

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

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

JUNE 30, 2020

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

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

June 30, 2020

C O N T E N T S

Independent Auditors’ Report	1-2
Management’s Discussion and Analysis (Unaudited)	3-17
Financial Statements:	
Statements of Net Position	18
Statements of Revenues and Expenses	19
Statements of Changes in Net Position	20
Statements of Cash Flows	21-22
Notes to the Financial Statements	23-67
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability (Unaudited)	68
Schedule of Contributions – Pension (Unaudited)	69
Notes to the Required Supplementary Information – Pension (Unaudited)	70-71
Schedule of Proportionate Share of Net OPEB Liability (Unaudited)	72
Schedule of Contributions – OPEB (Unaudited)	73
Notes to the Required Supplementary Information – OPEB (Unaudited)	74-75

Supplemental Information:

Schedules of Net Position - Dormitory Trust Fund Report (Unaudited) 76

Schedules of Revenues, Expenses and Change in Net
Position - Dormitory Trust Fund Report (Unaudited) 77

**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*** 78-79



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Westfield State University (an agency of the Commonwealth of Massachusetts) (the "University"), and its discretely presented component unit, the Westfield State Foundation, Inc. (the "Foundation"), which comprise the statements of net position as of June 30, 2020 and 2019, the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express opinions on the 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 auditors' 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 auditors consider 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.

Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University restated prior year balances with regards to the University's Other Post-Employment Benefits liability and the related deferred inflows and outflows. Our opinion is not modified with respect to this matter.

Required Supplementary Information

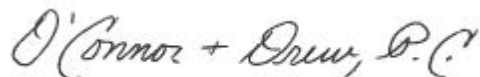
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Schedules

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 13, 2020

WESTFIELD STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020

Introduction

The following discussion and analysis provides an overview of the financial position and results of operations of Westfield State University (the "University") for the fiscal year ended June 30, 2020, with comparative information for the year ended June 30, 2019. This discussion has been prepared by management along with the financial statements and footnotes. Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the basic financial statements and notes thereto. The financial statements, footnotes and this discussion are the responsibility of management.

Westfield State University is a comprehensive public institution of higher learning with approximately 5,100 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers undergraduate majors in both the traditional arts and sciences and in professional fields with multiple options for discipline-specific or interdisciplinary minors and concentrations. There are also several graduate-level degree and certificate programs offered by the College of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State University to providing quality educational programs.

Financial Highlights

- The University's financial position decreased during the fiscal year ended June 30, 2020, with a \$1.1 million or 2.6% decrease in total net position. The decrease was related to multiple factors including recording expenses of \$4.9 million for postemployment benefits other than pensions ("OPEB") and an additional \$3.8 million of pension expense, which are net of contributions subsequent to the measurement date. The effects of these adjustments are described in more detail on pages 4 and 5 of this discussion and analysis. These expenses were offset by the recognition of state capital appropriation revenue in the amount of \$7.6 million for the work completed during the fiscal year on the campus steam line project and \$2.1 million in revenue related to the Parenzo Hall project. Net position, which represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows of resources are deducted, decreased to \$40.8 million from \$41.9 million in 2019.
- Expenses incurred during fiscal year 2020 totaled \$140.6 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$139.5 million resulting in a decrease in net position of \$1.1 million. Expenses incurred during fiscal year 2019 totaled \$139.3 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$130.9 million resulting in a decrease in net position of \$8.4 million.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Highlights - Continued

- In August 2020, the University was notified by the Office of the State Comptroller that the OPEB calculations as of the June 30, 2018 measurement date, used to determine fiscal year 2019 activity, were incorrect and new calculations were subsequently provided. The error, made by the Commonwealth's third-party actuary, resulted in the restatement of certain previously reported fiscal year 2019 financial statement numbers. The net impact to the University of the correction of this error was an additional reduction in unrestricted net position in the amount of \$2.6 million for fiscal year 2019. The specific changes are further detailed in footnote 2 of the financial statements.

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

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, established standards for how governmental employers (and other entities) that contribute to state and local pension plans report liabilities and plan details on their financial statements. GASB 68 and its required disclosures were implemented in fiscal year 2015. GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. The tables below show the financial statement impact of GASB 68 and GASB 75 in fiscal years 2020 and 2019:

	2020		
	Pension	OPEB	Total
Statement of Net Position (Balance Sheet)			
Deferred outflows (like an Asset)	\$ 9,666,717	\$ 18,010,846	\$ 27,677,563
Net liability (Non-Current Liability)	(37,463,840)	(70,625,670)	(108,089,510)
Deferred inflows (like a Liability)	(3,016,572)	(15,165,778)	(18,182,350)
Net position	<u>\$ (30,813,695)</u>	<u>\$ (67,780,602)</u>	<u>\$ (98,594,297)</u>
Statement of Revenues and Expenses			
Pension expense, net of subsequent contributions	\$ 3,754,716	\$ -	\$ 3,754,716
OPEB expense, net of subsequent contributions	-	4,918,445	4,918,445
Total	<u>\$ 3,754,716</u>	<u>\$ 4,918,445</u>	<u>\$ 8,673,161</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

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

	Restated 2019		
	Pension	OPEB	Total
Statement of Net Position (Balance Sheet)			
Deferred outflows (like an Asset)	\$ 11,794,391	\$ 20,545,602	\$ 32,339,993
Net liability (Non-Current Liability)	(35,031,695)	(76,656,042)	(111,687,737)
Deferred inflows (like a Liability)	(3,821,675)	(6,751,717)	(10,573,392)
Net position	<u>\$ (27,058,979)</u>	<u>\$ (62,862,157)</u>	<u>\$ (89,921,136)</u>
Statement of Revenues and Expenses			
Pension expense, net of subsequent contributions	\$ 2,725,512	\$ -	\$ 2,725,512
OPEB expense, net of subsequent contributions	-	6,159,366	6,159,366
Total	<u>\$ 2,725,512</u>	<u>\$ 6,159,366</u>	<u>\$ 8,884,878</u>

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

Effect of GASB 68 and GASB 75 on Unrestricted Net Position

	Without Pension/OPEB	Pension/ OPEB Adjustment	With Pension/OPEB
Unrestricted net position, June 30, 2018	\$ 48,228,445	\$ (81,036,258)	\$ (32,807,813)
Change in unrestricted net position for 2019	<u>3,740,287</u>	<u>(6,272,779)</u>	<u>(2,532,492)</u>
Unrestricted net position, June 30, 2019, previously reported	\$ 51,968,732	\$ (87,309,037)	\$ (35,340,305)
Prior period adjustment	<u>-</u>	<u>(2,612,099)</u>	<u>(2,612,099)</u>
Unrestricted net position, June 30, 2019, as restated	\$ 51,968,732	\$ (89,921,136)	\$ (37,952,404)
Change in unrestricted net position for 2020	<u>1,979,080</u>	<u>(8,673,161)</u>	<u>(6,694,081)</u>
Unrestricted net position, June 30, 2020	<u>\$ 53,947,812</u>	<u>\$ (98,594,297)</u>	<u>\$ (44,646,485)</u>

The combined impact of the pension and OPEB liabilities for fiscal year 2020 and 2019 is a reduction in unrestricted net position of \$98.6 million and \$89.9 million, respectively.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Overview of the Financial Statements

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

The Financial Statements

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

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

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

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

The *Statements of Revenues and Expenses* present the University's results of operations and other non-operating revenues.

The *Statements of Changes in Net Position* present information showing how the University's net position changed during the most recent fiscal year.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Overview of the Financial Statements - Continued

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

The financial statements can be found on pages 18-22 of this financial report.

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 23-67 of this financial report.

Other Information

In addition to the financial statements and accompanying footnotes, this financial report also contains certain required supplementary information concerning the University's Building Authority trust fund. This supplementary information can be found on pages 76-77 of this financial report.

Financial Analysis of the University

The University's total net position for fiscal year 2020 decreased by \$1.1 million or 2.6% primarily due to the recording of OPEB and pension expense, net of contributions made subsequent to the measurement date in the amount of \$8.7 million during the fiscal year which was offset by an increase in capital state appropriation of \$9.7 million related to two major capital projects in process at June 30, 2020. The University's total net position for fiscal year 2019 decreased by \$8.4 million or 16.8%. A summary of the University's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, is presented below:

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Analysis of the University - Continued

<u>Assets</u>	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Current Assets	\$ 71,206,003	\$ 74,225,664	\$ 68,409,730
Capital Assets, net	103,692,276	99,116,839	102,743,536
Other Non-current assets	5,329,769	1,288,234	1,416,133
Total Assets	<u>180,228,048</u>	<u>174,630,737</u>	<u>172,569,399</u>
Deferred Outflows of Resources	27,677,563	32,339,993	24,265,377
Total Assets and Deferred Outflows	<u>\$207,905,611</u>	<u>\$ 206,970,730</u>	<u>\$ 196,834,776</u>
 <u>Liabilities</u>			
Current Liabilities	\$ 18,785,559	\$ 19,343,962	\$ 16,382,205
Non-current Liabilities	129,899,595	135,186,669	118,920,119
Total Liabilities	<u>148,685,154</u>	<u>154,530,631</u>	<u>135,302,324</u>
Deferred Inflows of Resources	18,442,784	10,573,392	11,222,807
 <u>Net Position</u>			
Investment in Capital Assets, net	84,277,558	78,587,213	81,499,843
Restricted: Expendable	1,146,600	1,231,898	1,617,615
Unrestricted	(44,646,485)	(37,952,404)	(32,807,813)
Total Net Position	<u>40,777,673</u>	<u>41,866,707</u>	<u>50,309,645</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$207,905,611</u>	<u>\$ 206,970,730</u>	<u>\$ 196,834,776</u>

Total assets in fiscal year 2020 increased by \$5.6 million or 3.2% over the prior year due to an increase in accounts receivable (\$1.0 million) and an increase in capital assets (\$4.6 million). Total liabilities in fiscal year 2020 decreased by \$5.8 million or 3.8% over the prior year primarily due to the decrease in the net OPEB liability of \$6.0 million, decreases in current liabilities and bonds payable and an increase net pension liability. The \$4.7 million decrease in deferred outflows of resources and \$7.9 million increase in deferred inflows of resources was primarily due to the adjustments related to the fiscal year 2020 pension and OPEB activity.

