85.41%	86.54%	85.94%
Percent graduate	12.56%	16.84%	14.59%	13.46%	14.06%

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

	<b>Fall Term</b>				
<b>Student Population Demographics /4</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Percentage of men	38.31%	37.09%	38.72%	38.06%	36.04%
Percentage of women	61.69%	62.91%	61.28%	61.94%	63.96%
Percentage of African-American	6.85%	7.08%	7.77%	8.09%	7.64%
Percentage of White	70.42%	68.95%	66.86%	65.03%	64.94%
Percentage of Latino	8.18%	9.21%	10.68%	11.60%	11.73%
Percentage of Other /5	6.77%	6.75%	6.92%	7.32%	7.58%
< 20	24.08%	23.74%	25.58%	27.19%	27.40%
20 to 30	58.76%	56.35%	57.09%	57.23%	56.90%
31 to 40	7.96%	8.54%	7.44%	6.89%	690.00%
41 & Over	9.20%	11.36%	9.89%	8.69%	8.70%

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

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

<b>Degrees Granted</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Bachelor's	1,115	1,076	1,095	1,112	1,050
Master's	205	225	227	234	242

**Worcester State University  
Schedule of Capital Asset Information**

**Exhibit E-5**

	<b>Academic Year</b>	
	<b><u>2019</u></b>	<b><u>2020</u></b>
Land (acreage)	57	57
Buildings (square feet)		
100 Instruction/classroom	57,369	57,369
200 Labs	55,893	55,893
300 Administrative	117,172	117,172
400 Study facilities	27,750	27,750
52x Athletic	66,049	66,049
5xx Other Special Use	6,470	6,470
600 General Use	77,736	77,736
700 Support facilities	173,502	173,502
000 Unclassified	-	-
Unassigned/unassignable	379,910	379,910
<b>Total Sq Ft</b>	<b>961,851</b>	<b>961,851</b>
Residence Halls	462,513	462,513
Rental space	-	-
Dormitories - # of residents	1,577	1,577

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

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Source of Revenue</b>					
Student charges (net of scholarships)	\$ 48,411,331	\$ 48,483,889	\$ 50,357,398	\$ 52,375,323	\$ 49,988,138
Grants & contracts	10,924,592	11,975,305	12,637,198	12,763,645	13,156,982
Auxiliary enterprises	444,478	440,172	796,446	854,299	629,708
Other operating revenue	1,146,016	1,032,424	1,265,178	1,468,693	1,129,543
<b>Total operating revenue</b>	<b>60,926,417</b>	<b>61,931,790</b>	<b>65,056,220</b>	<b>67,461,960</b>	<b>64,904,371</b>
State and Federal support	33,605,906	35,169,690	35,415,371	39,400,435	43,021,317
Other non-operating revenue	811,842	(188,427)	(39,057)	1,188,164	1,519,274
<b>Total non-operating revenue</b>	<b>34,417,748</b>	<b>34,981,263</b>	<b>35,376,314</b>	<b>40,588,599</b>	<b>44,540,591</b>
<b>Total revenue</b>	<b>\$ 95,344,165</b>	<b>\$ 96,913,053</b>	<b>\$ 100,432,534</b>	<b>\$ 108,050,559</b>	<b>\$ 109,444,962</b>
<b>Functional Expense</b>					
Instruction	\$ 34,662,566	\$ 35,523,651	\$ 38,782,984	\$ 42,272,512	\$ 45,100,954
Academic support	7,768,616	7,072,401	7,376,332	6,349,745	6,152,467
Student services	9,396,733	11,153,602	11,098,900	11,685,388	11,188,502
Institutional support	15,447,340	14,397,858	13,736,523	13,662,913	12,592,784
Plant operations & maintenance	9,297,557	11,230,348	13,958,602	17,493,866	15,220,970
Research	-	-	-	-	-
Public service	955,701	1,270,991	-	-	-
Scholarships	2,653,815	2,763,487	2,634,749	2,089,119	4,429,390
<b>Sub-total</b>	<b>80,182,328</b>	<b>83,412,338</b>	<b>87,588,090</b>	<b>93,553,543</b>	<b>94,685,067</b>
Auxiliary enterprises	11,838,607	12,170,935	11,839,524	12,954,983	12,773,826
Independent operations	-	-	-	-	-
All other	289,560	497,152	695,557	672,047	645,168
<b>Total operating expense</b>	<b>\$ 92,310,495</b>	<b>\$ 96,080,425</b>	<b>\$ 100,123,171</b>	<b>\$ 107,180,573</b>	<b>\$ 108,104,061</b>
Memo: Depreciation	\$ 4,664,588	\$ 5,328,423	\$ 5,655,439	\$ 5,448,274	\$ 5,472,690

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

## OTHER REPORTS

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

To the Board of Trustees  
Worcester State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Worcester State University, an agency of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Worcester State University's basic financial statements, and have issued our report thereon dated November 17, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Worcester State 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

(Continued)

**Purpose of this Report**

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

*Ballus Lynch, LLP*

Worcester, Massachusetts  
November 17, 2020