

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

REPORT ON AUDITS OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2014 AND 2013

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

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AND SUPPLEMENTAL INFORMATION**

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CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 19
Financial statements	
Statements of net position	20 - 22
Statements of revenues, expenses and changes in net position	23 - 24
Statements of cash flows	25 - 26
Notes to financial statements:	
Note 1 - Summary of significant accounting policies	27 - 34
Note 2 - Cash and cash equivalents, and investments	34 - 40
Note 3 - Accounts receivable	41
Note 4 - Loans receivable	41
Note 5 - Capital assets	42 - 44
Note 6 - Accounts payable and accrued liabilities	44
Note 7 - Accrued workers' compensation	45
Note 8 - Accrued compensated absences	45
Note 9 - Faculty payroll accrual	45
Note 10 - Revenue received in advance	45 - 46
Note 11 - Deferred inflows of resources	46
Note 12 - Interagency payables	46 - 63
Note 13 - Long-term liabilities	64 - 65
Note 14 - Operating lease commitments	65
Note 15 - Net position	66
Note 16 - Net position restricted by enabling legislation	66
Note 17 - Operating expenses	66 - 67
Note 18 - State controlled accounts	67
Note 19 - Retirement plan	68
Note 20 - Fringe benefits for current employees and post-employment obligations - pension and non-pension	68 - 69
Note 21 - Management Accounting and Reporting System	70
Note 22 - Risk management, commitments and contingencies	70 - 71
Note 23 - Pledge agreement	71
Supplemental information:	
Residence hall and residence hall damage fund activity	72 - 73
Statistical information (Unaudited)	74 - 78

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YEARS ENDED JUNE 30, 2014 AND 2013

CONTENTS - CONTINUED

	<u>Page</u>
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	79 - 80
Schedule of findings and questioned costs	81
Summary schedule of prior year audit findings	82

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Framingham State University
Framingham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Framingham State University (the University) (a department of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Framingham State University Foundation, Inc. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Framingham State University Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University'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 University'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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Framingham State University as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Framingham State University and its discretely presented component unit are intended to present the respective financial position, results of operations and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Framingham State University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2014, the change in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Financial Statements as of June 30, 2013

The financial statements of Framingham State University as of June 30, 2013, were audited by other auditors whose report dated October 31, 2013, expressed an unmodified opinion on those financial statements. That report included an emphasis-of-matter paragraph which referred to the fact that those financial statements are intended to present the respective financial position, results of operations and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Framingham State University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2013, the change in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the 2014 financial statements as a whole. The residence hall fund and residence hall damage fund activity shown on pages 72 and 73, and the statistical section on pages 74 to 78 are presented for purposes of additional analysis and are not a required part of the 2014 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2014 financial statements. The residence hall fund and residence hall damage fund activity information have been subjected to the auditing procedures applied in the audit of the 2014 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 financial statements or to the 2014 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the residence hall fund and residence hall damage fund activity information are fairly stated, in all material respects, in relation to the 2014 financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the 2014 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 14, 2014 on our consideration of Framingham State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2014. The purpose of that report is 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 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 Framingham State University's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Boston, Massachusetts
October 14, 2014



Framingham

State University

FRAMINGHAM STATE UNIVERSITY
FY2014 Financial Statements
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014, 2013, and 2012
Unaudited

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and results of operations of Framingham State University (the "University") for the years ended June 30, 2014 (Fiscal Year 2014), June 30, 2013 (Fiscal Year 2013) and June 30, 2012 (Fiscal Year 2012). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, as separately provided.

Framingham State University offers small, personalized classes to approximately 6,500 undergraduate and graduate students on a traditional, New England campus. The University is located in the heart of the Commonwealth's MetroWest area just 20 miles west of Boston. It is the only public four-year University between Route 495 and Route 128, within reach of hundreds of professional companies and businesses. The University has capitalized on its location by partnering with many of these companies to develop unique and rewarding internship opportunities for students as well as job placements upon graduation.

Student success is central to the mission of the University. Many options are available for student support including programs to help freshmen transition to college. The University also has a robust honors program for exceptional students. The University offers 27 undergraduate majors and 25 graduate programs with the breadth of programs offered reflecting diverse faculty expertise. The institution is accredited by the New England Association of Schools and Colleges, Inc. (NEASC) and recently completed its ten-year full accreditation review.

While Framingham State's historical focus was teacher education (it was founded in 1839 as the first public normal school in America – the University is celebrating its 175th anniversary this year), the University now offers a wide variety of programs in fields ranging from business to the sciences to fashion with programs at both the baccalaureate and master's level. In recent years, the University has begun positioning itself as a leader in the areas of STEM (Science, Technology, Engineering, and Mathematics) education as employers increasingly seek to hire graduates with these skill sets. In support of this initiative, an \$80 million renovation and addition to the University's main science building is underway (as one component of an ongoing \$170 million comprehensive capital program).

Framingham State's more than 35,000 alumni are successfully employed in a wide range of career fields, and significant numbers of them enter graduate and professional schools within a few years of graduation. Approximately 85 percent of Framingham State's alumni choose to live and work in Massachusetts, contributing to the economy and well-being of the Commonwealth.



FY2014 FINANCIAL STATEMENTS HIGHLIGHTS

- The University's financial position remains strong as of June 30, 2014, with total assets of \$153.7 million (an increase of \$16.3 million, or +11.8%, from FY2013), liabilities of \$58.5 million (an increase of \$1.2 million, or +2.0%, from FY2013) and \$0.5 million in deferred inflows of resources. **Net Position (in prior years termed "Net Assets"), which represent the residual interest in the University's assets after liabilities and deferred inflows are deducted, increased \$15.6 million, or +19.7%, from fiscal year 2013 to \$94.7 million as of June 30, 2014.**
 - **Restricted net position and net investment in capital assets accounts total \$57.9 million (an increase of \$10.7 million, or +22.7%, from FY2013)** and include: \$52.0 million net investment in capital assets (an increase of \$10.6M), \$3.4 million in scholarship reserves, and \$2.5 million in other restricted accounts.
 - **Aggregate accumulated unrestricted net position of \$36.8 million (an increase of \$4.8 million, or +15.2%, from FY2013)** may be used to meet the University's ongoing obligations to its stakeholders and supports University borrowing. The University may also allocate the unrestricted net position to potentially cover an annual deficit or other uses such as capital expansion, capital repair, new programs and long-term investment.
- **The Framingham State University Foundation had a net position of \$9.1 million (an increase of \$0.9 million, or +10.6%, from FY2013) as of the close of Fiscal Year 2014.**
- **Gross revenues from tuition and fees, state appropriations and capital support, federal grants, private fundraising, investment income, and other sources totaled \$98.5 million (an increase of \$11.9 million, or +13.8%, from FY2013).**
 - State capital grants increased \$5.7M (+209.3%)
 - State appropriations for operations (including fringe benefits support and less remitted tuition) net revenue increased \$3.1 million (+11.3%)
 - State and Federal Grants and Contracts increased \$0.9 million (+14.2%)
 - Tuition and fees (less scholarship allowances) net revenue increased \$0.2 million (+0.6%) – this increase reflects changes in rates, enrollments, and retained tuition policies
 - Auxiliary Enterprises (e.g., residence halls; dining) revenue increased \$0.6 million (+4.8%)
 - Investment income increased \$1.6 million (+77.0%)
- **Expenses incurred during Fiscal Year 2014 totaled \$82.9 million (an increase of \$4.1 million, or +5.2%, from FY2013).**
 - Wages expenditures increased \$2.7 million (+6.9%)
 - Benefits expenditures increased \$0.6 million (+7.1%)
 - Utilities expenditures decreased slightly (-0.3%)
 - Supplies and Services expenditures increased \$0.5 million (+1.9%)
 - Depreciation expenditures increased \$0.4 million (+11.7%)
 - Scholarship expenditures decreased slightly (-3.7%)

-
- ◆ In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the financial information of the Framingham State University Foundation, Inc. (the “Foundation”) is included in the University’s financial statements as a component unit. The Foundation is an independent non-profit corporation formed for the exclusive benefit of the University. The Foundation issues its own financial statements under accounting guidance issued by the Financial Accounting Standards Board (FASB). Certain items of those financial statements have been reclassified to conform to GASB standards. While the Foundation’s financial information is included in the University’s financial statements, it is important to note that the Foundation is, indeed, a separate organization. Foundation funds are largely restricted, and even unrestricted funds can only be expended by vote of the Board of Directors of the Foundation. In general, these funds are not available for operational costs of the University and are considered “quasi-endowment” for reporting purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The University's financial statements have been audited by Ercolini & Company LLP for the years prior to fiscal year 2014. On July 1, 2014, Ercolini & Company LLP combined practices with CohnReznick LLP.

This discussion and analysis is intended to serve as an introduction to Framingham State University's basic financial statements. These statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements. The University's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Financial Statements. The financial statements are designed to provide readers with a broad overview of the University's finances in a manner similar to a private-sector University.

The *Statement of Net Position* presents information on the University's assets and deferred outflows of resources (of which there are none), less its liabilities and deferred inflows of resources, with the residual balance being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving.

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

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services).

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the separately attached financial statements.

Other Information. In addition to the financial statements and accompanying notes, supplemental information is also provided. The financial statements and related footnotes are presented separately from this discussion and analysis.

FINANCIAL ANALYSIS

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the fiscal year and includes 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 condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. Assets, deferred outflow of resources, liabilities, and deferred inflows of resources are generally measured using current values. A condensed comparison of the University's assets, liabilities, deferred inflows of resources and net position at June 30, 2014, June 30, 2013 and June 30, 2012 is as follows:

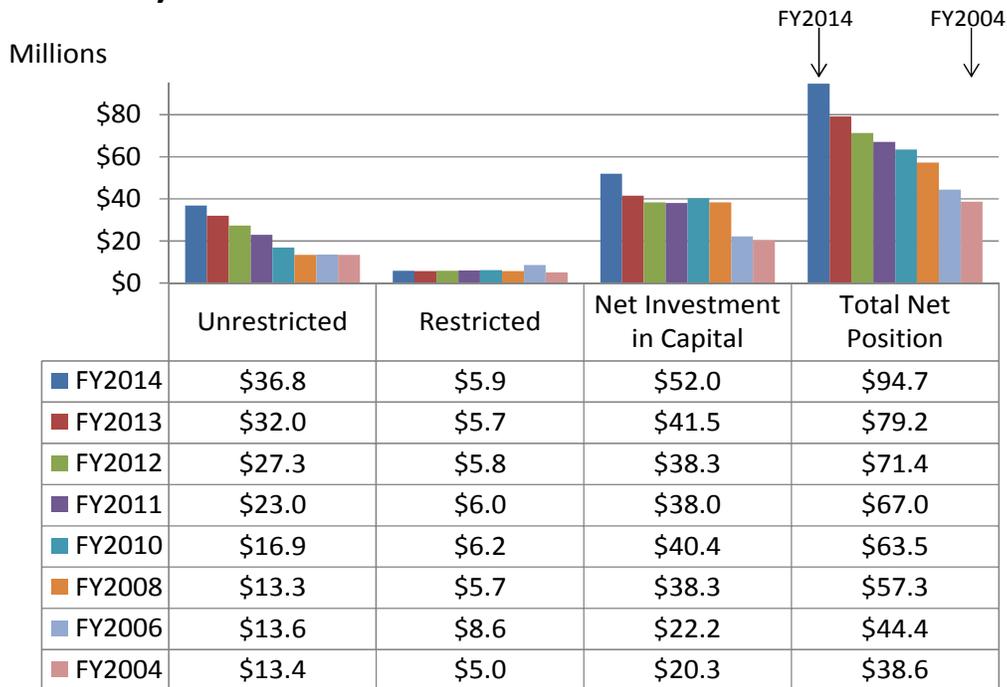
University Accounts

(In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$31,954	\$31,683	\$29,350
Capital Assets	\$88,198	\$68,194	\$61,463
Other Noncurrent Assets	<u>\$33,525</u>	<u>\$37,526</u>	<u>\$33,894</u>
Total Assets	<u>\$153,677</u>	<u>\$137,403</u>	<u>\$124,707</u>
Current Liabilities	\$14,123	\$14,986	\$13,033
Noncurrent Liabilities	<u>\$44,337</u>	<u>\$42,322</u>	<u>\$38,898</u>
Total Liabilities	<u>\$58,460</u>	<u>\$57,308</u>	<u>\$51,931</u>
Total Deferred Inflows of Revenue	<u>\$469</u>	<u>\$937</u>	<u>\$1,406</u>
Net Position:			
Net Invest. in Capital Assets	\$52,034	\$41,449	\$38,287
Restricted	\$5,876	\$5,731	\$5,793
Unrestricted	<u>\$36,838</u>	<u>\$31,978</u>	<u>\$27,290</u>
Total Net Assets	<u>\$94,748</u>	<u>\$79,158</u>	<u>\$71,370</u>

A review of the University's net position as of June 30, 2014 shows that the University enhanced its strong financial foundation during Fiscal Year 2014. The most significant change is in capital assets supported by state capital grant funding for the FSU Science Project. The increase in Unrestricted net assets reflects increases in various trust fund reserve account (unrestricted but designated) balances.