Total assets in fiscal year 2019 increased by \$2.1 million or 1.2% over the prior year due to an increase in cash and equivalents (\$6.7 million) offset by decreases in capital assets (\$3.6 million) and accounts receivable (\$1.0 million). Total liabilities in fiscal year 2019 increased by \$19.2

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Analysis of the University - Continued

million or 14.2% over the prior year primarily due to the increase in the net OPEB and pension liabilities and increases in deferred revenue and accrued payroll. The \$8.0 million increase in deferred outflows of resources and \$0.6 million decrease in deferred inflows of resources was due to the adjustments related to the fiscal year 2019 pension and OPEB activity.

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

<u>Operating Revenues</u>	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Tuition and fees	\$ 56,967,200	\$ 57,377,085	\$ 55,554,507
Residence and dining fees	21,158,360	26,579,581	28,304,371
Less: scholarships and fellowships	(10,391,561)	(10,967,197)	(10,701,997)
Federal, state, and private grants	12,765,510	13,114,205	13,540,086
Other sources	3,339,605	4,631,229	4,843,559
Total Operating Revenues	<u>83,839,114</u>	<u>90,734,903</u>	<u>91,540,526</u>
<u>Operating Expenses</u>			
Compensation and benefits	85,216,820	84,827,534	80,121,537
Supplies and services	35,140,940	35,763,572	34,241,551
Depreciation	5,286,361	5,809,084	5,988,394
Scholarships	5,555,084	2,971,317	2,713,655
GASB 68 pension expense, net of subsequent contributions	3,754,716	2,725,512	2,211,432
GASB 75 OPEB expense, net of subsequent contributions	4,918,445	6,159,366	4,070,261
Total Operating Expenses	<u>139,872,366</u>	<u>138,256,385</u>	<u>129,346,830</u>
<u>Non-Operating Revenues (Expenses):</u>			
State appropriations, net	\$ 40,097,220	\$ 39,022,622	\$ 35,255,242
Restricted state appropriations	-	223,619	84,136
CARES Act funds	4,032,129	-	-
MSCBA payments	486,724	-	-
Net investment income	834,148	537,698	439,603
Loss on disposal of assets	(39,790)	(326,377)	(27,602)
Interest expense	(738,625)	(773,582)	(797,016)
Total Net Non-Operating Revenues	<u>44,671,806</u>	<u>38,683,980</u>	<u>34,954,363</u>
State capital appropriations	<u>10,272,412</u>	<u>394,564</u>	<u>1,202,170</u>
Decrease in net position	<u>\$ (1,089,034)</u>	<u>\$ (8,442,938)</u>	<u>\$ (1,649,771)</u>

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

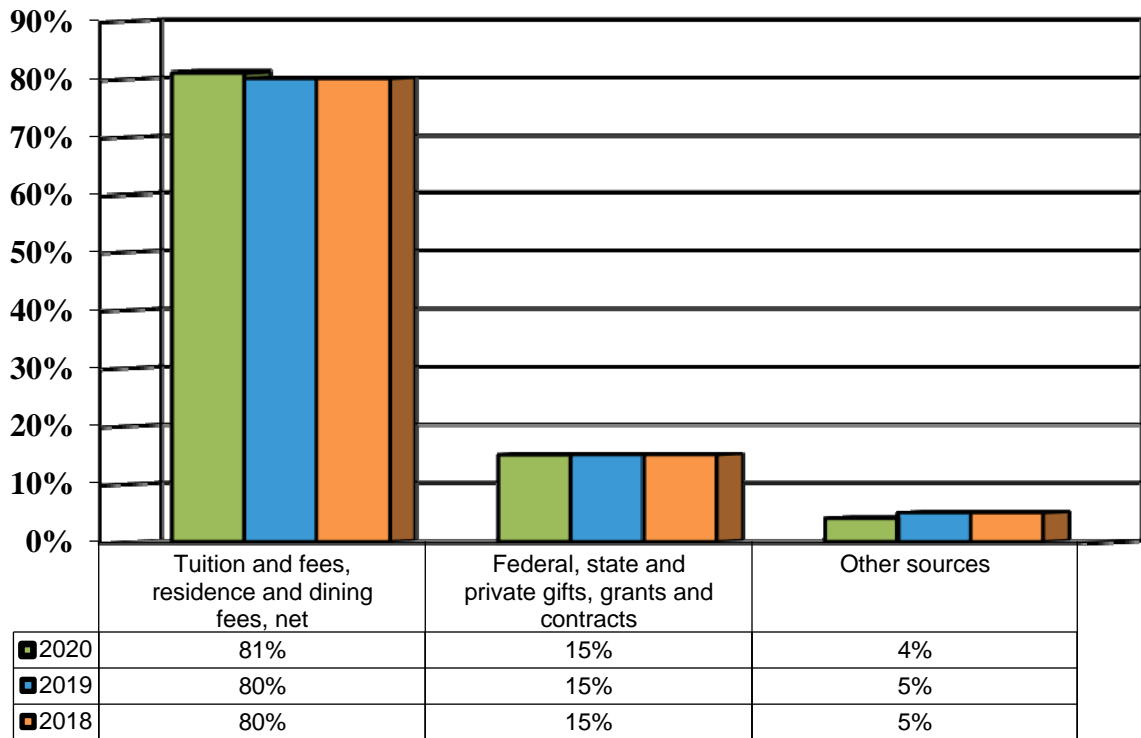
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Analysis of the University - Continued

The following is a graphic illustration of operating revenues by source, as a percent of total operating revenue, which were used to fund the University’s operating activities for the years ended June 30, 2020, 2019 and 2018.

Operating Revenues by Source



The University’s operating revenues consist primarily of tuition and fee revenues and residence and dining fee revenues. Tuition and fees revenue decreased \$0.4 million or 0.7% during the fiscal year ended June 30, 2020, and increased \$1.8 million or 3.3% during the fiscal year ended June 30, 2019. The decrease in fiscal year 2020 was due to an increase in the general fee of \$420 per student (\$1.7 million impact) combined with an increase in graduate and continuing education tuition and fees of \$0.8 million offset by the revenue decrease due to lower enrollment (\$2.9 million). The increase in fiscal year 2019 was due to an increase in the general fee of \$714 per student (\$3.0 million impact) combined with an increase in graduate and continuing education tuition and fees of \$1.5 million offset by the revenue decrease due to lower enrollment (\$2.7 million).

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Analysis of the University - Continued

Residence and dining fee revenue generated by the auxiliary operations of the University's food service and building authority trust funds was \$21,158,360, \$26,579,581, and \$28,304,371 for the years ended June 30, 2020, 2019 and 2018, respectively. The decrease in revenues for the year ended June 30, 2020 in the amount of \$5,421,221 or 20.4%, is primarily attributable to the loss of revenue of \$6.2 million as a result of the closure of the residence and dining halls in March due to the pandemic. At June 30, 2019, residence and dining fee revenue decreased \$1,724,790 or 6.1%.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tuition	\$16,480,133	\$15,723,395	\$14,325,998
Student Fees:			
General fees	35,181,866	35,854,941	31,130,117
Student activity fees	1,396,064	1,580,461	1,693,427
Capital improvement fees	393,990	421,420	449,460
Technology fees	3,099,706	3,306,835	7,419,095
Miscellaneous fees	415,441	490,033	536,410
Total	<u>\$56,967,200</u>	<u>\$57,377,085</u>	<u>\$55,554,507</u>

In fiscal year 2019, the annual technology fee was reduced by \$870 and reclassified to the general fee to better align with actual technology costs.

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

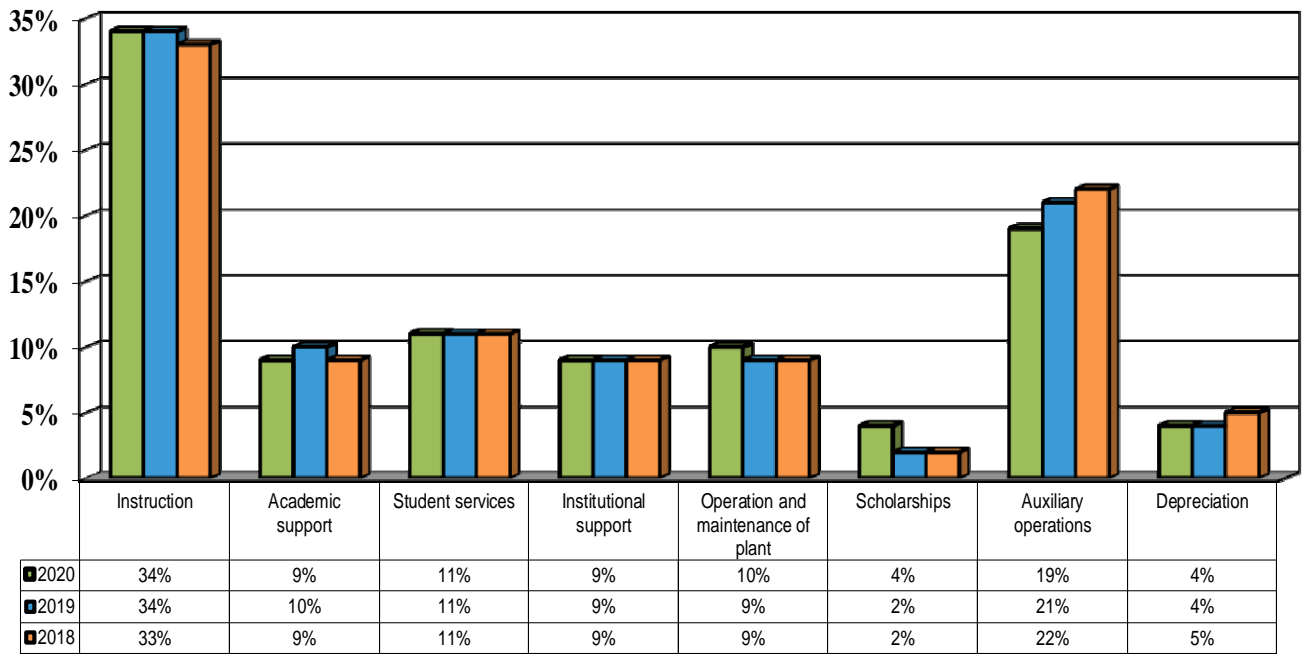
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Analysis of the University - Continued

The following is a graphic illustration of operating expenses by function, shown as a percent of total operating expense, for the years ended June 30, 2020, 2019 and 2018.

