



To: Framingham State University Board of Trustees
 From: Dale Hamel, Executive Vice President
 Date: October 11, 2023
 Re: FY2023 Financial Statements Transmittal Letter

Please find attached the Framingham State University Fiscal Year 2023 Financial Statements and Independent Auditor's Reports. FSU auditors have noted that Government Accounting Standards Board (GASB) standards limit the Management Discussion and Analysis (MD&A) to the fiscal years of presented data included in the audited financial statements. While FSU's MD&A narratives historically have included multi-year trends and based on financial statements over ten years, this information is no longer included in the annual financial statements per GASB standards. As an alternative, this transmittal letter includes long-term analysis and discussion of key trends as supplemental information to the accompanying financial statements and MD&A.

FINANCIAL ANALYSIS

Framingham State University's Fiscal Year 2023 financial statements continue to be significantly impacted by implementation of Government Accounting Standards Board (GASB) Statement Number 75 (GASB 75) that requires accounting for post-employment benefits liabilities (OPEB) as of FY2017. This is in addition to the impact of GASB 68, first incorporated in FY2015, which requires accounting for pension liabilities on public institutions' financial statements. While these liabilities are now included in institutions' financial statements, in Massachusetts, *these liabilities are ultimately paid by the Commonwealth of Massachusetts and not the institutions*. The noted accounting requirements have resulted in the need for accounting of pension and OPEB liabilities beginning in FY2017. As such, some of the long-term trend analysis presented will reflect a "break point" resulting from this noted accounting change.

Further, as of FY2022, FSU financial statements also account for a GASB 87 that requires lessees to recognize lease liabilities on their statements as right of use assets. For FSU, these are largely attributable to the use of the residence halls that are owned by the Massachusetts State College Building Authority. The implementation of this standard has a significant impact on both lease liabilities and associated capital asset accounting. This change is reflected in both the FY2022 restated financial statements (to reflect this adjustment) as well as the FY2022-FY2023 financial statements. Implementation of GASB 87 does make trend analysis difficult as prior years' statements do not account for this significant adjustment that impacts reported Net Investment in Capital.

Net Position

A review of the University's Net Position shows significant financial position improvement over time. {To account for GASB 68 and GASB 75 accounting changes, a break point is shown after FY2016 in the following charts reflecting accounting changes at that time.}

Trend Analysis: Net Position



Depiction of Adjusted (for GASB 68 and GASB 75) Net Position trends – backing out the impact of Pension and OPEB obligations as of FY2017 – is as follows:

Trend Analysis: Net Position

Revised to net out impact of Pension (GASB 68) and OPEB (GASB 75) Obligations

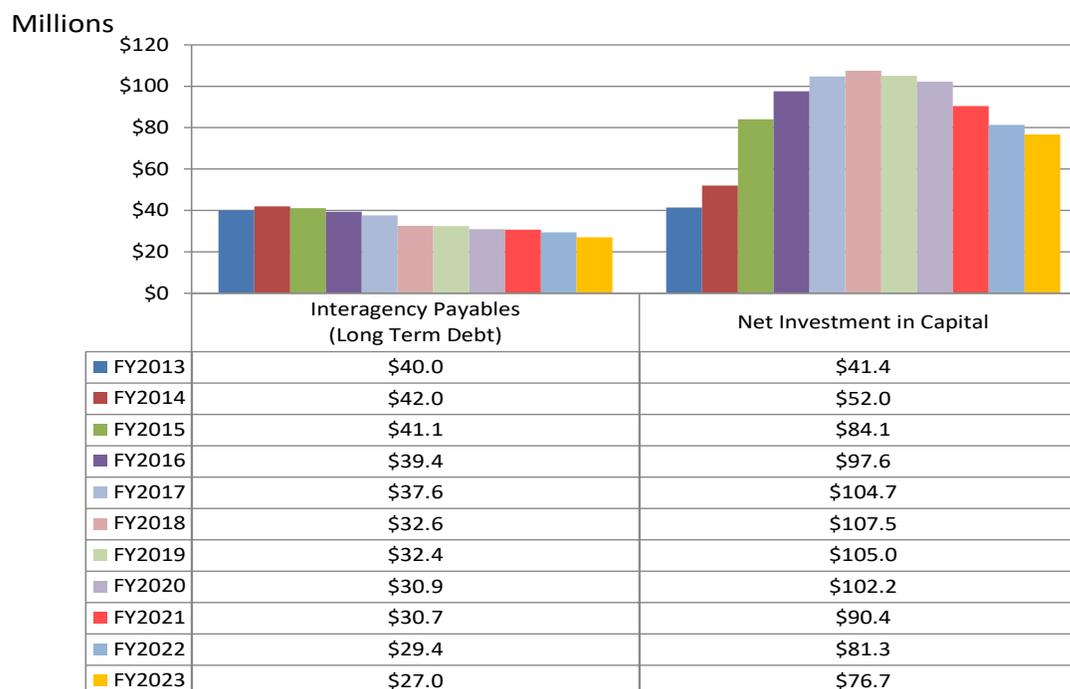


This multi-year (same-basis) reporting depicts significant improvement in financial position during FY2013-FY2017 and relatively stable Net Position (with continuing increases in Unrestricted Net Position) during FY2017-FY2023.