Trend Analysis: Net Position

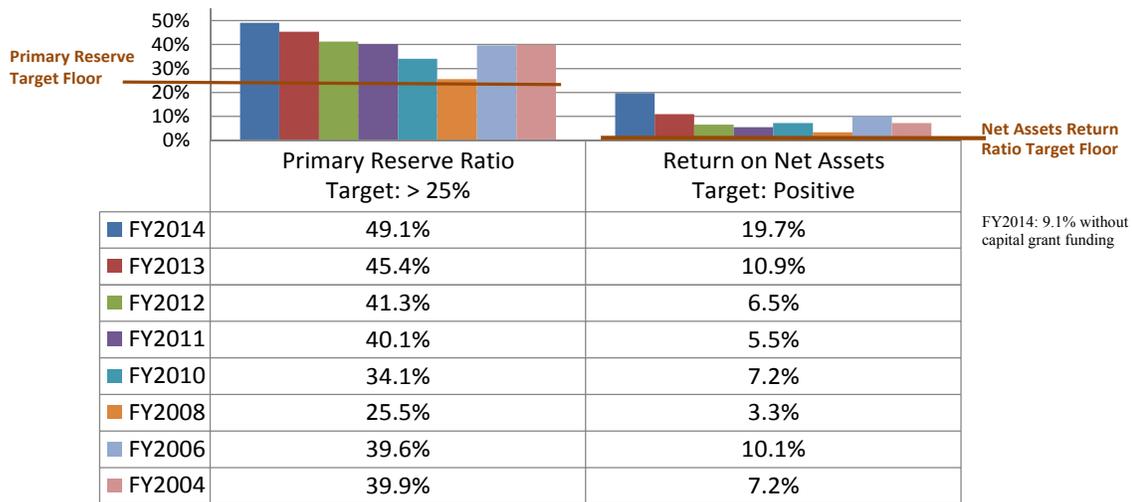


Net Position has increased \$15.6M, or +19.7%, since FY2013 and has increased \$56.1M, or +145.3%, since FY2004. The largest growth has been in the Unrestricted Assets (+175% increase) and then in Net Investment in Capital (+156% increase) categories.

One indicator of fiscal health, that is included in the University's Board of Trustee-approved Debt Policy, is the Primary Reserve Ratio (that measures Unrestricted and Expendable Net Position divided by Total Operating Expenses). An industry standard of 25% (which is also a Massachusetts Department of Higher Education benchmark target) reflects essentially 3 months of available resources to cover annual expenditures. **The University's Primary Reserve Ratio as of the end of FY2014 was 49.1%.**

Another financial indicator noted in the University's Debt Policy is Return on Net Position (measuring Change in Net Position divided by Beginning of Year Net Position). This ratio identifies whether an institution's resources are growing and if it is financially better off than in previous years (signified by a positive ratio consistent with the University's Debt Policy benchmark). **The University's Return on Net Position Ratio for FY2014 was 19.7%.**

Trend Analysis: Primary Reserve and Return on Net Assets Ratios



The activity of the Framingham State University Foundation must be reported as a component unit in the University's financial statements. A condensed review of the Framingham State University Foundation assets, liabilities and net position at June 30, 2014, June 30, 2013 and June 30, 2012 is as follows:

Foundation Accounts

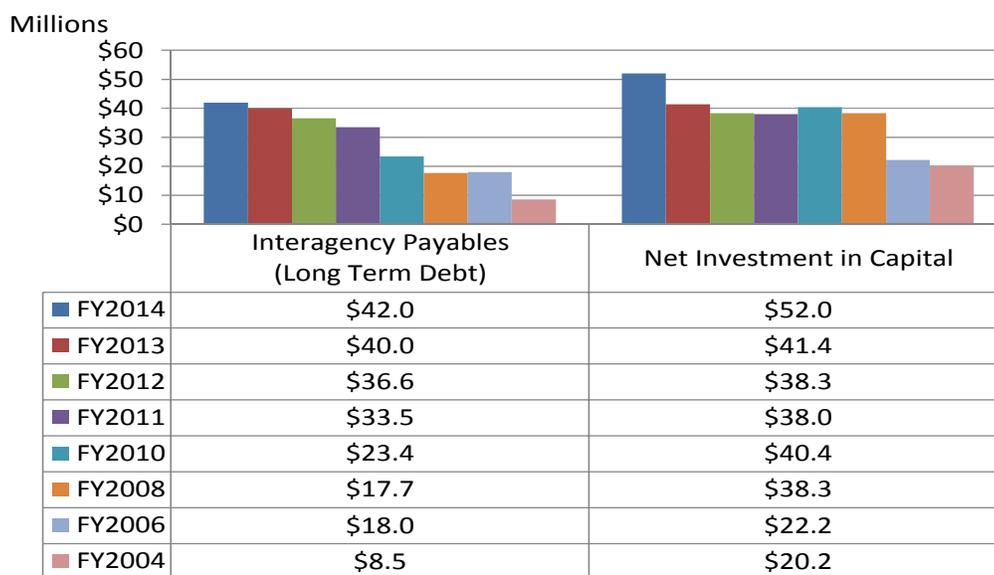
(In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$7,709	\$6,982	\$6,428
Capital Assets	\$0	\$0	\$0
Other Noncurrent Assets	\$1,488	\$1,345	\$1,253
Total Assets	<u>\$9,197</u>	<u>\$8,327</u>	<u>\$7,681</u>
Current Liabilities	\$104	\$108	\$3
Noncurrent Liabilities	\$0	\$0	\$0
Total Liabilities	<u>\$104</u>	<u>\$108</u>	<u>\$3</u>
Net Position:			
Net investment in capital assets	\$0	\$0	\$0
Restricted	\$4,141	\$4,116	\$4,165
Unrestricted	\$4,951	\$4,103	\$3,513
Total Net Position	<u>\$9,092</u>	<u>\$8,219</u>	<u>\$7,678</u>

Capital Assets and Long Term Debt

It should be noted that “Net Position: Net Investment in Capital Assets” represents a conservative accounting (cost approach) of the University’s capital assets. This figure is net of related debt and net of accumulated depreciation and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those assets. Capital Assets also do not include residence halls since they are recorded on the financial statements of the Massachusetts State College Building Authority. As of June 30, 2014, the University has \$142.2 million invested in capital assets, \$54.0 million in accumulated depreciation, and \$88.2 million in net capital assets (an increase of \$20.0 million over FY2013). **The University has \$42.0 million in aggregate interagency payables (predominantly long-term capital debt) as of the close of FY2014 (an increase of \$2.0 million over FY2013). FY2014 Net Investment in Capital Assets was \$52.0M.** Aggregate debt service (principal and interest) for FY2014 was \$3.9 million (an increase of \$0.6M from FY2013).

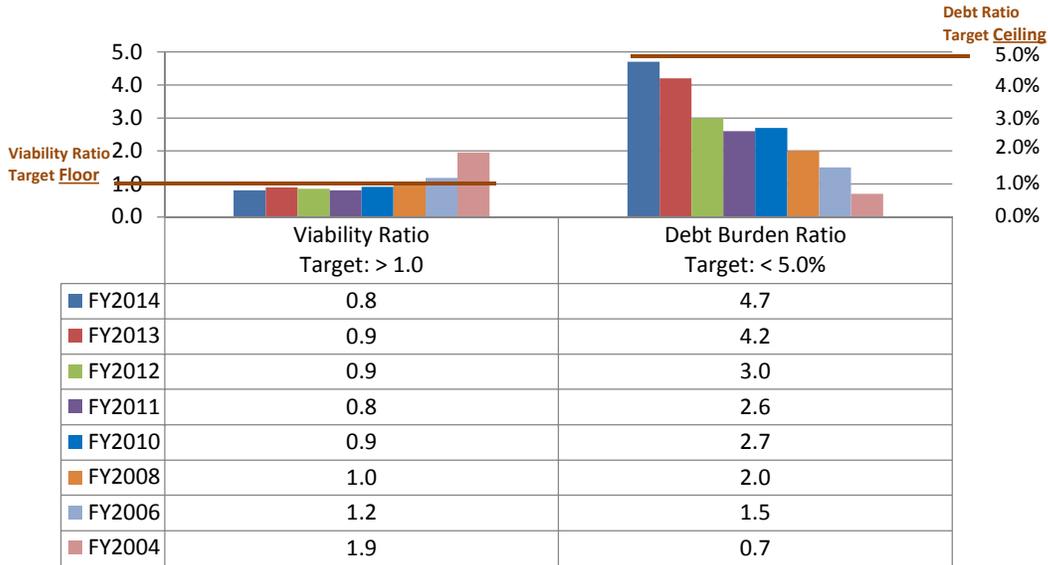
Trend Analysis: Interagency Payables (Long Term Debt)



Note: Interagency Payables and Net Investment in Capital do not include the Salem End Road Parking Project; both the debt and asset will be transferred to FSU upon completion of the project and the transfer of the property from the MSCBA to the Commonwealth (on behalf of FSU).

Two debt capacity-focused financial ratios included in the University’s Debt Policy are the Viability Ratio (measuring Unrestricted and Expendable Net Position divided by Total Long Term Debt) and the Debt Burden Ratio (measuring Annual Debt Service Expense divided by Total Operating Expenses). A Viability Ratio of 1.0 or higher theoretically indicates an institution has sufficient available net position/reserves that it could rely upon, if necessary, to immediately satisfy all debt requirements; **as of FY2014, the University’s Viability Ratio is 0.8** (including commitment for the 2012 and 2014 bond issuances’ debt for the Salem End Road Parking Project not currently included in FSU financial statements) indicating limited debt capacity using this indicator. The Debt Burden Ratio (Annual Debt Service – that is, principal and interest – divided by Total Expenditures) is a traditionally more useful measure to determine debt capacity based on a benchmark that if more than 5% of an institution’s budget were devoted to debt service, that institution’s flexibility to devote its resources to other needs could be compromised; **the University’s Debt Burden Ratio as of FY2014 is 4.7%** (including annual debt service associated with the 2012 and 2014 bond issuances’ for the Salem End Road Parking Project) signifying some additional debt capacity under this measure. For context, the debt burden ratio cap that guides borrowing decisions for the Commonwealth of Massachusetts is 8.0% while the University of Massachusetts recently set a new debt burden cap at 10.0%.

Trend Analysis: Viability and Debt Burden Ratios



Note: Viability and Debt Burden ratio analysis includes debt and annual debt service commitments associated with the Salem End Road Parking project as the University is currently responsible for associated annual debt service and will ultimately include the debt obligation on its financial statements upon completion of the project and transfer of the property from the MSCBA to the Commonwealth.

The FY2014 Financial Statement footnotes – Section 12 Interagency Payables – provides interest rate details as well as debt service schedules on issued bonds (bond issuance detail noted below also includes the Salem End Road Parking Project as these obligations will be transferred to FSU upon completion of the projects and transfer of the property from the MSCBA to the Commonwealth).

Weighted average interest rate costs for all outstanding bonds as of June 30, 2014 was 3.74%.