Operating Expenses by Function



A summary of the University’s expenses by functional classification for the years ended June 30, 2020, 2019 and 2018 is as follows:

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Analysis of the University - Continued

	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Instruction	\$ 46,893,864	\$ 47,249,667	\$ 43,206,727
Public service	811,807	703,925	429,328
Academic support	13,261,323	13,838,753	12,474,581
Student services	15,533,295	14,883,010	14,069,677
Institutional support	12,387,214	11,794,308	11,086,773
Operation and maintenance of plant	13,278,913	12,709,507	11,323,303
Scholarships and fellowships	5,555,084	2,971,317	2,713,655
Auxiliary operations	26,864,505	28,296,814	28,054,392
Depreciation	5,286,361	5,809,084	5,988,394
Total	<u>\$ 139,872,366</u>	<u>\$ 138,256,385</u>	<u>\$ 129,346,830</u>

The University's total operating expenses increased during fiscal year ended June 30, 2020 by \$1.6 million or 1.2% as compared to an \$8.9 million or 6.9% increase for the fiscal year ended June 30, 2019. The increase in fiscal year 2020 is the net result of many factors including a \$2.6 million increase in scholarships, of which \$2.1 million was funded from CARES Act funds, an increase in debt service payments to the Massachusetts State College Building Authority of \$0.9 million and an increase in non-capitalized equipment and maintenance projects of \$1.2 million, offset by a decrease in depreciation expense of \$0.5 million and decreases in campus-wide spending of \$2.8 million due to the implementation of budget cuts and a spending freeze during the last quarter of the fiscal year due to the pandemic.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash received from operating activities	\$ 112,003,648	\$ 121,336,851	\$ 119,786,025
Cash expenses for operating activities	(145,657,027)	(141,177,767)	(136,206,119)
Net cash applied to operating activities	(33,653,379)	(19,840,916)	(16,420,094)
Net cash provided by non-capital financing activities	32,997,317	28,413,739	26,311,849
Net cash applied to capital financing activities	(227,324)	(3,064,636)	(5,571,018)
Net cash (applied to) provided by investing activities	(19,103,406)	534,988	439,386
Net increase (decrease) in cash and equivalents	(19,986,792)	6,043,175	4,760,123
Cash and equivalents - beginning of year	71,934,786	65,891,611	61,131,488
Cash and equivalents - end of year	<u>\$ 51,947,994</u>	<u>\$ 71,934,786</u>	<u>\$ 65,891,611</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Financial Analysis of the University - Continued

The University's liquidity decreased during the year ended June 30, 2020 with a \$19,986,792 decrease in cash and equivalents primarily due to the purchase of investments. The following discussion further amplifies the overview of cash flows presented above.

During the year ended June 30, 2020, the University's net cash applied to operating activities increased by \$13.8 million over the prior year. This was due to a decrease in cash received of \$9.3 million and an increase in payments made of \$4.5 million. Net cash provided by non-capital financing activities increased by \$4.6 million due to an increase in direct state appropriations received of \$2.0 million primarily for collective bargaining costs, an increase of \$2.1 million from CARES Act funding, and \$0.5 million received from the Massachusetts State College Building Authority. Net cash applied to capital financing activities decreased by \$2.8 million mostly due to an increase in state capital appropriations (\$2.6 million) and a decrease in capital asset purchases (\$0.2 million). The \$19.6 million decrease in net cash provided by investing activities was due to the purchase of investments. In September, 2019 the University transferred \$20 million to an investment account managed by Eaton Vance Investment Counsel.

The University's liquidity increased during the year ended June 30, 2019 with a \$6,043,175 increase in cash and equivalents. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2019, the University's net cash applied to operating activities increased by \$3.4 million over the prior year. This was due to an increase in cash received of \$1.6 million and an increase in payments made of \$5.0 million. Net cash provided by non-capital financing activities increased by \$2.1 million due to an increase in direct state appropriations received for collective bargaining costs. Net cash applied to capital financing activities decreased by \$2.5 million mostly due to a decrease in capital asset purchases (\$2.0 million) and an increase in state capital appropriations (\$.5 million). The slight increase (\$.1 million) in net cash provided by investing activities was due to an increase in interest received.

Loss from Operations

The following table presents the University's incurred losses from operations and its net non-operating revenues for the fiscal years ended June 30, 2020, 2019 and 2018.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Loss from Operations - Continued

	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Operating revenues, net	\$ 83,839,114	\$ 90,734,903	\$ 91,540,526
Operating expenses	(139,872,366)	(138,256,385)	(129,346,830)
Operating loss	(56,033,252)	(47,521,482)	(37,806,304)
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	40,097,220	39,022,622	35,255,242
Restricted state appropriations	-	223,619	84,136
Net investment income	834,148	537,698	439,603
Loss on disposal of assets	(39,790)	(326,377)	(27,602)
Other revenues	4,518,853	-	-
Other expenses	(738,625)	(773,582)	(797,016)
Capital appropriations	10,272,412	394,564	1,202,170
Net non-operating revenues	54,944,218	39,078,544	36,156,533
Decrease in net position	\$ (1,089,034)	\$ (8,442,938)	\$ (1,649,771)

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

The \$15.8 million increase in net non-operating revenues during fiscal year 2020 is attributable to an increase in state capital appropriation in the amount of \$9.9 million combined with an increase in other revenues of \$4.5 million (mostly CARES Act funding), a \$1.1 million increase in net state appropriation and a \$0.3 million increase in net investment income. The state capital appropriation increase was mainly due to the recognition of revenue related to two major projects; the steam line infrastructure project (\$7.6 million) and the Parenzo Hall renovation project (\$2.1 million) which were both in progress at June 30, 2020.

The \$2.9 million increase in net non-operating revenues during fiscal year 2019, is attributable to an increase in net state appropriation in the amount of \$3.7 million, offset by a decrease in state capital appropriation of \$.8 million.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Capital Assets

A summarized comparison of the University's capital asset categories at June 30, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Land and improvements	\$ 6,959,450	\$ 6,959,450	\$ 4,185,691
Construction-in-progress	10,013,526	325,547	1,777,409
Building and improvements	144,425,504	144,425,504	144,086,045
Equipment and furnishings	27,128,402	28,419,009	28,288,867
Library books	7,448,723	7,398,449	7,347,373
Vehicles	1,099,263	1,053,329	1,061,090
Total	197,074,868	188,581,288	186,746,475
Less: accumulated depreciation	(93,382,592)	(89,464,449)	(84,002,939)
Capital assets, net	\$ 103,692,276	\$ 99,116,839	\$ 102,743,536

The University's investment in capital assets, net of accumulated depreciation, as of June 30, 2020, 2019 and 2018 was \$103,692,276, \$99,116,839, and \$102,743,536, respectively. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. Capital assets increased by \$4,575,437 or 4.6% during fiscal year ended June 30, 2020 and decreased by \$3,626,697 or 3.5% during the fiscal year ended June 30, 2019. The increase during fiscal year ended June 30, 2020 was a result of capital additions outpacing depreciation expense while the decrease during fiscal year ended June 30, 2019 was due to depreciation expense outpacing capital additions. In fiscal year 2020, the University increased its fixed asset capitalization threshold from \$17,500 to \$25,000 with a plan to reach a \$50,000 threshold in fiscal year 2022 in order to be consistent with other Commonwealth agencies. This change will result in the University recognizing more non-capital expenses in the year the assets are purchased rather than spreading the costs over multiple years.

Capital additions during fiscal year ended June 30, 2020 amounted to \$9,901,588 as compared to \$2,508,764 for the year ended June 30, 2019.

Major additions during 2020 include \$7.6 million in construction in progress for additional improvements to the steam line infrastructure, \$2.1 million in construction in progress for the Parenzo Hall renovation project and \$.2 million for the installation of security cameras throughout the campus.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020

Capital Assets - Continued

Major additions during 2019 include \$.3 million in construction in progress for additional improvements to the steam line infrastructure, \$.8 million for the new athletic field, \$.7 million for the replacement of steam lines, and \$.2 million for the installation of security cameras throughout the campus.

Looking Ahead

The University has completed and received Massachusetts Department of Higher Education approval for the new strategic plan for FY19-24. Implementation of the plan began in FY20 and will continue through FY24. The primary goals of the plan are focused on four overarching goals: a. Student Experience b. Enrollment c. Culture and d. Resources. The priorities and initiatives in the strategic plan will align with our resource allocation process to meet these goals. Additionally, there is a major capital investment project in process, the renovation of Parenzo Hall (a \$40-million-dollar project), a primary classroom and multi-service facility. Construction is slated to begin in summer 2021 with a projected completion date of summer 2023. As a public university, continued and increasing financial support from the state is vital to serve the growing needs of a diverse student population and to increase access and affordability for prospective students.

One of the most significant challenges to the University in the next 18 months is responding to the COVID-19 pandemic. The level of uncertainty remains high with the impact on students, faculty and staff. Maintaining ongoing operations will be challenging to ensure a safe living and learning environment until a vaccine is widely distributed. While the campus has developed a variety of contingency plans to maintain full operations, campus occupancy levels for residential students is challenged. Nonetheless, Westfield State University is committed to providing the best educational experience for its students despite these challenges and obstacles.

Requests for Information

This financial report is designed to provide a general overview of Westfield State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Vice President of Administration and Finance, 333 Western Avenue, Westfield, Massachusetts 01085.