Capital Assets and Long-Term Debt

The University has \$27.0 million in aggregate interagency payables (predominantly long-term capital debt) as of the close of FY2023 (a decrease of -\$2.4 million over FY2022). FY2023 Net Investment in Capital Assets (reflecting the impact of GASB 87) was \$76.7 million.

Trend Analysis: Interagency Payables (Long Term Debt); Net Capital Investment



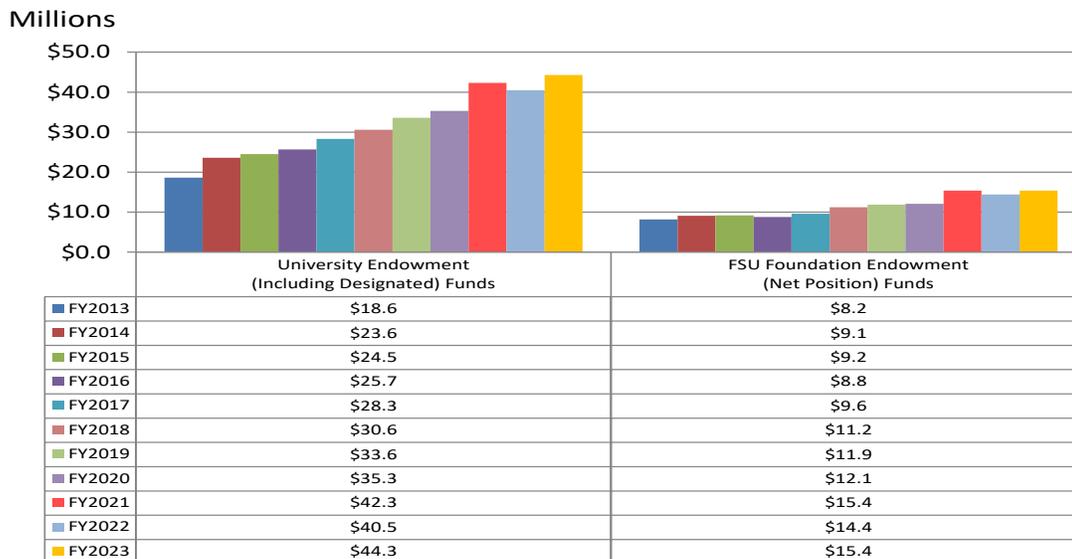
Note: The significant increase in Net Investment in Capital beginning in FY2015 is predominantly due to state general obligation bond funding (with associated debt service the responsibility of the Commonwealth and therefore does not impact FSU Long Term Debt) for the FSU Science Project. A significant portion of the decrease in Net Investment in Capital in FY2021- FY2023 is attributable to the implementation of GASB 87. Further, it should also be noted that "Net Position: Net Investment in Capital Assets" represents a conservative accounting (cost approach) of the University's capital assets.

Endowment Funds

A portion of restricted net position includes endowment funds held by the University. The University itself has a very small designated endowment; \$1.4 million of non-expendable restricted funds. An additional \$1.6 million, at June 30, 2023, in restricted scholarship funds (designated as "expendable" but in practice allocations are limited to proceeds) acts as "quasi-endowment" funds. Further, the Board of Trustees has designated unrestricted net position with end-of-FY2023 value of \$41.3 million as quasi-endowment (included in "Core Investment" funds in the University's annual approval of its Cash Management and Investment Policy). **Aggregate endowment and designated quasi-endowment funds held by the University at the end of FY2023 total \$44.3 million.**

The Framingham State University Foundation, Inc., a separate 501(c) (3) corporation, whose purpose is to support the University, is the primary University-affiliated recipient of endowment funds. **At June 30, 2023, the Foundation had a net position of \$15.4 million.**

Trend Analysis: Endowment (Including Designated) Funds



Over the past ten years, the University’s endowment funds have increased \$25.7 million or +138% and FSU Foundation Net Position has increased \$7.2 million or +88%.

Revenues Trends

Annual Net State Appropriations (including state support for fringe benefits costs that have increased at a significant rate) in FY2023 were greater than FY2013 support by +\$27.4 million for an average annual increase of +9.9%; annual Net Student Revenues (combination of rate and enrollment impact) revenues have decreased -\$7.5 million over that same ten-year period. Other Revenues over the past ten years have been impacted by significant variability in annual state capital support, annual investments returns, and covid-relief funding over this period.

Trend Analysis: State Appropriations, Student and Other Revenues



FY2014-FY2017 Other Revenues includes significant state capital grant funding for the Science Laboratories Project.
 FY2021-FY2023 Other Revenues includes Covid Relief funding support.

Aggregate Annual Revenues have increased from \$86.6M to \$135.5M from FY2013 to FY2023 (or +\$48.9M in aggregate) representing *compounded* increases of 4.6% annually on average.

REQUEST FOR INFORMATION

This transmittal letter to the audited financial statements is designed to provide information on longer-term trends of Framingham State University's key financial metrics. Questions concerning any of the information provided in this letter or the accompanying financial statements should be addressed to the Executive Vice President, Framingham State University, 100 State Street, P.O. Box 9101, Framingham, MA 01701-9101.