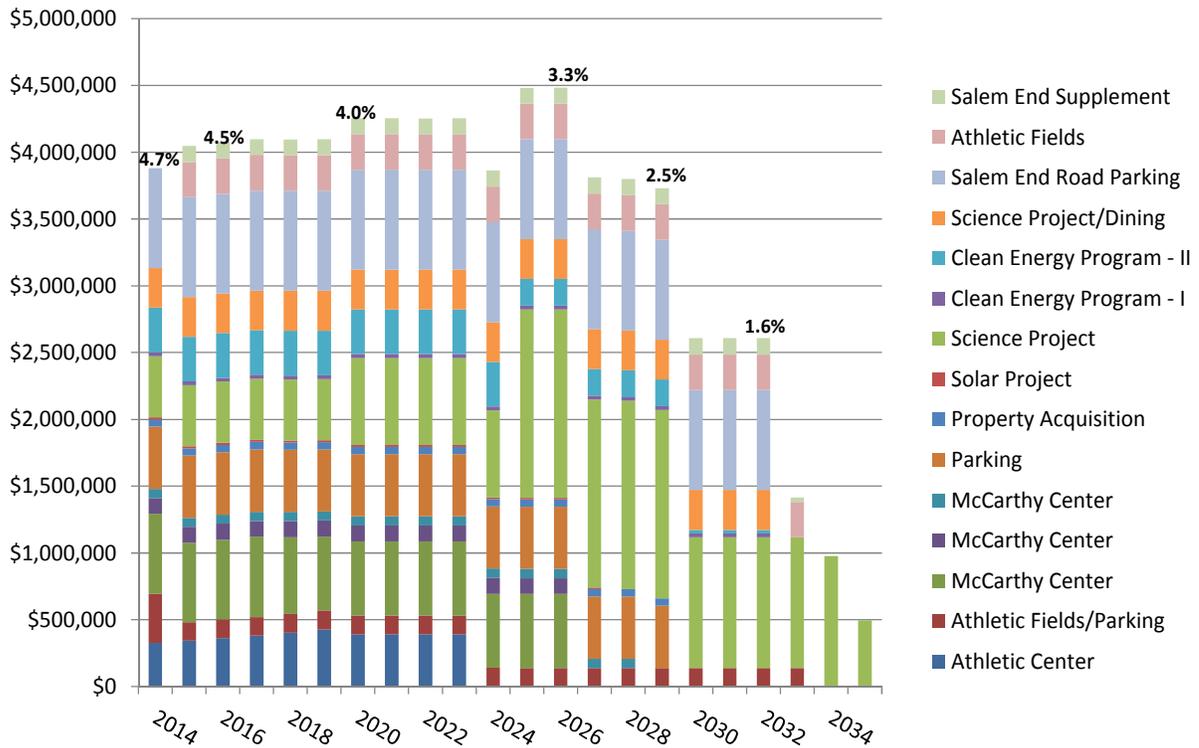
FSU Outstanding Debt							2014	
Year	Term	Rate	Fixed/Var	Agency	Project	Orig Debt Issuance	Principal Outstanding	
1998	25	0.55%	Variable	Mass. Dev. (HEFA)	Athletic Center	\$6,265,000	\$4,447,682	
2003	30	3.99%	Fixed	MSCBA	Athletic Fields/Parking	\$2,275,000	\$1,870,000	
2005	21	3.83%	Fixed	MSCBA	McCarthy Center	\$7,835,000	\$5,395,000	
2006	20	3.97%	Fixed	MSCBA	McCarthy Center	\$1,545,000	\$1,150,130	
2008	20	4.03%	Fixed	MSCBA	McCarthy Center	\$870,000	\$704,747	
2009	20	4.61%	Fixed	MSCBA	Parking	\$5,899,009	\$4,954,792	
2009	20	4.68%	Fixed	MSCBA	Property Acquisition	\$685,000	\$585,414	
2010	17	3.50%	Fixed	Mass. Dev.	Solar Project	\$177,705	\$135,892	
2010	25	3.64%	Fixed	MSCBA	Science Project	\$11,095,000	\$11,095,000	
2012	20	4.50%	Fixed	State G.O.	Clean Energy Program - I	\$373,537	\$349,188	
2012	15	4.00%	Fixed	State G.O.	Clean Energy Program - II	\$3,711,166	\$3,333,074	
2012	20	4.28%	Fixed	MSCBA	Science Project/Dining	\$4,115,000	\$4,393,666	
2012	20	3.64%	Fixed	MSCBA	Salem End Road Parking	\$10,380,000	\$10,120,000	
2014	20	4.97%	Fixed	MSCBA	Athletic Fields	\$3,185,000	\$3,555,392	
2014	20	4.97%	Fixed	MSCBA	Salem End Supplement	\$1,430,000	\$1,598,217	
Total		3.74% Weighted Average				\$59,841,417	\$53,688,194	

Note: While the Salem End Parking Project is included in this analysis as FSU pays debt service, the project is currently included on the MSCBA financial statements until time of property transfer.

Current scheduled debt service burden, while increasing in dollar terms over the next decade, is projected to decrease as a percent of total expenses and is projected not to exceed the Board-designated 5% ceiling rate.

FSU Annual Debt Service/Assessment Schedule

Percentages indicate anticipated Debt Burden Ratio (annual debt service/total operational expenses); FSU Debt Policy Ceiling is 5.0%.
 ~ Includes assessments for Salem End Road Parking Project



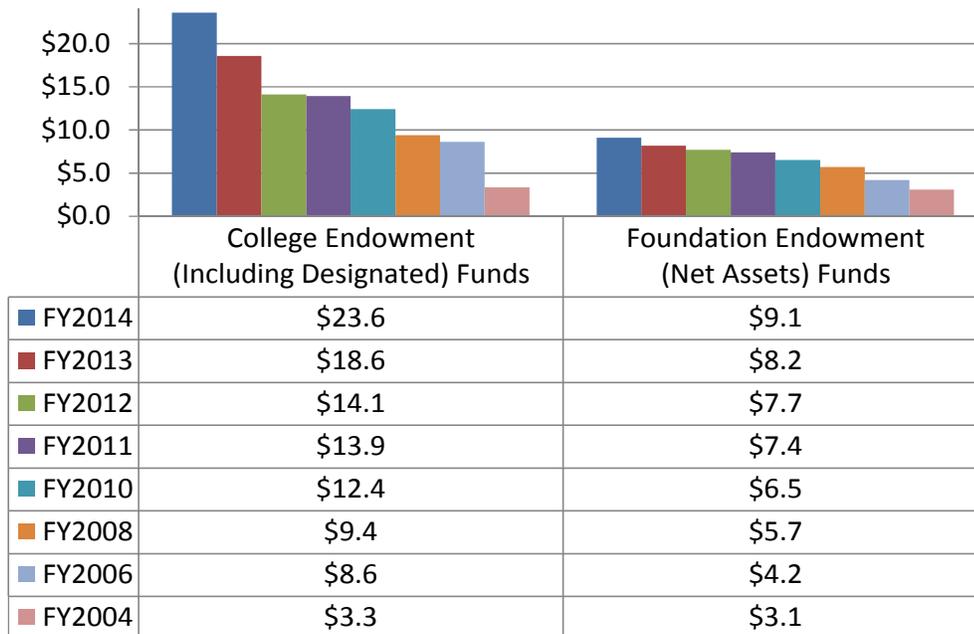
Endowment Funds

A portion of the restricted net position includes endowment funds held by the University. The University itself has a very small designated endowment; \$2.0 million of non-expendable restricted funds. An additional \$1.4 million, at June 30, 2014, 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 FY2014 value of \$20.2 million as quasi-endowment (noted as “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 total \$23.6M (representing an increase of \$5.0M or +26.9% from FY2013).** The University invests these assets, along with other cash holdings, in the Massachusetts Municipal Depository Trust (MMDT), the Common Fund, Eaton Vance, and Boston Trust.

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, 2014, the Foundation had a net position of \$9.1 million (representing an increase of \$0.9M or +10.6% from FY2013).**

Trend Analysis: Endowment (Including Designated) Funds

Millions



Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net position represents the University's results from operations. A condensed summary of the University's revenues, expenses and changes in net position for the years ended June 30, 2014, June 30, 2013 and June 30, 2012 is as follows:

<i>(In Thousands)</i>	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
Operating Revenues:			
Tuition and Fees	\$41,218	\$39,994	\$36,691
Less Scholarships	(\$7,577)	(\$6,539)	(\$5,544)
Sales and Services	\$693	\$767	\$675
Auxiliary Enterprises	\$13,740	\$13,107	\$12,395
Other Revenues	\$8,875	\$8,164	\$6,424
Total Operating Revenues	\$56,949	\$55,493	\$50,641
Operating Expenses:			
Instruction	(\$24,274)	(\$23,336)	(\$22,735)
Academic Support	(\$9,242)	(\$9,226)	(\$9,011)
Student Services	(\$9,656)	(\$8,976)	(\$8,544)
Institutional Support	(\$11,636)	(\$11,271)	(\$10,311)
Operation/Maintenance of Plant	(\$12,064)	(\$11,273)	(\$10,123)
Depreciation	(\$3,987)	(\$3,570)	(\$4,219)
Scholarships	(\$155)	(\$172)	(\$186)
Auxiliary Enterprises	(\$11,908)	(\$10,983)	(\$10,466)
Total Operating Expenses	\$82,922	(\$78,807)	(\$75,595)
Operating Loss	(\$25,973)	(\$23,314)	(\$24,954)

Non-Operating Revenues/(Expenses):			
State Appropriations (net)	\$30,676	\$27,570	\$27,399
Gifts	\$810	\$693	\$640
Net Investment Income	\$3,637	\$2,055	\$666
State Capital Approp./Grants	\$8,400	\$2,731	\$5,261
Interest/Issuance Costs on Debt	(\$645)	(\$1,168)	(\$1,340)
Transfers (to)/from State Agencies	(\$1,315)	(\$779)	(\$3,327)
Net Non-Operating Revenues	<u>\$41,563</u>	<u>\$31,102</u>	<u>\$29,299</u>
<i>Increase in Net Assets</i>	<i><u>\$15,590</u></i>	<i><u>\$7,788</u></i>	<i><u>\$4,345</u></i>

Due to the nature of public higher education accounting as it pertains to state appropriations, institutions incur a loss from operations before accounting for state support. State appropriations supplement University operations and act as a subsidy for operations not covered by operating revenues. Under GASB, appropriations are considered non-operating revenue. The following schedule illustrates the University's incurred losses from operations as well as change in net position for Fiscal Years ended June 30, 2014, June 30, 2013 and June 30, 2012:

Schedule of Loss from Operations

	(In Thousands)		
	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
Tuition and Fees Revenue, Net	\$33,641	\$33,455	\$31,147
Other Operating Revenue	<u>\$23,308</u>	<u>\$22,038</u>	<u>\$19,494</u>
Total Operating Revenue	\$56,949	\$55,493	\$50,641
Operating Expenses	<u>(\$82,922)</u>	<u>(\$78,807)</u>	<u>(\$75,595)</u>
Operating Loss	<u>(\$25,973)</u>	<u>(\$23,314)</u>	<u>(\$24,954)</u>
Net State Appropriations	\$30,676	\$27,570	\$27,399
Other Revenue/(Expenses)	<u>\$10,887</u>	<u>\$3,532</u>	<u>\$1,900</u>
Increase in Net Position	<u>\$15,590</u>	<u>\$7,788</u>	<u>\$4,345</u>

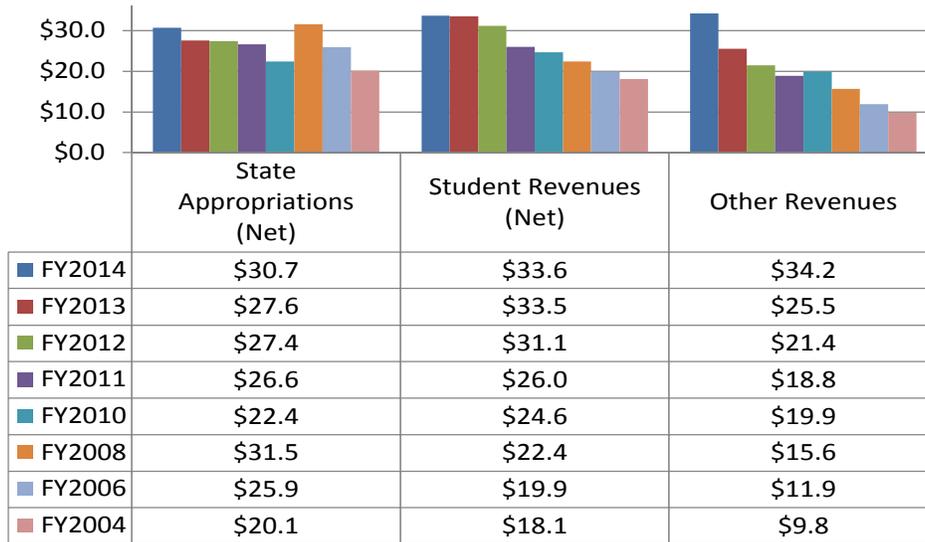
Net position at the beginning of Fiscal Year 2014 was \$79.2 million. Net position at the end of Fiscal Year 2014 was \$94.7 million; representing a \$15.6 million (+19.7%) increase.

Revenues and Expenditures Trends

From FY2013 to FY2014, net state appropriations increased by \$3.1M (+11.3%), student net revenues increased by \$0.2M (+0.6%), and other revenues increased a total of \$8.6M (+33.7%). Trend analysis covering FY2004-FY2014 reveal that FY2014 net state appropriations is greater than FY2004 support by \$10.6M for an average annual increase of +5.3% (although net state appropriations are still below the high mark in FY2008); average annual increase in net student revenues has been +8.6% over ten years; and, average increase in other revenues has been +24.9% annually. The change in make-up of revenues reflects progress against the University's goal in two prior strategic plans to diversify its income base; of total revenues, FY2014 net state funding represents 31%, net student revenues represent 34%, and other revenues represent 35% of total revenues.