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

Statements of Net Position

June 30, 2020

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

Statements of Net Position

June 30,

Assets and Deferred Outflow of Resources

	Westfield State University		Component Unit	
	2020 <u>University</u>	Restated 2019 <u>University</u>	2020 <u>Foundation</u>	2019 <u>Foundation</u>
Current Assets:				
Cash and equivalents	\$ 46,560,999	\$ 67,984,489	\$ 336,448	\$ 138,604
Cash held by State Treasurer	3,825,138	2,091,136	-	-
Deposits held by State Treasurer	1,561,857	1,551,739	-	-
Deposits held by MSCBA	-	307,422	-	-
Short-term investments	15,883,252	65,445	-	-
Due from the Commonwealth of Massachusetts	-	827,465	-	-
Accounts receivable, net	3,156,569	1,137,209	300,747	458,017
Perkins loans receivable, net	122,040	155,469	-	-
Other current assets	<u>96,148</u>	<u>105,290</u>	<u>8,362</u>	<u>24,325</u>
Total Current Assets	<u>71,206,003</u>	<u>74,225,664</u>	<u>645,557</u>	<u>620,946</u>
Non-Current Assets:				
Debt service reserve	987,933	990,996	-	-
Investments	4,119,747	-	10,738,776	10,342,524
Perkins loans receivable, net	222,089	297,238	-	-
Capital assets, net	<u>103,692,276</u>	<u>99,116,839</u>	<u>426,931</u>	<u>436,686</u>
Total Non-Current Assets	<u>109,022,045</u>	<u>100,405,073</u>	<u>11,165,707</u>	<u>10,779,210</u>
Total Assets	<u>180,228,048</u>	<u>174,630,737</u>	<u>11,811,264</u>	<u>11,400,156</u>
Deferred Outflows of Resources:				
Pension related, net	9,666,717	11,794,391	-	-
OPEB related, net	<u>18,010,846</u>	<u>20,545,602</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>27,677,563</u>	<u>32,339,993</u>	<u>-</u>	<u>-</u>

Total Assets and Deferred Outflows of Resources	<u>\$ 207,905,611</u>	<u>\$ 206,970,730</u>	<u>\$ 11,811,264</u>	<u>\$ 11,400,156</u>
--	-----------------------	-----------------------	----------------------	----------------------

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

Liabilities, Deferred Inflows of Resources and Net Position

	Westfield State University		Component Unit	
	2020 <u>University</u>	Restated 2019 <u>University</u>	2020 <u>Foundation</u>	2019 <u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 1,687,121	\$ 2,151,792	\$ 3,264	\$ 2,130
Accrued salaries, wages and benefits	6,100,672	7,434,688	-	-
Compensated absences	4,479,317	4,837,411	-	-
Accrued workers' compensation	196,646	241,544	-	-
Student deposits and unearned revenue	4,155,931	2,724,814	17,420	3,500
Deposits held for others	167,433	203,332	-	-
Line of credit	-	-	-	7,200
Current portion of capital lease obligations	97,133	97,133	-	-
Current portion of bonds payable	1,436,164	1,331,179	-	-
Other liabilities	<u>465,142</u>	<u>322,069</u>	<u>228,529</u>	<u>221,642</u>
Total Current Liabilities	<u>18,785,559</u>	<u>19,343,962</u>	<u>249,213</u>	<u>234,472</u>
Non-Current Liabilities:				
Compensated absences	1,850,656	1,668,126	-	-
Accrued workers' compensation	883,826	871,564	-	-
Grants refundable	466,683	582,310	-	-
Capital lease obligations	-	97,132	-	-
Bonds payable	18,608,920	20,279,800	-	-
Net pension liability	37,463,840	35,031,695	-	-
Net OPEB liability	<u>70,625,670</u>	<u>76,656,042</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>129,899,595</u>	<u>135,186,669</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>148,685,154</u>	<u>154,530,631</u>	<u>249,213</u>	<u>234,472</u>
Deferred Inflows of Resources:				
Gain on bond refunding	260,434	-	-	-
Pension related, net	3,016,572	3,821,675	-	-
OPEB related, net	<u>15,165,778</u>	<u>6,751,717</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>18,442,784</u>	<u>10,573,392</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	84,277,558	78,587,213	426,931	436,686
Restricted for:				
Expendable	1,146,600	1,231,898	5,965,976	6,002,300
Non-expendable	-	-	5,174,165	4,862,884
Unrestricted	<u>(44,646,485)</u>	<u>(37,952,404)</u>	<u>(5,021)</u>	<u>(136,186)</u>
Total Net Position	<u>40,777,673</u>	<u>41,866,707</u>	<u>11,562,051</u>	<u>11,165,684</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 207,905,611</u>	<u>\$ 206,970,730</u>	<u>\$ 11,811,264</u>	<u>\$ 11,400,156</u>

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

Statements of Revenues and Expenses

For the Years Ended June 30, 2020 and 2019

	2020 Westfield State <u>University</u>	Restated 2019 Westfield State <u>University</u>	2020 <u>Component Unit</u> <u>Foundation</u>	2019 <u>Component Unit</u> <u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 56,967,200	\$ 57,377,085	\$ -	\$ -
Residence and dining fees	21,158,360	26,579,581	-	-
Less: scholarships and fellowships	<u>(10,391,561)</u>	<u>(10,967,197)</u>	-	-
Net tuition and fees	67,733,999	72,989,469	-	-
Federal grants and contracts	8,783,777	9,411,959	-	-
State grants and contracts	3,190,273	3,052,214	-	-
Private grants and contracts	791,460	650,032	969,772	1,536,976
Public service	923,940	655,112	-	-
Other sources	<u>2,415,665</u>	<u>3,976,117</u>	<u>63,561</u>	<u>76,021</u>
Total Operating Revenues	<u>83,839,114</u>	<u>90,734,903</u>	<u>1,033,333</u>	<u>1,612,997</u>
Operating Expenses:				
Instruction	46,893,864	47,249,667	-	-
Public service	811,807	703,925	-	-
Academic support	13,261,323	13,838,753	120,536	118,624
Student services	15,533,295	14,883,010	-	-
Institutional support	12,387,214	11,794,308	638,468	827,643
Operation and maintenance of plant	13,278,913	12,709,507	-	-
Scholarships and fellowships	5,555,084	2,971,317	264,465	253,955
Auxiliary operations	26,864,505	28,296,814	-	-
Depreciation	<u>5,286,361</u>	<u>5,809,084</u>	<u>9,755</u>	<u>18,079</u>
Total Operating Expenses	<u>139,872,366</u>	<u>138,256,385</u>	<u>1,033,224</u>	<u>1,218,301</u>
Operating Income (Loss)	<u>(56,033,252)</u>	<u>(47,521,482)</u>	<u>109</u>	<u>394,696</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	40,097,220	39,022,622	-	-
CARES Act funds	4,032,129	-	-	-
Other revenue - MSCBA	486,724	-	-	-
Restricted state appropriations	-	223,619	-	-
Loss on disposal of capital assets	(39,790)	(326,377)	-	-
Investment income, net of expenses	834,148	537,698	396,258	593,290
Interest expense	<u>(738,625)</u>	<u>(773,582)</u>	<u>-</u>	<u>(1,548)</u>
Net Non-Operating Revenues	<u>44,671,806</u>	<u>38,683,980</u>	<u>396,258</u>	<u>591,742</u>
(Decrease) Increase in Net Position Before Other Revenues	(11,361,446)	(8,837,502)	396,367	986,438
Capital appropriations	<u>10,272,412</u>	<u>394,564</u>	<u>-</u>	<u>-</u>
(Decrease) Increase in Net Position	\$ (1,089,034)	\$ (8,442,938)	\$ 396,367	\$ 986,438

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

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

Statements of Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	<u>Westfield State University</u>				
	<u>Investment in Capital Assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance June 30, 2018	\$ 81,499,843	\$ 1,617,615	\$ -	\$ (32,807,813)	\$ 50,309,645
Changes in net position for 2019, as previously reported	<u>(2,912,630)</u>	<u>(385,717)</u>	<u>-</u>	<u>(2,532,492)</u>	<u>(5,830,839)</u>
Balance June 30, 2019, as previously reported	78,587,213	1,231,898	-	(35,340,305)	44,478,806
Prior period adjustment - See note 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,612,099)</u>	<u>(2,612,099)</u>
Balance June 30, 2019, as restated	78,587,213	1,231,898	-	(37,952,404)	41,866,707
Changes in net position for 2020	<u>5,690,345</u>	<u>(85,298)</u>	<u>-</u>	<u>(6,694,081)</u>	<u>(1,089,034)</u>
Balance June 30, 2020	<u>\$ 84,277,558</u>	<u>\$ 1,146,600</u>	<u>\$ -</u>	<u>\$ (44,646,485)</u>	<u>\$ 40,777,673</u>

	<u>Component Unit</u>				
	<u>Investment in Capital Assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance June 30, 2018	\$ 454,765	\$ 5,407,669	\$ 4,478,843	\$ (162,031)	\$ 10,179,246
Changes in net position for 2019	<u>(18,079)</u>	<u>594,631</u>	<u>384,041</u>	<u>25,845</u>	<u>986,438</u>
Balance June 30, 2019	436,686	6,002,300	4,862,884	(136,186)	11,165,684
Changes in net position for 2020	<u>(9,755)</u>	<u>(36,324)</u>	<u>311,281</u>	<u>131,165</u>	<u>396,367</u>
Balance June 30, 2020	<u>\$ 426,931</u>	<u>\$ 5,965,976</u>	<u>\$ 5,174,165</u>	<u>\$ (5,021)</u>	<u>\$ 11,562,051</u>