Trend Analysis: State Appropriations, Student and Other Revenues

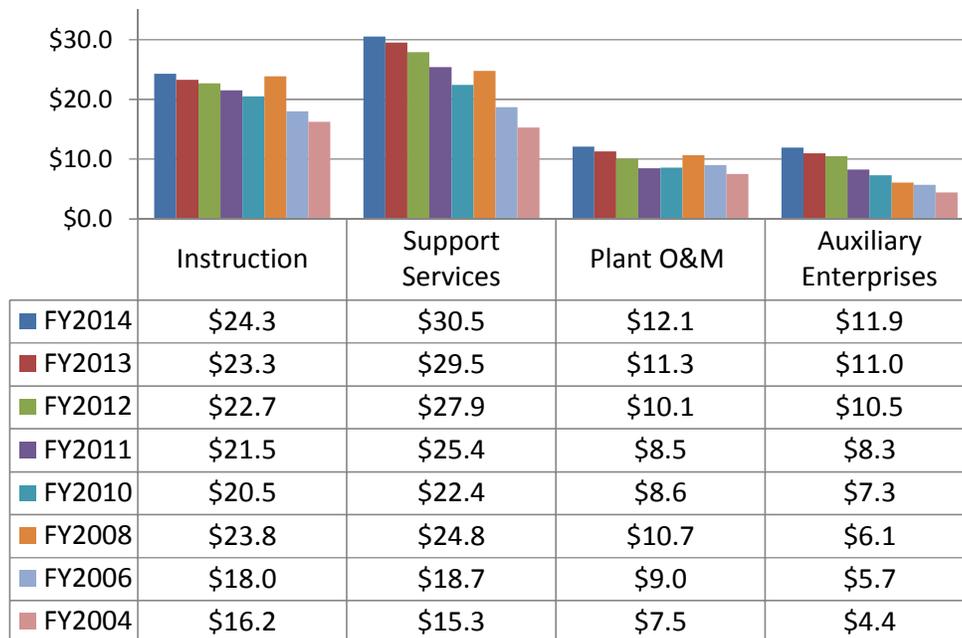
Millions



Expenditures for Instruction, Support Services, Plant Operations and Maintenance, and Auxiliary Enterprises have varied over the past decade. **Expenditures on Instruction experienced the largest increase over the past year, increasing \$1.0M or 4.0%.** Since 2004, Support Services annual expenditures have increased \$15.2M; while Instruction expenditures have increased \$8.1M, Auxiliary Enterprises (i.e., residence halls and dining) expenditures have increased \$7.5M, and Plant Operations and Maintenance have increased \$4.6M.

Trend Analysis: Instruction, Support Svcs., Plant O&M, Aux. Ent. Expenditures

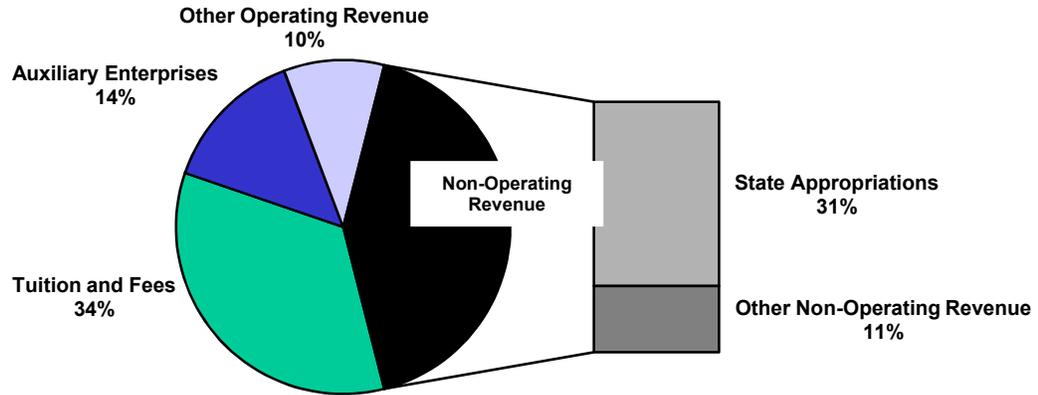
Millions



Note: FY2008 expenditures reflect an unusual one-year spike in state chargebacks for fringe benefits costs.

Revenues Illustration

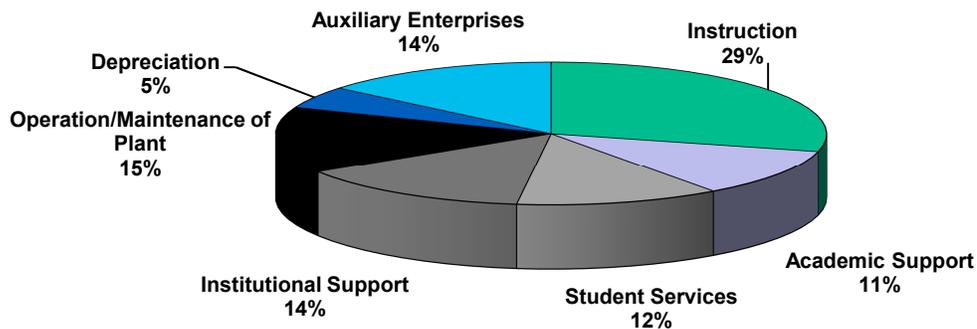
The following is an illustration of revenues by source (both operating and non-operating), which were used to fund the University's activities for the year ended June 30, 2014.



Student tuition and fees and state appropriations are the primary sources of funding for the University. Fiscal Year 2014 net state appropriation support as a percent of total revenues stayed essentially level at 31% (even though actual state support increased significantly) compared to FY2013; this performance was an improvement over the prior fiscal year (FY2013 compared to FY2012) that saw state appropriations support as a percent of total revenue decrease two percentage points. Of note, just six fiscal years ago, state appropriations represented 45% of total revenues. **Tuition and Fees as a percent of total revenue in FY2014 was 34%; this is a significant decrease from FY2013 when it represented 39% of total revenue while in FY2012 it represented 37% of total revenue.**

Expenditures Illustration

A graphic of the University's functional expenditures for FY2014 is as follows:



Expenditures on Instruction and Academic Support made up approximately 40% of total expenditures in FY2014; this compares to 42% of total expenditures in FY2013 and FY2012. Plant Operation and Maintenance made up 15% of total expenditures in FY2014 versus 14% in FY2013 and 13% in FY2012.

Statement of Cash Flows

The statement of cash flows provides information about the University's financial results, by reporting the major sources and uses of cash. A condensed summary of the statement of cash flows for fiscal years 2014, 2013 and 2012 is as follows:

Statement of Cash Flows

<i>(In Thousands)</i>	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Operations	\$57,175	\$55,214	\$51,093
Cash Expended for Operations	<u>(\$72,965)</u>	<u>(\$69,591)</u>	<u>(\$64,165)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(\$15,790)</u>	<u>(\$14,377)</u>	<u>(\$13,072)</u>
<i>Cash Flows from Non-Capital Financing Activities:</i>			
State Appropriations	\$25,785	\$22,813	\$21,466
Tuition remitted to the Commonwealth	(\$1,511)	(\$1,013)	(\$946)
Gifts and Endowment	371	\$116	\$983
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>\$24,645</u>	<u>\$21,916</u>	<u>\$21,503</u>
<i>Cash Flows from Capital & Related Financing Activities:</i>			
State Capital Appropriations	\$0	\$15	\$2,615
Stimulus Grants Received	\$0	\$0	\$2,792
Perkins Loan Program Net Funds Received	\$7	\$47	\$19
Payments for Capital Assets	(\$15,042)	(\$6,336)	(\$4,732)
Interagency Payable Proceeds Received	\$3,561	\$4,522	\$4,084
Interagency Principal Payments	(\$1,540)	(\$1,088)	(\$970)
Interest Paid on Interagency Payables	(\$1,566)	(\$1,108)	(\$1,231)
Transfers of funds to/from State Agencies	(\$1,315)	(\$779)	(\$3,327)
Bond issuance costs	(\$17)	(\$52)	(\$0)
Net Cash Provided/(Used) by Financing Activities	<u>(\$15,912)</u>	<u>(\$4,779)</u>	<u>(\$750)</u>
<i>Cash Flows from Investing Activities:</i>			
Purchase/Sale (Net) of Marketable Securities	(\$4,746)	(\$3,497)	(\$349)
Earnings on Investments	\$898	\$650	\$515
Net Cash Provided/(Used) by Investing Activities	<u>(\$3,848)</u>	<u>(\$2,847)</u>	<u>\$166</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>(\$10,905)</u>	<u>(\$87)</u>	<u>\$7,847</u>

Cash and cash equivalents at the beginning of Fiscal Year 2014 were \$44.2 million; the balance at the end of Fiscal Year 2014 was \$33.3 million reflecting a decrease of \$10.9M. The most significant uses of cash included the (FSU Board of Trustees-approved) reallocation of \$4.0M from cash management balances to other investment vehicles for FY2014 (reflected in the change in Purchase/Sale (Net) of Marketable Securities) and expenditure/transfer of \$15M (reflected in Payments for Capital Assets) including University transfers for capital projects as well as Division of Capital Asset Management and Maintenance (DCAMM) payments, through University funds held by DCAMM, for the Science Center project.

FACTORS THAT MAY AFFECT THE FUTURE

Framingham State University is arguably in its best financial position since its founding 175 years ago. This financial situation as supported the following initiatives as summarized in a recent Annual Report to the Framingham State University Board of Trustees:

FSU has experienced a sustained period of growth and development. We have developed new academic programs, invested in the campus, strengthened faculty development and student support programs, increased enrollment, diversity, selectivity, persistence, graduation rates, and assessment of student learning through the hard work and dedication of faculty, staff, alumni, and volunteer leadership. We have developed a broad array of partnerships and collaborations with community organizations, strengthened relationships with major corporate employers for the benefit of our students, and increased fundraising as we've progressed toward our first comprehensive campaign. During this period of considerable growth and development we have honored our mission and character as a small college where the success of each student is supported through small classes, emphasis on undergraduate teaching and learning, personal connection between faculty, staff and students, and a challenging curriculum augmented with a rich set of co-curricular opportunities. We have also worked hard, and successfully, to control recent growth of tuition and fees, recognizing the centrality of affordability to maintaining access to educational opportunities.

Continuing to guide future progress will be the “*Framingham State University 2012-2017 Strategic Plan.*” This plan was preceded by development of a new Mission Statement (approved by the All University Committee, the FSU Board of Trustees and the Massachusetts Board of Higher Education) as well as an accompanying Vision Statement and Statement of Core Values. These foundational statements informed and guided drafting of functional plans in nine areas:

1. Academic Plan
2. Assessment Plan
3. Capital Plan
4. Campaign Plan
5. Climate Action Plan
6. Diversity and Inclusion Plan
7. Enrollment Plan
8. Technology Plan
9. Financial Plan.

Each of the functional plans includes goals, objectives, and action steps that will inform decision-making and influence resource allocation for a five year period in support of three overarching goals identified as part of a comprehensive strategic plan:

- Expand Opportunity
- Develop Community
- Promote Student Success.

The University’s long range proforma budget identifies resources to support various functional plans and the overall strategic plan.

Significant revenue factors in consideration of long range planning and budgeting include:

- State appropriation support necessary to support the 50/50 (state/student) funding initiative
- Restrained student charges associated with the 50/50 initiative
 - Continued institutional-funded increases in student financial aid
- Investment performance in a turbulent economic environment
- Impact of the comprehensive fundraising campaign.

Significant expenditure factors impacting the University's long range budget planning process include:

- Collective bargaining costs associated with recently settled three-year contracts extending from FY2015 through FY2017
- Commitment to faculty and staff position increases commensurate with enrollment growth
- Potential impact of increases in fringe benefit chargeback rates associated with state "other post-employment benefits" (OPEB) costs
- Funding of the University's multi-year capital spending plan including: planned construction of a new residence hall; the repositioning and adaptation of O'Connor Hall; retention and renovation of Crocker Hall; adaptation and renewal of the Whittemore Library; parking expansion initiatives; and, general facilities repairs and maintenance.
 - The University continues to advocate for release of state general obligation bond authorizations for capital projects and continues to consider revenue-backed financing for specific capital projects and will pursue these opportunities as appropriate and to the extent that its current relatively low debt service obligations allow.

Looking forward, implementation of the FSU Strategic Plan will require the prudent use of state support, reliance on targeted additional student revenues, and further diversification of funding including private gifts and grant funding as well as alternative financing vehicles as important supplements to traditional state and student revenue streams. These actions, in conjunction with continuing cost containment measures, will enable the University to provide an appropriately scaled and high-quality level of service to its constituents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Framingham State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Vice President, Framingham State University, 100 State Street, P.O. Box 9101, Framingham, MA 01701-9101.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>	Component Unit Framingham State University Foundation, Inc.	
ASSETS			<u>2014</u>	<u>2013</u>
<u>Current Assets</u>				
Cash and cash equivalents	\$ 19,251,737	\$ 21,753,160	\$ 246,559	\$ 372,768
Restricted cash and cash equivalents	3,073,652	2,026,560	-	-
Investments in marketable securities	7,771,848	5,621,522	7,369,720	6,539,004
Accounts receivable, net	1,584,213	2,007,135	-	-
Contributions receivable, net	-	-	72,377	49,238
Loans receivable - current portion	4,591	6,283	-	-
Other current assets	<u>268,387</u>	<u>268,003</u>	<u>19,976</u>	<u>20,566</u>
Total current assets	<u>31,954,428</u>	<u>31,682,663</u>	<u>7,708,632</u>	<u>6,981,576</u>
<u>Noncurrent Assets</u>				
Restricted cash and cash equivalents	11,009,502	20,460,330	-	-
Endowment investments	-	-	1,332,859	1,185,818
Investments in marketable securities	20,211,799	14,876,589	-	-
Contributions receivable, net	-	-	155,215	159,258
Loans receivable, net of current portion	2,303,011	2,189,504	-	-
Capital assets, net	<u>88,197,783</u>	<u>68,194,347</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>121,722,095</u>	<u>105,720,770</u>	<u>1,488,074</u>	<u>1,345,076</u>
Total assets	<u>153,676,523</u>	<u>137,403,433</u>	<u>9,196,706</u>	<u>8,326,652</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See notes to financial statements.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2014 AND 2013

LIABILITIES	<u>2014</u>	<u>2013</u>	<u>Component Unit Framingham State University Foundation, Inc.</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Current Liabilities</u>				
Interagency payables - current portion	\$ 1,589,046	\$ 1,576,281	\$ -	\$ -
Accounts payable and accrued liabilities	2,499,980	2,593,132	104,441	107,838
Accounts payable - construction	991,141	1,234,940	-	-
Accrued workers' compensation - current portion	114,499	106,220	-	-
Compensated absences - current portion	2,932,979	2,873,380	-	-
Faculty payroll accrual	2,502,575	2,531,166	-	-
Revenue received in advance	2,760,910	3,217,897	-	-
Deposits	365,885	331,350	-	-
Other current liabilities	<u>366,117</u>	<u>522,041</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>14,123,132</u>	<u>14,986,407</u>	<u>104,441</u>	<u>107,838</u>
<u>Noncurrent Liabilities</u>				
Interagency payables, net of current portion	40,380,931	38,404,992	-	-
Accrued workers' compensation, net of current portion	441,461	449,740	-	-
Compensated absences, net of current portion	1,636,695	1,596,106	-	-
Loan payable - federal financial assistance program	<u>1,877,907</u>	<u>1,870,989</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>44,336,994</u>	<u>42,321,827</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>58,460,126</u>	<u>57,308,234</u>	<u>104,441</u>	<u>107,838</u>

See notes to financial statements.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>	Component Unit Framingham State University Foundation, Inc.	
			<u>2014</u>	<u>2013</u>
DEFERRED INFLOWS OF RESOURCES				
Service concession arrangement	\$ <u>468,589</u>	\$ 937,184	\$ -	\$ -
Total deferred inflows of resources	<u>468,589</u>	<u>937,184</u>	-	-
NET POSITION				
Net investment in capital assets	52,034,054	41,448,701	-	-
Restricted for:				
Non-expendable				
Scholarships and academic purposes	1,970,057	1,925,721	1,332,859	1,185,818
Expendable				
Scholarships	1,434,327	1,569,334	359,465	355,218
Academic purposes	-	-	2,448,404	2,574,613
Research	209,259	257,770	-	-
Loans	452,043	447,302	-	-
Debt service	82,880	113,669	-	-
Other	1,727,090	1,417,389	-	-
Unrestricted	<u>36,838,098</u>	<u>31,978,129</u>	<u>4,951,537</u>	<u>4,103,165</u>
Total net position	<u>\$ 94,747,808</u>	<u>\$ 79,158,015</u>	<u>\$ 9,092,265</u>	<u>\$ 8,218,814</u>

See notes to financial statements.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
			Component Unit Framingham State University Foundation, Inc.	
<u>OPERATING REVENUES</u>				
Student tuition and fees	\$ 41,218,000	\$ 39,994,460	\$ -	\$ -
Less: Scholarship allowances	(7,576,655)	(6,539,140)	-	-
Net student tuition and fees	33,641,345	33,455,320		
Federal grants and contracts	6,278,275	5,358,755	-	-
State and local grants and contracts	1,005,846	1,020,921	-	-
Private grants	196,023	326,575	-	-
Sales and services of educational departments	692,883	767,480	-	-
Gifts and contributions	-	-	191,209	270,363
Auxiliary enterprises:				
Residential life	13,739,521	13,106,652	-	-
Other operating revenues	<u>1,394,650</u>	<u>1,456,839</u>	<u>33,231</u>	<u>40,516</u>
Total operating revenues	<u>56,948,543</u>	<u>55,492,542</u>	<u>224,440</u>	<u>310,879</u>
<u>OPERATING EXPENSES</u>				
Educational and general:				
Instruction	24,274,404	23,335,680	-	-
Academic support	9,241,661	9,225,586	-	-
Student services	9,656,265	8,976,245	-	-
Institutional support	11,635,665	11,271,453	402,109	330,677
Operations and maintenance of plant	12,063,644	11,272,855	-	-
Depreciation	3,986,967	3,569,696	-	-
Scholarships	155,336	172,280	404,875	400,000
Auxiliary enterprises:				
Residential life	<u>11,907,599</u>	<u>10,982,802</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>82,921,541</u>	<u>78,806,597</u>	<u>806,984</u>	<u>730,677</u>
Operating income (loss)	(25,972,998)	(23,314,055)	(582,544)	(419,798)

See notes to financial statements.

FRAMINGHAM STATE UNIVERSITY
(A department of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
			Component Unit Framingham State University Foundation, Inc .	
<u>NONOPERATING REVENUES (EXPENSES)</u>				
State appropriations	\$ 30,676,068	\$ 27,569,611	\$ -	\$ -
Gifts	809,513	693,059	-	-
Investment income, net of investment expense	3,637,537	2,055,171	1,309,149	863,732
Interest expense on Interagency payables and capital asset related debt	(628,616)	(1,115,834)	-	-
Debt issuance costs	(16,533)	(52,246)	-	-
Net nonoperating revenues before capital and endowment additions (reductions)	<u>34,477,969</u>	<u>29,149,761</u>	<u>1,309,149</u>	<u>863,732</u>
<u>INCOME BEFORE CAPITAL AND ENDOWMENT ADDITIONS (REDUCTIONS)</u>	<u>8,504,971</u>	<u>5,835,706</u>	<u>726,605</u>	<u>443,934</u>
State capital appropriations	-	14,779	-	-
Capital grants	8,400,165	2,716,076	-	-
Transfers (to)/from state agencies	(1,315,343)	(778,700)	-	-
Private gifts for endowment purposes	-	-	146,846	96,673
Total capital and endowment additions (reductions)	<u>7,084,822</u>	<u>1,952,155</u>	<u>146,846</u>	<u>96,673</u>
<u>INCREASE (DECREASE) IN NET POSITION</u>	<u>15,589,793</u>	<u>7,787,861</u>	<u>873,451</u>	<u>540,607</u>
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>79,158,015</u>	<u>71,370,154</u>	<u>8,218,814</u>	<u>7,678,207</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 94,747,808</u>	<u>\$ 79,158,015</u>	<u>\$ 9,092,265</u>	<u>\$ 8,218,814</u>

See notes to financial statements.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2014</u>	<u>2013</u>
Tuition and fees	\$ 32,699,610	\$ 33,133,917
Research grants and contracts	8,048,517	6,046,387
Private grants	279,306	280,748
Payments to suppliers	(25,492,422)	(25,366,517)
Payments to utilities	(3,076,039)	(3,084,240)
Payments to employees	(41,238,727)	(37,776,273)
Payments for benefits	(2,250,968)	(2,520,933)
Payments for scholarships	(443,336)	(460,180)
Loans issued to students	(462,593)	(382,249)
Collection of loans to students	350,778	440,023
Auxiliary enterprise receipts:		
Residential life	13,739,521	13,106,652
Receipts from sales and services of educational departments	677,175	783,248
Room and parking fees	34,535	(28,950)
Other receipts	<u>1,345,072</u>	<u>1,451,982</u>
Net cash provided by (used in) operating activities	<u>(15,789,571)</u>	<u>(14,376,385)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	25,785,452	22,812,920
Tuition remitted to State	(1,511,564)	(1,012,581)
Gifts from grants for other than capital purposes	<u>371,034</u>	<u>116,253</u>
Net cash provided by (used in) noncapital financing activities	<u>24,644,922</u>	<u>21,916,592</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	-	14,779
Perkins loan program net funds received	6,918	47,626
Payments for capital assets	(15,041,600)	(6,336,058)
Interagency payable proceeds received	3,560,863	4,522,094
Interagency principal payments	(1,540,340)	(1,088,654)
Interest paid on Interagency payables	(1,566,476)	(1,108,347)
Transfers of funds to State Agencies	(1,315,343)	(778,700)
Debt issuance costs	<u>(16,533)</u>	<u>(52,246)</u>
Net cash provided by (used in) capital and related financing activities	<u>(15,912,511)</u>	<u>(4,779,506)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	2,482,275	2,058,187
Purchase of marketable securities	(7,228,231)	(5,555,328)
Earnings on investments	<u>897,957</u>	<u>649,544</u>
Net cash provided by (used in) investing activities	<u>(3,847,999)</u>	<u>(2,847,597)</u>
Net increase (decrease) in cash and cash equivalents	<u>(10,905,159)</u>	<u>(86,896)</u>
Cash and cash equivalents - beginning of year	<u>44,240,050</u>	<u>44,326,946</u>
Cash and cash equivalents - end of year	<u>\$ 33,334,891</u>	<u>\$ 44,240,050</u>

See notes to financial statements.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2014 AND 2013

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

	<u>2014</u>	<u>2013</u>
Operating loss	(\$ 25,972,998)	(\$ 23,314,055)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,986,967	3,569,696
Bad debt expense (credit)	21,775	30,280
Fringe benefits paid by the Commonwealth of Massachusetts	6,402,180	5,769,272
Changes in assets and liabilities:		
Accounts receivable	371,031	(954,504)
Other current assets	(384)	(174,579)
Accounts payable and accrued liabilities	(93,152)	(343,162)
Compensated absences	100,188	666,893
Accrued faculty payroll	(28,591)	163,175
Revenue received in advance	(456,987)	176,539
Student deposits	34,535	(28,950)
Other current liabilities	(42,320)	5,236
Loans to students	(111,815)	57,774
Net cash used in operating activities	(\$ 15,789,571)	(\$ 14,376,385)

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Acquisition of capital assets	\$ 23,990,403	\$ 10,301,277
Accounts payable thereon		
Beginning of year	1,234,940	221,570
End of year	(991,141)	(1,234,940)
Payments made by DCAM	(8,400,165)	(2,716,076)
Net interest incurred and earned, capitalized in construction in progress	(792,437)	(235,773)
Payments for capital assets	\$ 15,041,600	\$ 6,336,058
<hr/>		
Unrealized gain (loss) on marketable securities	\$ 2,739,580	\$ 1,405,627
<hr/>		
Fringe benefits paid by the Commonwealth of Massachusetts	\$ 6,402,180	\$ 5,769,272
<hr/>		
Amortization of deferred inflows of resources - service concession arrangement	\$ 468,595	\$ 468,583

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies

Organization

Framingham State University (the University) is a public, State-supported comprehensive four-year university which offers a quality education leading to baccalaureate and masters degrees in many disciplines. With its campus located in Framingham, Massachusetts, the University provides instruction in a variety of liberal arts, allied health, and business fields of study. The University also offers, through the Division of Continuing Education, credit and non-credit courses. The University is accredited by the New England Association of Schools and Colleges.

The University is a department of the Commonwealth of Massachusetts (the State or the Commonwealth). The accompanying financial statements reflect only the transactions of the University and its discretely presented component unit. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated independently of the State.

Framingham State University Foundation, Inc. (the Foundation) is a component unit of Framingham State University. The Foundation is a legally separate tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. It was organized on November 10, 1981, exclusively for the benefit of Framingham State University, to receive and maintain funds to be used for the development, promotion and best interests of the University and its students. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The University provides, at no cost, certain administrative services to the Foundation.

Framingham State University Foundation Supporting Organization, Inc. (the Foundation Supporting Organization) was organized on October 22, 2012 for the exclusive benefit of the Foundation and all of its educational and charitable activities. The Foundation Supporting Organization is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As of June 30, 2014, the Foundation Supporting Organization has not had any activity. The financial information of the Foundation Supporting Organization is consolidated into the financial statements of the Foundation. The Foundation and Foundation Supporting Organization are collectively referred to hereinafter as the FSU Foundation.

During the year ended June 30, 2014, the FSU Foundation distributed scholarships in the amount of \$404,875 directly to students of the University, and incurred an additional \$402,109 in support of its mission in other ways. During the year ended June 30, 2013, the Foundation distributed scholarships in the amount of \$400,000 directly to students of the University, and incurred an additional \$330,677 in support of its mission in other ways. Complete financial statements for the FSU Foundation can be obtained from the office of the Executive Vice President, Administration, Finance and Technology, Framingham State University, 100 State Street, P.O. Box 9101 Framingham, MA 01701-9101.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies - continued

Basis of presentation

The University's 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). 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.

FSU Foundation, as a nonprofit organization, reports under Financial Accounting Standards Board (FASB) guidance on financial reporting for Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Other than the reclassification of certain items, no modifications have been made to FSU Foundation's consolidated financial information in the University's financial reporting entity for these differences.

The University's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts net investment income, gifts, and interest expense.

When both restricted and unrestricted resources are available for use, it is the University's policy to use the restricted resources first, then unrestricted resources as they are needed.

The accompanying statements of revenues, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following three net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

- **Restricted:**
 - Nonexpendable** - Component of net position whose net assets are subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies - continued

Basis of presentation - continued

Expendable - Component of net position whose use of net assets by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** All other categories of net position. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees.

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

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 amounts and disclosures reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and cash equivalents and investments

The University's cash and cash equivalents are considered to be cash on hand, cash and cash equivalents held by the Commonwealth's Treasurer and Receiver-General, Massachusetts Development Finance Agency (MDFA), Massachusetts State College Building Authority (MSCBA) and Division of Capital Asset Management (DCAM), and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the University are reported at fair value. Any investments held with the Commonwealth's Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust (MMDT) are also at fair value. This external investment pool, run by the Treasurer and Receiver-General, operates in accordance with appropriate laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments include marketable debt and equity securities which are carried at their readily determinable fair values. Investments also include pooled investment funds with Commonfund which are valued at fair value based upon estimated net asset values provided by the management of Commonfund. These pooled investment funds are invested in marketable debt and equity securities. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets.