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

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

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	Westfield State University	
	2020	Restated 2019
	<u>University</u>	<u>University</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 45,643,442	\$ 46,560,495
Residence and dining fees	18,352,639	23,070,078
Grants and contracts	12,658,099	13,022,931
Payments to suppliers	(34,918,172)	(35,411,993)
Payments to employees	(76,576,959)	(72,954,485)
Payments to students	(2,130,848)	-
Direct lending receipts	32,031,048	32,811,289
Direct lending disbursements	(32,031,048)	(32,811,289)
Collections of loans to students	90,596	126,914
Other receipts	<u>3,227,824</u>	<u>5,745,144</u>
Net Cash Applied to Operating Activities	<u>(33,653,379)</u>	<u>(19,840,916)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriation	31,407,279	29,394,975
Tuition remitted to state	(1,027,534)	(981,236)
CARES Act funds	2,130,848	-
Other revenue - MSCBA	<u>486,724</u>	<u>-</u>
Net Cash Provided by Non-Capital Financing Activities	<u>32,997,317</u>	<u>28,413,739</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations	3,888,120	1,294,666
Purchases of capital assets	(1,977,289)	(2,209,338)
Principal paid on capital leases	(97,132)	(97,133)
Principal paid on bonds payable	(1,224,741)	(1,138,802)
Interest paid on bonds payable	(819,345)	(918,668)
Decrease in debt service reserve	<u>3,063</u>	<u>4,639</u>
Net Cash Applied to Capital Financing Activities	<u>(227,324)</u>	<u>(3,064,636)</u>
Cash Flows from Investing Activity:		
Proceeds from sales of investments	18,209,864	-
Purchase of investments	(38,188,713)	-
Interest income	<u>875,443</u>	<u>534,988</u>
Net Cash (Applied to) Provided by Investing Activities	<u>(19,103,406)</u>	<u>534,988</u>
Net (Decrease) Increase in Cash and Equivalents	(19,986,792)	6,043,175
Cash and Equivalents, Beginning of Year	<u>71,934,786</u>	<u>65,891,611</u>
Cash and Equivalents, End of Year	<u>\$ 51,947,994</u>	<u>\$ 71,934,786</u>

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

Statements of Cash Flows - Continued

For the Years Ended June 30, 2020 and 2019

	2020	Restated 2019
	Westfield State University	Westfield State University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	\$ (56,033,252)	\$ (47,521,482)
Adjustments to Reconcile Net Operating Loss to Net Cash Applied to Operating Activities:		
Depreciation	5,286,361	5,809,084
Fringe benefits provided by the State	10,544,940	10,005,037
Bad debts	161,205	193,121
Changes in Assets and Liabilities:		
Accounts receivable	(272,458)	855,460
Loans receivable	101,752	130,734
Other current assets	9,142	1,361
Accounts payable and accrued liabilities	(464,671)	144,705
Accrued salaries, wages and benefits	(1,334,016)	1,658,367
Compensated absences	(175,564)	10,802
Accrued workers' compensation	(32,636)	178,636
Student deposits and unearned revenue	(108,890)	116,882
Deposits held for others	(35,899)	(316,947)
Grants refundable	(115,627)	(19,861)
Other liabilities	143,073	28,307
Net pension activity	3,754,716	2,725,512
Net OPEB activity	<u>4,918,445</u>	<u>6,159,366</u>
Net Cash Applied to Operating Activities	<u>\$ (33,653,379)</u>	<u>\$ (19,840,916)</u>
Non-Cash Transactions:		
Fringe benefits paid by State	<u>\$ 10,544,940</u>	<u>\$ 10,005,037</u>
Capital improvements provided by capital appropriations	<u>\$ 7,924,299</u>	<u>\$ 276,626</u>
Bond refunding	<u>\$ 260,434</u>	<u>\$ -</u>
Construction in progress included in accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 22,800</u>
Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 46,560,999	\$ 67,984,489
Cash held by State Treasurer	3,825,138	2,091,136
Deposits held by State Treasurer	1,561,857	1,551,739
Deposits held by MSCBA	<u>-</u>	<u>307,422</u>
Total	<u>\$ 51,947,994</u>	<u>\$ 71,934,786</u>

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

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

Notes to the Financial Statements

June 30, 2020 and 2019

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

Organization

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

Operations

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 16, 2020, the University transitioned students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online. The University issued bill credits of \$6,183,366 before June 30, 2020 to students for a pro-rata share of the housing and meals fees charged for the period from when the University transitioned students to a distance learning environment to the completion of the 2020 spring semester.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The University was awarded \$4,734,023 of which approximately 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is required by the University to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the University expended \$2,130,848 for emergency grants to students and \$1,901,281 for institutional costs from the HEERF funds.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the *Governmental Accounting Standards Board* (“GASB”).

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

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The University’s policy for defining operating activities in the statement of revenues, expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the University’s operating and capital appropriations from the Commonwealth of Massachusetts (the “Commonwealth”), net investment income, gifts and interest expense.

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Net Position

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

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

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

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

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the dates of the financial statements and revenues and expenses recognized during the reporting periods. The University's significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, net pension and OPEB liabilities, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

Trust Funds

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Cash and Equivalents

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

Allowance for Doubtful Accounts

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

Investments

Investments in marketable securities are stated at fair value.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the University's capitalization policy, non-collection items with a unit cost of more than \$25,000 are capitalized. Library materials are generally expensed during the year. University capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Restricted Gifts

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

Grants and Contracts

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave or when using compensatory time. Accrued vacation and compensatory time is the amount earned by all eligible employees through June 30, 2020 and 2019. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2020 and 2019. Upon retirement, those employees are entitled to receive payment for this accrued balance. Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

Deposits and Unearned Revenue

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Deposits Held by MSCBA

Deposits held represents funds held by the Massachusetts State College Building Authority (“MSCBA”) for specific projects.

Deposits Held by State Treasurer

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

Pensions

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

Post-employment Benefits Other Than Pensions (“OPEB”)

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

Student Fees

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Fringe Benefits

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

Income Tax Status

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

Implementation of New Governmental Accounting Pronouncement

In fiscal year 2020, the University implemented Governmental Accounting Standards The College adopted GASB Statement 84 – Fiduciary Activities. The objective of this statement is to establish the criteria for identifying and reporting fiduciary activities. The implementation of this statement did not have a material effect on the financial statements.

New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2020. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this standard. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

New Governmental Accounting Pronouncements - continued

GASB Statement 90 – Majority Equity Interests, an amendment of GASB Statements 14 and 61 is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve the consistency of reporting a government’s majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government’s holding of the equity interest represents an investment.

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

GASB Statement 92 – Omnibus 2020 is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations. Management has not completed its review of the requirements of this standard and its applicability.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 2 - **Prior Period Adjustment**

Management of the University was notified of an error in the calculation of the OPEB for the year ended June 30, 2019. The error did not have an effect on the calculation of OPEB as of June 30, 2018.

The table below presents the effects of the corrections made to the previously issued financial statements:

	As Previously Reported at June 30, 2019	Correction of an Error	As Restated at June 30, 2019
Statements of Net Position:			
Deferred outflows of resources related to OPEB	\$ 20,472,180	73,422	\$ 20,545,602
Deferred inflows of resources related to OPEB	\$ 19,190,251	(12,438,534)	\$ 6,751,717
Net OPEB liability	\$ 61,531,987	15,124,055	\$ 76,656,042
Unrestricted net position	\$ (35,340,305)	(2,612,099)	\$ (37,952,404)
Statements of Revenues and Expenses:			
Operating expenses	\$ 135,644,286	2,612,099	\$ 138,256,385

Note 3 - **Cash and Equivalents**

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust (“MMDT”), an external investment pool for cities, towns, and other state and local agencies within the Commonwealth. MMDT operates as a qualifying external investment pool and is valued by MMDT’s management on amortized cost where the net asset value is \$1 per share. At June 30, 2020 and 2019, the University has \$0 and \$61,384, respectively, invested with MMDT and is included in cash and equivalents.

The carrying amount of the University’s bank deposits and deposits in trust depositories are \$46,560,999 and \$67,984,489, as compared to bank balances of \$47,050,616 and \$69,006,840 at June 30, 2020 and 2019, respectively. The differences between the carrying amount and the bank balances were attributed to deposits in transit and outstanding checks.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 3 - **Cash and Equivalents - Continued**

In addition to Federal Deposit Insurance Corporation insurance, the University has deposits insured under Massachusetts Depositors Insurance Fund and through collateralization in a pool of eligible securities held by Berkshire Bank's Asset Management/Trust Group as custodian. Amounts remaining that are exposed to custodial risk at June 30, 2020 and 2019 were \$12,320,080 and \$12,105,372, respectively.

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

Accounts payable, accrued salaries, wages and withholdings to be funded from state-appropriated funds totaled \$3,825,138 and \$2,091,136 at June 30, 2020 and 2019, respectively. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which was subsequently used to pay for such liabilities.

Note 5 - **Investments**

University

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2020 and 2019, the entire balance of investments represents mutual funds that are held in trust depository accounts in the name of the University and are uninsured. At June 30, 2020 and 2019, the investments are stated at fair value.

At June 30, 2020, the fair value of the University's investments in debt securities by contractual maturities is as follows:

June 30, 2020 Investment Maturity in Years					
Investment Type:	Fair Value	Less than 1	1-5	6-10	> 10
Corporate bonds	\$ 2,994,141	\$ 424,231	\$ 2,569,910	\$ -	\$ -
U.S. Treasuries	3,047,066	1,497,229	1,549,837	-	-
Total fixed income	6,041,207	<u>\$ 1,921,460</u>	<u>\$ 4,119,747</u>	<u>\$ -</u>	<u>\$ -</u>
Equity securities	13,961,792				
Total investments	<u>\$ 20,002,999</u>				

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 5 - **Investments - Continued**

University - continued

At June 30, 2020, the University's U.S. Treasury Notes and Government Securities and corporate debt securities credit quality ratings are as follows:

	Quality Ratings							
	Fair Value	A-	A	A+	AA-	AA	AAA	Not Rated
Corporate bonds	\$ 2,994,141	\$432,275	\$1,628,609	\$ 313,831	\$315,989	\$303,437	\$ -	\$ -
U.S. Treasuries	3,047,066	-	-	-	-	-	3,047,066	-
Totals	\$ 6,041,207	\$432,275	\$1,628,609	\$ 313,831	\$315,989	\$303,437	\$3,047,066	\$ -

At June 30, 2019 the University's entire balance of investments represents mutual funds that are held in trust depository accounts in the name of the University and are uninsured. These investments are considered Level 1 investments.