Dividends, interest and net gains or losses on investments 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:

- (i) 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;

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies - continued

Cash and cash equivalents and investments - continued

- (ii) as increases in 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 be classified as restricted - expendable; and
- (iii) as increases in unrestricted net position in all other cases.

At June 30, 2014 and 2013, the University had \$165,420 and \$226,489, respectively, in endowment income available by authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

Massachusetts General Law, Chapter 15 grants authority to the University's Board of Trustees (the Trustees) to administer the general business of the University. Inherent in this authority is the authority to invest funds of the University. Chapter 15 further grants the Trustees the authority to delegate, to the President, any said powers or responsibilities. The Trustees of Framingham State University have delegated the authority to make specific investment decisions to the Investment Committee of the Board of Trustees. Endowment funds are in cash and cash equivalents. The primary cash equivalents are within the MMDT, the external investment pool for political subdivisions of the Commonwealth.

The University's authorized spending rule provides that all earnings on endowment investments may be expended pursuant to the stipulations placed on those endowments. If a donor has not provided specific instructions, Massachusetts General Law permits the University's Board of Trustees to authorize for expense the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

FSU Foundation's investments include marketable debt and equity securities which are carried at their readily determinable market values. Realized and unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net position, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method.

FSU Foundation maintains cash and an investment pool that is available for use by all funds. Each fund's portion is reflected in the financial statements under cash and cash equivalents and investments. Earnings on cash and investments of the unrestricted net position and temporarily restricted (expendable) net position are reflected in the fund in which the assets are recorded.

Accounts receivable

Accounts receivable are stated at the amount the University expects to collect from outstanding balances. The University provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the University has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies - continued

Loans receivable and payable

Loans receivable consist, primarily, of the Federal Perkins Loan Program (Perkins). The federal government provides the majority of the funds to support this program. Loan payments received from students made under the Perkins program may be re-loaned after collection. The portion of the Perkins Program provided by the federal government is refundable to the federal government upon the ending (liquidation) of the University's participation in the program. The amounts due to the federal government upon liquidation by the University are \$1,877,907 and \$1,870,989 at June 30, 2014 and 2013, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

The prescribed practices for the Perkins program do not provide for accrual of interest on student loans receivable or for the provision of an allowance for doubtful loans. Accordingly, interest on loans is recorded as received and loan balances are reduced subsequent to the determination of their uncollectability and have been accepted (assigned) by the U.S. Department of Education (ED). Management closely monitors outstanding balances and assigns loans to the ED based upon such factors as student payment history, current status of applicable students, and the results of collection efforts.

Capital assets

Capital assets are controlled but not owned by the University. The University is not able to sell or otherwise pledge its assets, since the assets are all owned by the Commonwealth of Massachusetts. Capital assets, which include land, land improvements, buildings, building improvements, equipment and other assets are reported in the statements of net position at cost or fair market value, if donated. Capital assets are defined by the University as assets with an initial, individual cost of more than \$50,000 in accordance with the Commonwealth's capitalization policy. The University does not hold collections of historical treasures, works of art, or other items not requiring capitalization or depreciation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets, with the exception of land, are depreciated using the straight-line method over estimated useful lives of 40 years for buildings, 20 years for building and land improvements, 5 years for furniture and 3 to 10 years for equipment.

Library materials acquired for the most recent five year period are capitalized. The cost of library materials purchased in the current year is added and the cost of purchases made in the earliest year of the five year period is deducted from the net position balance.

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth at a yearly cost of one dollar. The residence halls have various lease terms which extend to the years 2022 and 2049. The leases can be extended at the end of the terms for additional 10-year periods.

The University, in accordance with a management and services agreement between the MSCBA and the Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which 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 the MSCBA to pay principal and interest due on its long-term debt obligations. These

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies - continued

Capital assets - continued

obligations may include the costs of periodic renovations and improvements to the residence halls. Certain obligations are guaranteed by the Commonwealth. The revenue assessment amounts for the years ended June 30, 2014 and 2013 were \$7,832,546 and \$6,972,627, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, each year. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance. (See also Note 8).

Student fees

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

Revenue received in advance

Deposits and advance payments received for tuition and fees related to the University's summer programs and tuition billed for the following fiscal year are recorded as revenues received in advance. Funds received in advance from various grants and contracts are also included in revenues received in advance.

Agency funds

Agency funds consist of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to asset and liability accounts. There were no material balances at June 30, 2014 and 2013.

Bond premiums

Bond premiums are being amortized on a straight-line basis over the terms of the related debt agreements.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies - continued

Interest expense and capitalization

The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2014 and 2013, total interest costs incurred were accounted for as follows:

	<u>2014</u>	<u>2013</u>
Total interest costs incurred	\$ 1,568,029	\$ 1,483,140
Less: Interest income on unused funds from tax exempt borrowings	(115,157)	(114,661)
Bond premium amortization	<u>(31,819)</u>	<u>(16,872)</u>
	1,421,053	1,351,607
Less: Capitalized portion of net interest earned and incurred	<u>(792,437)</u>	<u>(235,773)</u>
Interest expense	<u>\$ 628,616</u>	<u>\$ 1,115,834</u>

Fringe benefits

The University participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension and workers' compensation benefits. Workers' compensation coverage is provided by the Commonwealth on a self-insured basis. Health insurance and pension costs are billed through a fringe benefit rate charged to the University. Workers' compensation and unemployment insurance costs are assessed separately based on the University's actual experience.

Tax status

The University is a department of the Commonwealth of Massachusetts and is therefore exempt from federal and state income taxes.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

Recently adopted accounting pronouncements

In April, 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the primary objective of which is to improve the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Statement enhances comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees and enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The requirements of GASB

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

1. Summary of significant accounting policies - continued

Recently adopted accounting pronouncements - continued

Statement No. 70 are effective for financial statements for fiscal years beginning after June 15, 2013 with earlier application encouraged. Adoption by the University of this Statement in fiscal year 2014 had no impact on the University's financial statements.

Recent accounting pronouncements not yet adopted

In June, 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The requirements of GASB Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2014 with earlier application encouraged.

In November, 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The Statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

The University is currently evaluating the impact of GASB Statements No. 68 and 71 on its fiscal year 2015 financial statements.

2. Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2014 and 2013:

	2014		
	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Noncurrent Restricted</u>
Cash and money market accounts ****	\$ 15,736,538	\$ 1,750,153	\$ 4,571,827
Massachusetts State Treasurer ***	3,498,678	-	259,948
Petty cash	16,521	2,100	-
Century Bancorp, Inc.	-	-	18,086
Cash and cash equivalents held by MDFA*	-	330,258	444,478
Cash and cash equivalents held by MSCBA **	-	991,141	5,445,163
Cash and cash equivalents held by DCAM *****	-	-	270,000
	<u>\$ 19,251,737</u>	<u>\$ 3,073,652</u>	<u>\$ 11,009,502</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

2. Cash and cash equivalents, and investments - continued

	2013		
	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Noncurrent Restricted</u>
Cash and money market accounts ****	\$ 18,748,349	\$ 1,279,490	\$ 4,339,020
Massachusetts State Treasurer ***	2,993,629	-	307,777
Petty cash	11,182	2,100	-
Century Bancorp, Inc.	-	-	18,009
Cash and cash equivalents held by MDFA*	-	312,357	416,636
Cash and cash equivalents held by MSCBA **	-	432,613	4,926,637
Cash and cash equivalents held by DCAM *****	-	-	10,452,251
	<u>\$ 21,753,160</u>	<u>\$ 2,026,560</u>	<u>\$ 20,460,330</u>

* This amount consists of cash and cash equivalents which are restricted by the Massachusetts Development Finance Agency (MDFA) for the funding of payments to retire bonds when they mature (See Note 12) and for the funding of the installation of solar photovoltaic panels on the McCarthy Center and Athletic Center. The University does not have access to these funds except by the authorization of MDFA.

** This amount consists of cash and cash equivalents which are restricted by the Massachusetts State College Building Authority (MSCBA) for the funding of certain construction projects at the University and payments to retire bonds (see Note 12). The University does not have access to these funds except by the authorization of MSCBA. Interest earned on debt service reserve funds are used on a current basis to offset annual debt service payments.

*** This amount is held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$2,042,039 and \$1,831,360 at June 30, 2014 and 2013, respectively, for University funds. In addition, the University has recorded cash held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$1,716,587 and \$1,470,046 at June 30, 2014 and 2013, respectively, to pay year-end liabilities. The latter balances represent amounts paid from State appropriations subsequent to the fiscal year end.

**** This amount includes cash and cash equivalents held at MMDT in the amounts of \$8,388,139 and \$17,041,219 at June 30, 2014 and 2013, respectively.

***** This amount includes cash and cash equivalents which are restricted by the Massachusetts' Division of Capital Asset Management (DCAM) for the funding of certain construction projects at the University. The University does not have access to these funds except by the authorization of DCAM.

The Massachusetts Municipal Depository Trust (MMDT) is not subject to FDIC insurance. According to the MMDT, it is an external investment pool for political subdivisions in the Commonwealth which was designed as a legal means to safely invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high quality debt instruments. The MMDT is not a bank, savings institution, or financial institution. The MMDT is an instrumentality of the State Treasurer.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

2. Cash and cash equivalents, and investments - continued

The University maintains a cash and investment pool that is available for use by all trust funds. Each fund type's portion of this pool is reflected in the financial statements under the caption, cash and cash equivalents and investments. The method of allocating interest earned on pooled cash and investments is to record all interest to the appropriate fund based on that fund's average monthly balance. Interest earnings attributable to each trust fund are included under investment income.

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. As of June 30, 2014 and 2013, all of the University's bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits are fully collateralized under an Agreement with Bank of America.

Credit risk

The University is required to comply with the Commonwealth of Massachusetts' deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. State Statutes permit investment in obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements secured by any of these obligations. The University has also adopted its own formal investment policy, the objectives of which are: safety of principal; liquidity for operating needs; return on investment; and diversification of risk. The University's investment policy generally limits the maturities of investments to not more than one year. However, the University may invest in securities with maturities in excess of one year if it is determined to be in the best interest of the University as described in the University's investment policy. The University may also appoint a professional fund manager and invest in equity and bond funds. Eligible investments shall be consistent with those permitted by State Statutes.

As of June 30, 2014 and 2013, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$8,388,139 and \$17,041,219, respectively. At June 30, 2014, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 53% at 30 days or less; 28% at 31-90 days; 12% at 91-180 days; and 7% at 181 days or more. At June 30, 2014, approximately 97% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 3% had a credit quality rating of P2.

The University's funds held at MDFA are invested in the Short Term Asset Reserve (STAR) Fund and had a fair values of \$774,736 and \$728,993 at June 30, 2014 and 2013, respectively. The STAR Fund invests primarily in U.S. Treasury bills, notes, and other obligations guaranteed by the U.S. government or its agencies or instrumentalities. Additionally, the fund invests in repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper, notes, and both corporate floating rate and corporate fixed-rate securities. The STAR Fund maintains a net asset value of \$1 per share and had a fund credit quality rating of AAAM as of both June 30, 2014 and 2013. The STAR Fund's investment securities maintain a weighted average maturity of 54 and 48 days at June 30, 2014 and 2013, respectively.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

2. Cash and cash equivalents, and investments - continued

Credit risk - continued

At June 30, 2014, certain of the University's funds are held at MSCBA. Of the total, \$4,267,757 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$2,168,547 is invested in various funds as listed below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
Federal Home Loan Banks						
discount notes	\$ 321,598	\$ 321,598	\$ -	\$ -	\$ -	AAA
Fannie Mae Corporation						
discount note	249,472	249,472	-	-	-	AAA
Federal Home Loan						
Mortgage Corp. U.S. Govt.						
Issues	437,582	-	437,582	-	-	AAA
Federal Farm Credit	194,330			194,330		AAA
Massachusetts ST Bonds	<u>965,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>965,565</u>	AAA
Total	<u>\$ 2,168,547</u>	<u>\$ 571,070</u>	<u>\$ 437,582</u>	<u>\$ 194,330</u>	<u>\$ 965,565</u>	

At June 30, 2013, certain of the University's funds are held at MSCBA. Of the total, \$3,385,033 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$1,974,217 is invested in various funds as listed below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
Federal Home Loan Banks						
discount notes	\$ 321,598	\$ 321,598	\$ -	\$ -	\$ -	AAA
Fannie Mae Corporation						
discount note	249,472	249,472	-	-	-	AAA
Federal Home Loan						
Mortgage Corp. U.S. Govt.						
Issues	437,582	-	-	437,582	-	AAA
Massachusetts ST Bonds	<u>965,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>965,565</u>	AAA
Total	<u>\$ 1,974,217</u>	<u>\$ 571,070</u>	<u>\$ -</u>	<u>\$ 437,582</u>	<u>\$ 965,565</u>	

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

2. Cash and cash equivalents, and investments - continued

Credit risk - continued

The University's investments in marketable securities are represented by the following at June 30:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Current:</u>				
U.S. Treasury Notes and Government Securities	\$ 77,269	\$ 76,289	\$ 343,913	\$ 338,762
Corporate Debt Securities	148,013	143,087	17,450	15,533
Equity Securities	416,259	697,478	370,668	544,660
Money Market Funds	21,840	21,840	42,398	42,398
Mutual Funds	550,460	550,788	40,538	55,566
Commonfund (pooled investment funds):				
Multi Strategy Bond Fund	1,950,553	1,863,715	896,194	944,905
Intermediate Term Fund	2,252,992	3,415,981	1,930,327	1,839,616
Equity Index Fund	<u>930,658</u>	<u>1,002,670</u>	<u>1,252,992</u>	<u>1,840,082</u>
	<u>\$ 6,348,044</u>	<u>\$ 7,771,848</u>	<u>\$ 4,894,480</u>	<u>\$ 5,621,522</u>
<u>Noncurrent:</u>				
U.S. Treasury Notes and Government Securities	\$ 2,959,330	\$ 2,997,515	\$ 1,648,459	\$ 1,674,771
Corporate Debt Securities	992,049	1,015,479	924,543	946,046
Equity Securities	8,840,405	13,055,545	6,901,381	9,238,021
Money Market Funds	838,962	838,962	1,081,856	1,081,856
Mutual Funds	<u>1,891,127</u>	<u>2,304,298</u>	<u>1,673,242</u>	<u>1,935,895</u>
	<u>\$ 15,521,873</u>	<u>\$ 20,211,799</u>	<u>\$ 12,229,481</u>	<u>\$ 14,876,589</u>

The University's investment balances as of June 30, 2014 and 2013 include \$20,267,045 and \$15,066,611, respectively, which represent unrestricted net assets designated by the Board of Trustees (see Note 15). These amounts consist of an original designated investment of \$13,500,000 (\$2,500,000 designated in fiscal year 2014 and \$3,000,000 designated in fiscal year 2013), plus accumulated investment income earned thereon.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

2. Cash and cash equivalents, and investments - continued

At June 30, 2014, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
U.S. Treasury Notes and Government Securities 0.375% to 5.450%	\$ 2,352,814	\$ 76,289	\$1,870,861	\$ 405,664	\$ -	AA+
U.S. Treasury Notes and Government Securities 0.125% to 4.500%	720,990	-	438,998	164,068	117,924	NR
Corporate Debt Securities 3.625% to 6.250%	574,779	-	282,398	292,381	-	A
Corporate Debt Securities 3.375% to 3.375%	105,034	-	-	105,034	-	A+
Corporate Debt Securities 2.500% to 7.900%	183,973	56,378	127,595	-	-	A-
Corporate Debt Securities 0.875% to 3.000%	20,280	20,280	-	-	-	AA-
Corporate Debt Securities 3.250% to 3.250%	105,012	-	-	105,012	-	AA
Corporate Debt Securities 4.375% to 4.375%	10,459	-	10,459	-	-	AA+
Corporate Debt Securities 4.250% to 4.250%	15,256	15,256	-	-	-	BBB
Corporate Debt Securities 5.100% to 5.950%	40,980	30,564	10,416	-	-	BBB-
Corporate Debt Securities 2.650% to 5.450%	<u>102,793</u>	<u>20,609</u>	<u>26,601</u>	<u>55,583</u>	<u>-</u>	BBB+
Total	<u>\$ 4,232,370</u>	<u>\$ 219,376</u>	<u>\$2,767,328</u>	<u>\$1,127,742</u>	<u>\$117,924</u>	

The Intermediate Term Fund invests in high-quality fixed income securities with maturities generally ranging from 1-3 years. The fund may, however, invest in high-quality fixed income securities with maturities ranging from one day to 30 years. The fund's objective is to exceed the performance of the Merrill Lynch 1-3 Year Treasury Index. At June 30, 2014 and 2013, the fund's investment securities had a weighted average life of 2.0 and 2.4 years, respectively, and an effective duration of 1.8 for both years. The fund had an average credit quality rating of AA and AA- as of June 30, 2014 and June 30, 2013, respectively.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

2. Cash and cash equivalents, and investments - continued

The Multi-Strategy Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The majority of the fund's assets are invested in traditional core strategies with diversification achieved through exposures to global bonds, inflation-indexed bonds, high yield bonds, private debt and other credit-oriented strategies and relative value/absolute return strategies. The fund's objective is to exceed the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index. At June 30, 2014 and 2013, the fund's investment securities had a weighted average life of 7.2 and 7.0 years, respectively, and an effective duration of 4.2 and 4.3 years, respectively. The fund had an average credit quality rating of A+ as of both June 30, 2014 and June 30, 2013.

The Equity Index Fund invests in equity securities across strategies in proportions that are considered to be optimal for a fully diversified equity portfolio. The fund's objective is to replicate the returns of the S&P 500 Index.

Mutual funds include \$500,000 held at the Massachusetts Municipal Depository Trust (MMDT) in the MMDT Short Term Bond Portfolio. The fund's objective is to generate long-term performance exceeding the Barclays 1-5 Year Government/Credit Bond Index by investing in a diversified portfolio of investment-grade, short-term, fixed-income securities. The duration of the portfolio will approximate the duration of the Barclays 1-5 Year Government/Credit Bond Index. At June 30, 2014, the fund's investment securities had a weighted average life of 2.35 years and an effective duration of 2.18 years. The fund had an average credit quality rating of AAA as of June 30, 2014.

The University incurred investment advisory fees of \$79,342 and \$60,602 for the years ended June 30, 2014 and 2013, respectively, which have been netted against investment income in the statements of revenues, expenses and changes in net position.

FSU Foundation's investment policy is to hold its investments to obtain a ratio of approximately 60-70% equity securities and approximately 30-40% debt or fixed income securities, based on market value.

FSU Foundation's investments are included at their fair values and consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Equity Securities	\$ 5,144,190	\$ 4,744,701
U.S. Treasury Notes and Government Securities	1,165,639	1,126,850
Corporate Bonds	482,753	498,985
Equity Fund	628,511	590,480
Bond Fund	543,177	293,681
Cash and cash equivalents	<u>738,309</u>	<u>470,125</u>
	<u>\$ 8,702,579</u>	<u>\$ 7,724,822</u>

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and that such changes could materially affect the University's and FSU Foundations' investment account balances.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

3. Accounts receivable

The University's accounts receivable include the following at June 30:

	<u>2014</u>	<u>2013</u>
Student accounts receivable	\$ 1,964,213	\$ 2,270,882
Grants receivable	162,017	305,747
Parking fines receivable	212,813	183,780
Interest receivable	140	163
Tuition receivable	131,880	8,380
Commissions receivable	19,865	6,094
Due from the Foundation	78,107	108,223
Miscellaneous other receivables	<u>41,923</u>	<u>129,424</u>
	2,610,958	3,012,693
Less allowance for doubtful accounts	(<u>1,026,745</u>)	(<u>1,005,558</u>)
	<u>\$ 1,584,213</u>	<u>\$ 2,007,135</u>

4. Loans receivable

Loans receivable include the following at June 30:

	<u>2014</u>	<u>2013</u>
Perkins loans receivable	\$ 2,303,011	\$ 2,189,504
Emergency student loans receivable	<u>4,591</u>	<u>6,283</u>
	<u>\$ 2,307,602</u>	<u>\$ 2,195,787</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

5. Capital assets

Capital assets activity of the University for the year ended June 30, 2014 is as follows:

Capital Assets	Totals June 30, 2013	Additions	Reclassification* and Reductions	Totals June 30, 2014
<u>Non-depreciable capital assets</u>				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	<u>11,136,132</u>	<u>23,304,356</u>	<u>(2,089,821)</u>	<u>32,350,667</u>
Total non-depreciable assets	<u>14,337,347</u>	<u>23,304,356</u>	<u>(2,089,821)</u>	<u>35,551,882</u>
<u>Depreciable capital assets</u>				
Land improvements	5,139,115	-	-	5,139,115
Buildings	40,691,685	-	-	40,691,685
Building improvements	52,656,181	-	2,089,821	54,746,002
Equipment	3,968,848	302,581	-	4,271,429
Library materials	<u>1,682,476</u>	<u>383,466</u>	<u>(306,129)</u>	<u>1,759,813</u>
Total depreciable assets	<u>104,138,305</u>	<u>686,047</u>	<u>1,783,692</u>	<u>106,608,044</u>
Total capital assets	<u>118,475,652</u>	<u>23,990,403</u>	<u>(306,129)</u>	<u>142,159,926</u>
Less: accumulated depreciation				
Land improvements	2,089,503	256,911	-	2,346,414
Buildings	27,907,651	675,712	-	28,583,363
Building improvements	16,328,034	2,685,058	-	19,013,092
Equipment	3,956,117	63,157	-	4,019,274
Library materials	<u>-</u>	<u>306,129</u>	<u>(306,129)</u>	<u>-</u>
Total accumulated depreciation	<u>50,281,305</u>	<u>3,986,967</u>	<u>(306,129)</u>	<u>53,962,143</u>
Capital assets, net	<u>\$ 68,194,347</u>	<u>\$ 20,003,436</u>	<u>\$ -</u>	<u>\$ 88,197,783</u>

As of June 30, 2014, capital assets with a cost of approximately \$23,265,000 were fully depreciated and still in service.

* Construction costs incurred for improvements of Hemenway Hall and other facility improvements were included in construction in progress and subsequently transferred to capital asset additions upon completion during the year ended June 30, 2014.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

5. Capital assets - continued

Capital assets activity of the University for the year ended June 30, 2013 is as follows:

Capital Assets	<u>Totals June 30, 2012</u>	<u>Additions</u>	<u>Reclassification * and Reductions</u>	<u>Totals June 30, 2013</u>
<u>Non-depreciable capital assets</u>				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	<u>4,694,210</u>	<u>9,749,493</u>	<u>(3,307,571)</u>	<u>11,136,132</u>
Total non-depreciable assets	<u>7,895,425</u>	<u>9,749,493</u>	<u>(3,307,571)</u>	<u>14,337,347</u>
<u>Depreciable capital assets</u>				
Land improvements	5,139,115	-	-	5,139,115
Buildings	40,691,685	-	-	40,691,685
Building improvements	49,168,981	179,629	3,307,571	52,656,181
Equipment	3,968,848	-	-	3,968,848
Library materials	<u>1,324,713</u>	<u>372,155</u>	<u>(14,392)</u>	<u>1,682,476</u>
Total depreciable assets	<u>100,293,342</u>	<u>551,784</u>	<u>3,293,179</u>	<u>104,138,305</u>
Total capital assets	<u>108,188,767</u>	<u>10,301,277</u>	<u>(14,392)</u>	<u>118,475,652</u>
Less: accumulated depreciation				
Land improvements	1,832,591	256,912	-	2,089,503
Buildings	27,231,936	675,715	-	27,907,651
Building improvements	13,782,402	2,545,632	-	16,328,034
Equipment	3,879,072	77,045	-	3,956,117
Library materials	<u>-</u>	<u>14,392</u>	<u>(14,392)</u>	<u>-</u>
Total accumulated depreciation	<u>46,726,001</u>	<u>3,569,696</u>	<u>(14,392)</u>	<u>50,281,305</u>
Capital assets, net	<u>\$ 61,462,766</u>	<u>\$ 6,731,581</u>	<u>\$ -</u>	<u>\$ 68,194,347</u>

As of June 30, 2013, capital assets of the University with a cost of approximately \$17,541,000 were fully depreciated and still in service.

* Construction costs incurred for improvements of Hemenway Hall were included in construction in progress and subsequently transferred to capital asset additions upon completion during the year ended June 30, 2013.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

5. Capital assets - continued

During 2014, the University transferred \$1,756,055 to fund University equity contributions related to costs associated with the O'Connor hall renovation project (\$900,000), costs related to the College Planning Center (\$375,000), costs related to the Salem End Parking project (\$240,000), costs related to the 1812 House Renovation project (\$155,000), and costs related to the Maple Athletic Fields project (\$86,055), all of which were funded from University operations. Subsequent to June 30, 2014, the University transferred \$1,100,000 to fund the University equity contributions related to the costs associated with the Salem End Parking project (\$350,000) and the Maple Athletic Fields project (\$750,000).

During 2014, the MSCBA transferred \$440,712 of unused MSCBA project funds to the University for their use on future University projects. These funds are currently being held by the MSCBA on the University's behalf.

The net transfers to/from state agencies amounted to a net transfer to state agencies of \$1,315,343 in 2014.

During 2013, the University transferred \$1,047,400 to fund University equity contributions related to costs associated with the Planetarium relocation Project (\$500,000) pursuant to a management agreement with the MSCBA dated February 24, 2012, costs related to a planetarium projection system (\$277,400) and the initial deposits for properties to be purchased (\$270,000), all of which were funded from University operations.

During 2013, the MSCBA transferred \$268,700 of unused MSCBA project funds to the University for their use on future University projects. These funds are currently being held by the MSCBA on the University's behalf.