Fair Value Hierarchy

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

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 5 - **Investments - Continued**

Fair Value Hierarchy - continued

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

University

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
International equities	\$ 214,064	\$ -	-	\$ 214,064
U.S. equities	204,533	-	-	204,533
U.S. Treasuries	3,199,682	-	-	3,199,682
International emerging	1,059,857	-	-	1,059,857
Small and mid-cap equities	1,079,650	-	-	1,079,650
Total mutual funds	<u>5,757,786</u>	-	-	<u>5,757,786</u>
U.S. Treasuries	-	3,047,066	-	3,047,066
Common stocks	8,033,370	-	-	8,033,370
Corporate bonds	-	2,994,141	-	2,994,141
Other Assets	170,636	-	-	170,636
Total investment assets	<u>\$13,961,792</u>	<u>\$ 6,041,207</u>	<u>\$ -</u>	<u>\$20,002,999</u>

Foundation

Investments of the Foundation are categorized as Level 1 investments, are stated at fair value and consist of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Investments:		
Stock Market Index Fund	\$ 4,650,808	\$ 4,454,818
Bond Market Index Fund	3,017,984	3,032,715
International Stock Market Index Fund	<u>3,069,984</u>	<u>2,854,991</u>
	<u>\$10,738,776</u>	<u>\$10,342,524</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 6 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 2,314,303	\$ 2,141,216
Grants receivable	2,327,644	318,953
Other receivables	<u>280,505</u>	<u>288,544</u>
	4,922,452	2,748,713
Less: allowance for doubtful accounts	<u>(1,765,883)</u>	<u>(1,611,504)</u>
	<u>\$ 3,156,569</u>	<u>\$ 1,137,209</u>

Note 7 - **Due from the Commonwealth of Massachusetts**

Amounts recorded as due from the Commonwealth of Massachusetts represent additional fiscal year 2019 state-appropriated funds for collective bargaining retroactive pay. As of June 30, 2020 and 2019, the amounts owed to the University were \$0 and \$827,465, respectively.

Note 8 - **Perkins Loans Receivable and Grants Refundable**

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 8 - **Perkins Loans Receivable and Grants Refundable – Continued**

Loans receivable include the following at June 30,:

	<u>2020</u>	<u>2019</u>
Perkins loans receivable	\$ 725,864	\$ 827,616
Less: allowance for doubtful accounts	<u>(381,735)</u>	<u>(374,909)</u>
Total loans receivable, net	344,129	452,707
Less: amount due in one year	<u>(122,040)</u>	<u>(155,469)</u>
Long term loans receivable	<u>\$ 222,089</u>	<u>\$ 297,238</u>

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

Note 9 - **Related Party Transactions**

University

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

The University maintains depository relationship with the Westfield Bank, the president of which is a member of the Board of Trustees. At June 30, 2020 and 2019, total deposits were approximately \$10.7 million and \$10.5 million, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 10 - **Capital Assets**

The University's capital asset activity for the year ended June 30, 2020 is summarized as follows:

		June 30, 2020				
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction-in-progress	-	<u>325,547</u>	<u>9,687,979</u>	<u>-</u>	<u>-</u>	<u>10,013,526</u>
Total		<u>1,549,409</u>	<u>9,687,979</u>	<u>-</u>	<u>-</u>	<u>11,237,388</u>
Depreciable:						
Buildings, including improvements	20-40	144,154,421	-	-	-	144,154,421
Land improvements	20	5,735,588	-	-	-	5,735,588
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	28,419,009	117,401	1,408,008	-	27,128,402
Library books	5	7,398,449	50,274	-	-	7,448,723
Vehicles	5	<u>1,053,329</u>	<u>45,934</u>	<u>-</u>	<u>-</u>	<u>1,099,263</u>
Total		<u>187,031,879</u>	<u>213,609</u>	<u>1,408,008</u>	<u>-</u>	<u>185,837,480</u>
Less accumulated depreciation:						
Buildings, including improvements		57,263,511	3,995,254	-	-	61,258,765
Land improvements		1,654,729	231,399	-	-	1,886,128
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		21,992,466	976,265	1,368,218	-	21,600,513
Library books		7,298,973	48,355	-	-	7,347,328
Vehicles		<u>983,687</u>	<u>35,088</u>	<u>-</u>	<u>-</u>	<u>1,018,775</u>
Total accumulated depreciation		<u>89,464,449</u>	<u>5,286,361</u>	<u>1,368,218</u>	<u>-</u>	<u>93,382,592</u>
Capital Assets, Net		<u>\$ 99,116,839</u>	<u>\$ 4,615,227</u>	<u>\$ 39,790</u>	<u>\$ -</u>	<u>\$ 103,692,276</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 10 - **Capital Assets - Continued**

The University's capital asset activity for the year ended June 30, 2019 is summarized as follows:

	June 30, 2019					
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction-in-progress	-	<u>1,777,409</u>	<u>308,546</u>	<u>315,678</u>	<u>(1,444,730)</u>	<u>325,547</u>
Total		<u>3,001,271</u>	<u>308,546</u>	<u>315,678</u>	<u>(1,444,730)</u>	<u>1,549,409</u>
Depreciable:						
Buildings, including improvements	20-40	143,814,962	214,181	-	125,278	144,154,421
Land improvements	20	2,961,829	1,454,307	-	1,319,452	5,735,588
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	28,288,867	439,689	309,547	-	28,419,009
Library books	5	7,347,373	51,076	-	-	7,398,449
Vehicles	5	<u>1,061,090</u>	<u>40,965</u>	<u>48,726</u>	<u>-</u>	<u>1,053,329</u>
Total		<u>183,745,204</u>	<u>2,200,218</u>	<u>358,273</u>	<u>1,444,730</u>	<u>187,031,879</u>
Less accumulated depreciation:						
Buildings, including improvements		52,405,209	4,858,302	-	-	57,263,511
Land improvements		1,423,329	231,400	-	-	1,654,729
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		21,668,778	628,926	305,238	-	21,992,466
Library books		7,252,821	46,152	-	-	7,298,973
Vehicles		<u>981,719</u>	<u>44,304</u>	<u>42,336</u>	<u>-</u>	<u>983,687</u>
Total accumulated depreciation		<u>84,002,939</u>	<u>5,809,084</u>	<u>347,574</u>	<u>-</u>	<u>89,464,449</u>
Capital Assets, Net		<u>\$ 102,743,536</u>	<u>\$ (3,300,320)</u>	<u>\$ 326,377</u>	<u>\$ -</u>	<u>\$ 99,116,839</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 11 - **Student Deposits and Unearned Revenue**

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

	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ 1,318,435	\$ 1,463,856
State Capital appropriations	2,716,736	1,176,728
Grants	<u>120,760</u>	<u>84,230</u>
Total student deposits and unearned revenue	<u>\$ 4,155,931</u>	<u>\$ 2,724,814</u>

Note 12 - **Line of Credit**

Effective June 26, 2020, the Foundation has a demand line of credit allowing maximum borrowings of \$500,000. Interest on the note is charged at the prime rate minus 0.5% (2.75% at June 30, 2020). At June 30, 2019, the Foundation had a demand line of credit allowing maximum borrowings of \$1,000,000. During the year ended June 30, 2019, this line was paid off and the agreement terminated.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 13 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2020 consist of:

	June 30, 2020				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Leases and bonds payable:					
Lease obligations	\$ 194,265	\$ -	\$ 97,132	\$ 97,133	\$ 97,133
Bonds payable	19,584,825	421,858	1,224,741	18,781,942	1,313,878
Bonds premium	<u>2,026,154</u>	<u>-</u>	<u>763,012</u>	<u>1,263,142</u>	<u>122,286</u>
Total leases and bonds payable	<u>21,805,244</u>	<u>421,858</u>	<u>2,084,885</u>	<u>20,142,217</u>	<u>1,533,297</u>
Other long-term liabilities:					
Compensated absences	6,505,537	-	175,564	6,329,973	4,479,317
Workers' compensation	1,113,108	-	32,636	1,080,472	196,646
Grants refundable	582,310	-	115,627	466,683	-
Net pension liability	35,031,695	2,432,145	-	37,463,840	-
Net OPEB liability	<u>76,656,042</u>	<u>-</u>	<u>6,030,372</u>	<u>70,625,670</u>	<u>-</u>
Total other long-term liabilities	<u>119,888,692</u>	<u>2,432,145</u>	<u>6,354,199</u>	<u>115,966,638</u>	<u>4,675,963</u>
Total	<u>\$141,693,936</u>	<u>\$ 2,854,003</u>	<u>\$ 8,439,084</u>	<u>\$ 136,108,855</u>	<u>\$ 6,209,260</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 13 - **Long-Term Liabilities - Continued**

Long-term liabilities at June 30, 2019 consist of:

	Restated				
	June 30, 2019				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Leases and bonds payable:					
Lease obligations	\$ 291,398	\$ -	\$ 97,133	\$ 194,265	\$ 97,133
Bonds payable	20,723,626	-	1,138,801	19,584,825	1,187,288
Bonds premium	<u>2,171,241</u>	<u>-</u>	<u>145,087</u>	<u>2,026,154</u>	<u>143,891</u>
Total leases and bonds payable	<u>23,186,265</u>	<u>-</u>	<u>1,381,021</u>	<u>21,805,244</u>	<u>1,428,312</u>
Other long-term liabilities:					
Compensated absences	6,494,735	10,802	-	6,505,537	4,837,411
Workers' compensation	934,472	178,636	-	1,113,108	241,544
Grants refundable	602,171	-	19,861	582,310	-
Net pension liability	31,945,217	3,086,478	-	35,031,695	-
Net OPEB liability	<u>62,133,611</u>	<u>14,522,431</u>	<u>-</u>	<u>76,656,042</u>	<u>-</u>
Total other long-term liabilities	<u>102,110,206</u>	<u>17,798,347</u>	<u>19,861</u>	<u>119,888,692</u>	<u>5,078,955</u>
Total	<u>\$ 125,296,471</u>	<u>\$ 17,798,347</u>	<u>\$ 1,400,882</u>	<u>\$ 141,693,936</u>	<u>\$ 6,507,267</u>

Bonds Payable

In December 2014, the University entered into a financing agreement with the MSCBA for partial funding of a new Science Center building. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2014B). Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting November 1, 2015 and ending May 1, 2044, at an annual variable coupon rate averaging 5.0%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2020 and 2019, the balance on these bonds was \$10,534,220 and \$10,817,061, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 13 - **Long-Term Liabilities - Continued**

Bonds Payable - continued

In November 2011, the University entered into a financing agreement with the MSCBA for an expansion of the wellness center, and the relocation of the food services and other student areas in Ely Hall. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2012A). In fiscal year 2020 this bond was refinanced with the Series 2019C bonds resulting in an economic gain of \$414,303 and a deferred gain of \$260,434. Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting May 1, 2020 and ending June 30, 2031, at an annual variable coupon rate averaging 2.2%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2020 and 2019, the balance on these bonds was \$5,915,120 and \$6,583,046, respectively.

During November 2010, the University borrowed \$226,065 in clean renewable energy bonds issue Series 2010A-14 with the Massachusetts Development Finance Agency (“MDFA”). The Series 2010A-14 bonds are payable in annual principal installments of \$13,298 through fiscal year 2027. Interest is payable semiannually at a fixed interest rate of 3.5%. MDFA requires no debt reserve. At June 30, 2020 and 2019, the balance on these bonds was \$93,086 and \$106,384, respectively.

In December 2010, the University entered into a financing agreement with the MSCBA for an expansion of a dining facility. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2010A and 2010B). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting May 1, 2011 and ending May 1, 2030, at an annual variable coupon rate averaging 5.5%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2020 and 2019, the balance on these bonds was \$2,657,962 and \$2,873,078, respectively.

In August 2002, the University borrowed \$5,816,000 in tax-exempt revenue bonds issue Series M-2 with the Massachusetts Health and Educational Facilities Authority (“MHEFA”). The Series M-2 bonds are payable in annual installments through fiscal year 2022 with principal amounts ranging between approximately \$242,000 and \$435,000. Interest is payable monthly at a predetermined varying rate (.134% as of

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 13 - **Long-Term Liabilities - Continued**

Bonds Payable - continued

June 30, 2020). MHEFA requires that the University maintain a debt service reserve. At June 30, 2020 and 2019, the balance on these bonds was \$844,696 and \$1,231,410, respectively.

The University has a \$844,696 letter of credit agreement with Bank of America in support of the above MHEFA revenue bonds. Under the terms of the agreement, the University has pledged its right to receive continuing education tuition and fees, general fees, technical fees, and miscellaneous fees as collateral to Bank of America. The agreement also places certain limits on the University with regard to incurring additional debt; requires the University to maintain a minimum amount of unrestricted cash and equivalents, and to maintain a debt service ratio and debt service reserve fund. Fees paid under the terms of the agreement were \$13,996 and \$19,002 at June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there is no outstanding balance on the letter of credit.

Maturities of the bonds payable subsequent to June 30, 2020 are as follows:

Years Ended			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,313,878	\$ 716,821	\$ 2,030,699
2022	1,377,857	679,429	2,057,286
2023	984,082	636,226	1,620,308
2024	1,016,154	605,669	1,621,823
2025	1,043,980	573,514	1,617,494
2026-2030	5,753,422	2,307,130	8,060,552
2031-2035	2,482,569	1,510,867	3,993,436
2036-2040	2,410,000	973,250	3,383,250
2041-2044	2,400,000	307,500	2,707,500
	<u>\$ 18,781,942</u>	<u>\$ 8,310,406</u>	<u>\$ 27,092,348</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 13 - **Long-Term Liabilities - Continued**

Capital Lease Obligations

The following schedule summarizes future minimum annual payments under non-cancelable capital leases as of June 30, 2020.

<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u>
2021	\$ <u>97,133</u>

The following is a summary of property held under capital leases as of June 30, 2020:

Equipment	\$ 1,135,367
Less: accumulated depreciation	<u>(1,054,489)</u>
	\$ <u>80,878</u>

Note 14 - **Pension**

Defined Benefit Plan Description

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 14 - **Pension - Continued**

Benefit Provisions

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

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

Contributions

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 14 - **Pension - Continued**

Contributions - continued

The Commonwealth does not require the University to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to approximately \$4,185,000, \$3,458,000 and \$3,051,000 for the years ended June 30, 2020, 2019 and 2018, respectively.

For employees covered by SERS but not paid from state appropriations, the University is required to contribute at an actuarially determined rate. The rate was 14.08%, 12.06% and 11.78% of annual covered payroll for the years ended June 30, 2020, 2019 and 2018, respectively. The University contributed \$2,782,307, \$2,549,316 and \$2,421,406 for the years ended June 30, 2020, 2019 and 2018, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 89%, 88% and 87% of total related payroll for the years ended 2020, 2019 and 2018, respectively.

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

At June 30, 2020 and 2019, the University reported a liability of \$37,463,840 and \$35,031,695, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal years 2020 and 2019. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the University's proportion was 0.256% and 0.265%, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 14 - **Pension - Continued**

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

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$6,537,025 and \$5,274,827, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2020</u>	<u>2019</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 2,782,307	\$ 2,549,316
Differences between expected and actual experience	1,244,182	1,110,908
Changes in proportion from Commonwealth	66,143	94,479
Change in plan actuarial assumptions	2,776,983	3,550,245
Changes in proportion due to internal allocation	<u>2,797,102</u>	<u>4,489,443</u>
Total	<u>\$ 9,666,717</u>	<u>\$ 11,794,391</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Changes in proportion due to internal allocation	\$ 1,968,609	\$ 1,883,403
Changes in proportion from Commonwealth	1,903	6,659
Differences between expected and actual experience	487,236	713,947
Differences between projected and actual earnings of pension plan investments	<u>558,824</u>	<u>1,217,666</u>
Total	<u>\$ 3,016,572</u>	<u>\$ 3,821,675</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 14 - **Pension - Continued**

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

The University's contributions of \$2,782,307 and \$2,549,316 made during the years ended June 30, 2020 and 2019, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2021	\$ 1,733,857
2022	271,600
2023	826,614
2024	900,909
2025	<u>134,858</u>
	<u>\$ 3,867,838</u>

Actuarial Assumptions

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

Measurement date	June 30, 2019	June 30, 2018
Inflation	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 credited to annuity savings fund	3.50%	3.50%

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 14 - **Pension - Continued**

Actuarial Assumptions - continued

For measurement dates June 30, 2019 and 2018, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability – reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year

The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2019. The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 2018 and rolled forward to June 30, 2018.

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 14 - **Pension - Continued**

Actuarial Assumptions - continued

Asset Class	2019		2018	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	4.9%	39.0%	5.0%
Portfolio Completion Strategies	11.0%	3.9%	13.0%	3.7%
Core Fixed Income	15.0%	1.3%	12.0%	0.9%
Private Equity	13.0%	8.2%	12.0%	6.6%
Real Estate	10.0%	3.6%	10.0%	3.8%
Value Added Fixed Income	8.0%	4.7%	10.0%	3.8%
Timber/Natural Resources	4.0%	4.1%	4.0%	3.4%
 Total	 <u>100.0%</u>		 <u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.35% at June 30, 2020 and 2019, 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 contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 14 - **Pension - Continued**

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

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

June 30, 2020		
Current		
1.00% Decrease (6.25%)	Discount Rate (7.25%)	1.00% Increase (8.25)%
\$ 49,865,586	\$ 37,463,840	\$ 26,867,143
June 30, 2019		
Current		
1.00% Decrease (6.35%)	Discount Rate (7.35%)	1.00% Increase (8.35)%
\$ 47,216,869	\$ 35,031,695	\$ 24,619,993

Note 15 - **OPEB (Restated)**

Plan Description

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

Plan Description - continued

Management of the SRBT is vested with the board of trustees, which consists of 7 members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), 1 person appointed by the Governor and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board.

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

Benefits Provided

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

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2020 and 2019, and as of the valuation date (January 1, 2019 and 2018), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participants' status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

Contributions - continued

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 7.29% and 8.79% of annual covered payroll for the fiscal years ended June 30, 2019 and 2018, respectively. The University contributed \$1,441,304 and \$1,858,947 for the fiscal years ended June 30, 2020 and 2019, respectively, equal to 100% of the required contribution for the year.

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

At June 30, 2020 and 2019, the University reported a liability of \$70,625,670 and \$76,656,042, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability as of June 30, 2020, was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019. The net OPEB liability as of June 30, 2019, was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal years 2019 and 2018. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the University's proportion was 0.404% and 0.433%, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

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

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$6,359,747 and \$8,419,005, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2020</u>	Restated <u>2019</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 1,441,304	\$ 1,858,947
Changes in proportion from Commonwealth	172,208	197,746
Differences between expected and actual experience	2,832,419	747,361
Changes of assumptions	54,343	73,422
Changes in proportion due to internal allocation	<u>13,510,572</u>	<u>17,668,126</u>
Total deferred outflows related to OPEB	<u>\$ 18,010,846</u>	<u>\$ 20,545,602</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Net differences between projected and actual earnings on OPEB plan investments	\$ 32,482	\$ 153,647
Differences between expected and actual experience	90,441	131,336
Changes in proportion due to internal allocation	4,422,569	-
Changes in OPEB plan actuarial assumptions	<u>10,620,286</u>	<u>6,466,734</u>
Total deferred inflows related to OPEB	<u>\$ 15,165,778</u>	<u>\$ 6,751,717</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

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

The University's contributions of \$1,441,304 and \$1,858,947 made during the fiscal years ending 2020 and 2019, respectively, reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2021	\$ (163,415)
2022	(163,415)
2023	209,458
2024	1,475,106
2025	<u>46,030</u>
	<u>\$ 1,403,764</u>

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

Actuarial Assumptions

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

Measurement date	June 30, 2019	June 30, 2018
Inflation	2.50%	3.00%
Salary increases	4.0% per year	4.0% per year
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation	7.35%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	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; 5.0% for EGWP until 2025 then decreasing to 4.5% in 2026; 4.5% for administrative costs	8.0%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing .25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

Actuarial Assumption - continued

The participation rates are actuarially assumed as below:

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

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	25.0%	85.0%
POS/PPO	60.0%	0.0%
HMO	15.0%	15.0%

The actuarial assumptions used in the January 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2017 and 2016 through December 31, 2018 and 2017, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2018 and 2017 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

Actuarial Assumption - continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2020 and 2019, are the same as discussed in the pension footnote (note 14).

Discount Rate

The discount rate used to measure the total OPEB liability for 2020 and 2019 was 3.63% and 3.95%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.51% at June 30, 2019 and 3.87% as of June 30, 2018) as of the measurement dates and the expected rates of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2029 and 2025 for the fiscal years 2020 and 2019, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.25% and 7.35%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

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

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

		June 30, 2020		
		1.00% Decrease	Current Discount Rate	1.00% Increase
		2.63%	3.63%	4.63%
Net OPEB Liability	\$	84,304,225	\$	70,625,670
			\$	59,810,705
		Restated June 30, 2019		
		1.00% Decrease	Current Discount Rate	1.00% Increase
		2.95%	3.95%	4.95%
Net OPEB Liability	\$	91,119,666	\$	76,656,042
			\$	65,182,025

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **OPEB (Restated) - Continued**

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

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

	June 30, 2020 Current Healthcare Cost Trend Rate	
1.00% Decrease (B)	(A)	1.00% Increase (C)
\$ 58,204,475	\$ 70,625,670	\$ 87,014,109
	Restated June 30, 2019 Current Healthcare Cost Trend Rate	
1.00% Decrease (B)	(A)	1.00% Increase (C)
\$ 63,687,939	\$ 76,656,042	\$ 93,585,314

(A) - Current healthcare cost trend rate, as disclosed on page 56

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 56

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 56

Note 16 - **Operating Leases**

During fiscal year 2011, the University entered into a lease agreement for an apartment building to be used for student housing, expiring in July 2022. The University also leases office equipment under non-cancelable operating leases with various expiration dates through 2026. Total rent expense under these lease agreements was approximately \$2,063,000 and \$1,857,000 for the years ended June 30, 2020 and 2019, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 16 - **Operating Leases - Continued**

Future minimum annual payments related to these leases are as follows:

Years Ending <u>June 30,</u>	
2021	\$2,104,940
2022	949,013
2023	834,430
2024	812,879
2025	799,317
2026	<u>62,915</u>
Total	<u>\$5,563,494</u>

Note 17 - **Net Position**

Restricted Net Position

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

	2020	2019
Restricted - expendable:		
Scholarships and fellowships	\$ 706,219	\$ 651,956
Loans	15,095	15,095
Capital projects	118,871	118,871
Grants	<u>306,415</u>	<u>445,976</u>
	<u>\$ 1,146,600</u>	<u>\$ 1,231,898</u>

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support as of June 30, 2020 and 2019.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Operating Expenses**

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

	<u>2020</u>	(Restated) <u>2019</u>
Compensation and benefits	\$ 93,889,981	\$ 93,712,412
Supplies and services	35,140,940	35,763,572
Depreciation and amortization	5,286,361	5,809,084
Scholarships and fellowships	<u>5,555,084</u>	<u>2,971,317</u>
	<u>\$ 139,872,366</u>	<u>\$ 138,256,385</u>

Note 19 - **Other Fringe Benefits**

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

Group Insurance Commission

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 19 - **Other Fringe Benefits- Continued**

Group Insurance Commission - continued

The GIC is a quasi-independent state agency governed by an eleven-member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2020, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

Note 20 - **Commitments and Contingencies**

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

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs’ claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there have been no settlements or court decisions on this matter. The University has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the University

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 20 - **Commitments and Contingencies - Continued**

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

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 21 - **Massachusetts Management Accounting and Reporting System**

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

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

	<u>2020</u>	<u>2019</u>
Direct unrestricted appropriations	\$30,579,814	\$ 29,998,821
Add: Fringe benefits for benefited employees on the state payroll	10,544,940	10,005,037
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(1,027,534)</u>	<u>(981,236)</u>
Total unrestricted appropriations	40,097,220	39,022,622
Capital appropriations	10,272,412	394,564
Restricted appropriations	<u>-</u>	<u>223,619</u>
Total appropriations	<u>\$50,369,632</u>	<u>\$ 39,640,805</u>

No timing differences occurred where the University had additional revenue that was reported to MMARS after June 30, 2020 and 2019.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 22 - **Pass-Through Grants**

The University distributed \$32,031,048 and \$32,811,289 as of June 30, 2020 and 2019, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues, or as cash disbursements and cash receipts in the accompanying financial statements.

Note 23 - **Massachusetts State College Building Authority**

The MSCBA was created pursuant to Chapter 703 of the Acts of 1963 by the Commonwealth as a public instrumentality for the general purpose of providing dormitories, dining commons, and other facilities primarily for use by students of the state universities of the Commonwealth. The University is charged a semi-annual revenue assessment that is based on a certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The Commonwealth guarantees these obligations. The revenue assessments for the residence halls for the years ended June 30, 2020 and 2019 was \$12,701,775 and \$11,784,601, respectively. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

Dormitory trust fund reports, included as supplemental information, include revenues, which are included in operating revenues as other sources and expenses, which are included as operating expenses in auxiliary operations.

Note 24 - **Subsequent Events**

COVID-19

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the University's finances and operations cannot be determined.

As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the 2020 fall semester. In addition, capacity of residence hall occupancy has been reduced to meet social distancing guidelines.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 24 - **Subsequent Events – Continued**

Bond Payable Refinancing

On July 1, 2020 the MSCBA closed on Refunding Revenue Bonds Series 2020A for the purpose of providing budgetary relief to the University. The refunding included several of the University's bonds which will result in no principal payments due for fiscal year 2021 and an additional reduction in principal payments for fiscal year 2022. It is also anticipated the refunding will reduce fiscal year 2021's assessment due to the MSCBA for the University's use of the dormitories.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

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

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

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

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2020

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

Measurement Date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

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

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

For the Year Ended June 30, 2020

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

Measurement date – June 30, 2016

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

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

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

		(Restated)	
Year ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.404%	0.433%	0.373%
Proportionate share of the collective net OPEB liability	\$ 70,625,670	\$ 76,656,042	\$ 62,133,611
University's covered payroll	\$ 21,138,607	\$ 20,555,229	\$ 19,572,020
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

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

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2020

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

Change in Discount Rate

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

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

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

June 30, 2020

Note 1 - **Change in Plan Assumptions - Continued**

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

SUPPLEMENTAL INFORMATION

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

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30,

Assets

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and equivalents	\$ 3,107,104	\$ 6,182,931
Accounts receivable, net	14,433	27,635
Deposits held by State Treasurer	130,046	174,837
Other current assets	<u>11,071</u>	<u>2,073</u>
 Total Assets	 <u>\$ 3,262,654</u>	 <u>\$ 6,387,476</u>

Liabilities and Net Position

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 107,066	\$ 98,773
Accrued employee compensation and benefits	337,899	396,858
Deposits held for others	<u>122,016</u>	<u>147,652</u>
 Total Current Liabilities	 <u>566,981</u>	 <u>643,283</u>
 Noncurrent Liability:		
Accrued liability for employee compensation and benefits	<u>49,425</u>	<u>50,720</u>
 Total Liabilities	 <u>616,406</u>	 <u>694,003</u>
 Net Position:		
Unrestricted	<u>2,646,248</u>	<u>5,693,473</u>
 Total Liabilities and Net Position	 <u>\$ 3,262,654</u>	 <u>\$ 6,387,476</u>

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

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

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Room rent	\$ 13,350,543	\$ 17,233,039
Other sources	70,473	16,451
Deposits forfeited	106,506	111,594
Commissions - laundry	38,845	66,596
Commissions - vending	41,249	49,287
University support	<u>150,000</u>	<u>150,000</u>
Total Operating Revenues	<u>13,757,616</u>	<u>17,626,967</u>
Operating Expenses:		
Employee compensation	2,156,951	2,354,651
Energy costs	1,486,004	1,562,753
Pension and insurance	773,693	843,898
Special employees	372,517	561,717
Operational services	363,125	352,783
Scholarships	350,169	344,331
Repairs and maintenance	1,953	2,818
Facility operations supplies	250,502	249,222
Administrative	24,945	38,648
Equipment purchase	14,866	1,951
Equipment lease, rental and maintenance	66,535	49,613
Consultant services	9,079	26,600
Student travel	1,342	3,397
Employee related	3,744	10,465
Annual payment to the Massachusetts State College Building Authority	<u>12,701,775</u>	<u>11,784,601</u>
Total Operating Expenses	<u>18,577,200</u>	<u>18,187,448</u>
Operating Loss	<u>(4,819,584)</u>	<u>(560,481)</u>
Non-Operating Revenues:		
Other revenue - MSCBA	486,724	-
CARES Act funds	<u>1,285,635</u>	<u>-</u>
Total Non-Operating Revenues	<u>1,772,359</u>	<u>-</u>
Decrease in Net Position	(3,047,225)	(560,481)
Net Position, Beginning of Year	<u>5,693,473</u>	<u>6,253,954</u>
Net Position, End of Year	<u>\$ 2,646,248</u>	<u>\$ 5,693,473</u>

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Westfield State University (the "University"), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 13, 2020.

Internal Control Over Financial Reporting

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

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

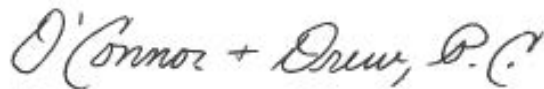
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not 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 the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "O'Connor + Drew, P.C.".

**Certified Public Accountants
Braintree, Massachusetts**

October 13, 2020