The net transfers to/from state agencies amounted to a net transfer to state agencies of \$778,700 in 2013.

Subsequent to June 30, 2014, the University was awarded a grant in the total amount of \$3,000,000 from the Massachusetts Life Sciences Center (MLSC) to be used toward the construction of the Hemenway Hall Science Center. The University expects to receive \$1,000,000 in grant proceeds in each of the next three fiscal years.

The University has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the University's financial statements for the years ended June 30, 2014 and 2013.

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30:

	<u>2014</u>	<u>2013</u>
Accounts payable - trade	\$ 324,911	\$ 659,126
Salaries and fringe benefits payable	<u>2,175,069</u>	<u>1,934,006</u>
	<u>\$ 2,499,980</u>	<u>\$ 2,593,132</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

7. Accrued workers' compensation

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth's self-insured workers' compensation program were conducted as of June 30, 2014 and 2013. Based upon the Commonwealth's analyses, \$555,960 of accrued workers' compensation has been recorded as a liability at June 30, 2014 and 2013, respectively.

8. Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30:

	<u>2014</u>	<u>2013</u>
Vacation time payable	\$ 2,525,346	\$ 2,484,104
Sick time payable	<u>2,044,328</u>	<u>1,985,382</u>
Total	<u>\$ 4,569,674</u>	<u>\$ 4,469,486</u>
Amount representing obligations due to employees funded through sources other than State appropriations	\$ 505,344	\$ 442,876
Amount representing obligations for employees funded through State appropriations	<u>4,064,330</u>	<u>4,026,610</u>
Total	<u>\$ 4,569,674</u>	<u>\$ 4,469,486</u>

It is anticipated that the obligation due to employees funded through State appropriations will be discharged through future State appropriations and the balance is expected to be liquidated through trust funds. Had these amounts not been reflected as obligations of the University, the University's unrestricted net position balances would be \$40,902,428 and \$36,004,739 at June 30, 2014 and 2013, respectively (See Note 1, Compensated absences).

9. Faculty payroll accrual

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Framingham State University pay all faculty over the twelve month period from September through August. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's State appropriation. The total amount due at June 30, 2014 of \$2,502,575 will be paid from the University's fiscal 2015 State appropriations. The total amount due at June 30, 2013 of \$2,531,166 was paid from the University's fiscal 2014 State appropriations.

10. Revenue received in advance

Revenue received in advance includes tuition received in advance from students for summer courses commencing after June 30, and grant funds received in advance.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

10. Revenue received in advance - continued

Revenue received in advance includes the following at June 30:

	<u>2014</u>	<u>2013</u>
Summer tuition	\$ 2,012,237	\$ 3,136,553
Grants	<u>748,673</u>	<u>81,344</u>
	<u>\$ 2,760,910</u>	<u>\$ 3,217,897</u>

11. Deferred inflows of resources

Deferred inflows of resources at June 30, 2014 and 2013 consist of the unamortized balances of a service concession arrangement with Sodexo Operations, LLC (Sodexo) to manage and operate the University's food services operation at the University's dining services locations as more fully described in the arrangement. The service concession arrangement commenced on July 1, 2010 for a term of five years through June 30, 2015. The arrangement provides the University with an option to extend the arrangement for one additional five year period upon the expiration of the original term and the mutual agreement of the parties. The arrangement may be terminated by either party at any time, without cause, by giving not less than one hundred twenty days prior written notice to the other party. Sodexo has agreed to provide \$2,500,000 to the University to be used for improvements to the University's dining services facilities, including the purchase of equipment. Any such improvements and equipment purchased shall remain the property of the University. Sodexo shall make payments to the University in two installments: \$1,650,000 by June 1, 2011 and \$850,000 by June 1, 2012. As of June 30, 2014, the University has received the full amount from Sodexo. In addition, Sodexo has agreed to pay the University specified percentages of 2% or 11% of specified sales revenues from the operation of the dining facilities. The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of the \$2,500,000 paid by Sodexo. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by Sodexo. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

In fiscal 2011, the University recorded the service concession arrangement which became effective on July 1, 2010 as a deferred inflow of resources at its present value of \$2,342,943, using a 5% discount rate determined by management of the University. The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amount of \$468,595 and \$468,583 has been recognized in nonoperating revenue (gifts) in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, the accompanying statements of net position include a deferred inflow of resources of \$468,589 and \$937,184, respectively, associated with this service concession agreement.

12. Interagency payables

The Massachusetts Development Finance Agency (MDFA) bond issuance - \$6,265,000

On October 16, 1998, the University signed a financing agreement to receive \$6,265,000 from a MDFA (formerly Massachusetts Health and Educational Authority (MHEFA)) bond issuance to be used for the construction of the University's athletic facility. This obligation will be repaid solely by the University. Construction of the athletic facility was completed in November, 2001. MDFA retained \$480,073 of the bond proceeds for a debt service retirement fund.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

The Massachusetts Development Finance Agency (MDFA) bond issuance - \$6,265,000 - continued

In addition, the Commonwealth appropriated an additional \$6,265,000 on behalf of the University for its share of the cost of the athletic facility.

The net proceeds of the borrowing deposited by MDFA on behalf of the University were as follows:

Debt issue	\$ 6,265,000
Amount held by MDFA for debt service retirement fund (included in restricted cash and cash equivalents-noncurrent)	(480,073)
Origination fees paid to MDFA	<u>(148,834)</u>
Net proceeds	<u>\$ 5,636,093</u>

The University is required to make annual funding payments of principal on this debt each June 15. These payments are made to a restricted cash account held in escrow in the University's name and recorded on the books of the University. These amounts, along with the remaining balance of the debt service retirement fund, are held in an escrow account by MDFA. The annual funding payments are held in this escrow account and made available to reborrow subject to specific conditions of the financing agreement or used to pay down the outstanding debt. Earnings on this total balance were used to offset costs related to the construction of the athletic facility and to defray debt service costs. These debt payments are to be repaid by the University solely from student fees.

Interest on the debt is paid every thirty-five days at a floating rate of interest subject to market conditions. The interest rate is determined by MDFA conducting a true auction of their debt issuance every thirty-five days, in which the University's obligation is pooled with other higher education institutions within the Commonwealth who have debt funded through MDFA. The most recent auctioned interest rates in effect at June 30, 2014 and 2013 were .292% and .318%, respectively. The University is also responsible to pay for program expenses at an annual rate of 1.132% (2014) and 1.117% (2013) of the outstanding principal balance, calculated and payable every thirty-five days when the rate is auctioned. The effective interest rate for 2014 and 2013 amounted to .55% and .41%, respectively. Under the terms of the debt financing agreement, interest can be converted to a fixed rate with the consent of the Bond Insurer.

Under the terms of the debt financing agreement, the University is able to again borrow funding payments made by the University through July 1, 2008 and during any subsequent period with the consent of the Bond Insurer. Any amounts reborrowed must be repaid within a ten year period or by the debt due date, whichever is earlier. However, any additional borrowings are subject to specific conditions of the financing agreement. At various times the University has utilized this reborrowing option to fund various projects on campus. The reborrowed amounts are reflected in the payment schedule below. The outstanding principal balance of this Interagency payable at June 30, 2014 and 2013 was \$4,447,682 and \$4,731,495, respectively.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

The Massachusetts Development Finance Agency (MDFA) bond issuance - \$6,265,000 - continued

Principal funding payments and estimated interest due to maturity, after recycling the debt funding payments, consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Estimated Interest (1)</u>	<u>Total</u>
2015	\$ 330,258	\$ 12,987	\$ 343,245
2016	349,232	12,987	362,219
2017	369,232	12,987	382,219
2018	390,664	12,987	403,651
2019	413,263	12,987	426,250
2020 - 2023	<u>1,907,412</u>	<u>51,948</u>	<u>1,959,360</u>
	3,760,061	116,883	3,876,944
Balance of restricted cash held for debt principal at June 30, 2014	<u>687,621</u>	-	<u>687,621</u>
Total	<u>\$ 4,447,682</u>	<u>\$ 116,883</u>	<u>\$ 4,564,565</u>

(1) The interest rate in effect at June 30, 2014 of .292% was used to calculate the estimated interest.

MDFA is responsible to determine, subject to certain criteria, if income earned on unexpended debt proceeds exceeds the interest cost to the bondholders. Any excess income earned is held by an appointed trustee in a rebate fund. Such amounts are held until every fifth year, whereby payment is to be made as indicated by the bond indenture agreement.

Massachusetts State College Building Authority (MSCBA) bond issuance - \$2,275,000

On March 1, 2003, the University signed a financing agreement in an original amount of \$2,275,000 from a MSCBA bond issuance. These funds, net of bond issue costs and debt service reserve funds, were used during fiscal year 2004 for improvements to athletic fields and a new parking lot. As of June 30, 2006, all remaining funds had been used for capital projects at the University. This obligation will be repaid solely by the University.

As of June 30, 2014 and 2013, the MSCBA held debt service funds in the amount of \$160,187, which are included in the accompanying statements of net position at June 30, 2014 and 2013 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2033. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using rates ranging from 2.00% to 5.25% over the term of the debt to maturity. For the years ended June 30, 2014 and 2013, the effective interest rate on this debt was 3.99% and 4.12%, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$1,870,000 and \$1,925,000, respectively.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$2,275,000 - continued

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 55,000	\$ 82,064	\$ 137,064
2016	60,000	79,040	139,040
2017	60,000	76,166	136,166
2018	65,000	75,171	140,171
2019	70,000	71,925	141,925
2020 - 2024	400,000	298,159	698,159
2025 - 2029	505,000	188,535	693,535
2030 - 2033	<u>655,000</u>	<u>35,490</u>	<u>690,490</u>
Total	<u>\$ 1,870,000</u>	<u>\$ 906,550</u>	<u>\$ 2,776,550</u>

Massachusetts State College Building Authority (MSCBA) bond issuance - \$7,835,000

During March, 2005, the University signed a financing agreement to receive \$7,835,000 from a MSCBA bond issuance. These funds, net of bond issue costs, reoffering premiums and debt service reserve funds were used in prior fiscal years for the renovation of the McCarthy Center (the Project) at the University. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2014 and 2013, the MSCBA held debt service reserve funds in the amount of \$212,968 each year. During fiscal 2012, \$382,454 of debt service reserve funds were transferred to the MSCBA as part of a bond refunding transaction. Other than the transfer of those funds to the MSCBA, the bond refunding by the MSCBA had no impact on the debt of the University. The University expects to benefit from interest savings on the bond refunding. The University expects to have a net interest credit in fiscal years 2025 and 2026 as a result of the interest savings. The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2014 and 2013 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.50% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2014 and 2013, the effective interest rate on this debt was 3.83% and 3.97%, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$5,395,000 and \$5,740,000, respectively.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$7,835,000 - continued

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 355,000	\$ 241,157	\$ 596,157
2016	370,000	226,954	596,954
2017	385,000	217,408	602,408
2018	400,000	143,218	543,218
2019	415,000	137,904	552,904
2020 - 2024	2,360,000	414,205	2,774,205
2025 - 2026	<u>1,110,000</u>	<u>(3,000)</u>	<u>1,107,000</u>
Total	<u>\$ 5,395,000</u>	<u>\$ 1,377,846</u>	<u>\$ 6,772,846</u>

Massachusetts State College Building Authority (MSCBA) bond issuance - \$1,545,000

During March, 2006, the University signed a financing agreement to receive \$1,545,000 from a MSCBA bond issuance. These funds were used for the renovation of the McCarthy Center (the Project) at the University. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2014 and 2013, the MSCBA held debt service reserve funds in the amount of \$108,631 each year, which are included in the accompanying statements of net position at June 30, 2014 and 2013 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.50% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The effective interest rate on this debt was 3.97% and 4.17% for the years ended June 30, 2014 and 2013, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$1,150,130 and \$1,217,565, respectively, including unamortized premium.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$1,545,000 - continued

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 70,000	\$ 49,385	\$ 119,385
2016	75,000	46,097	121,097
2017	75,000	42,492	117,492
2018	80,000	41,096	121,096
2019	85,000	37,051	122,051
2020 - 2024	475,000	119,990	594,990
2025 - 2026	<u>225,000</u>	<u>12,782</u>	<u>237,782</u>
	1,085,000	<u>\$ 348,893</u>	<u>\$ 1,433,893</u>
Plus: Unamortized premium	<u>65,130</u>		
	<u>\$ 1,150,130</u>		

Massachusetts State College Building Authority (MSCBA) bond issuance - \$870,000

During March, 2008, the University signed a financing agreement to receive \$870,000 from a MSCBA bond issuance. These funds were used for the renovation of the McCarthy Center (the Project) at the University. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2014 and 2013, the MSCBA held debt service reserve funds in the amount of \$89,285 each year, which are included in the accompanying statements of net position at June 30, 2013 and 2012 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2028. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The effective interest rate on this debt was 4.03% and 4.17% for the years ended June 30, 2014 and 2013, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$704,747 and \$741,535, respectively, including unamortized premium.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$870,000 - continued

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 35,000	\$ 32,950	\$ 67,950
2016	35,000	31,725	66,725
2017	40,000	30,500	70,500
2018	40,000	28,500	68,500
2019	40,000	26,500	66,500
2020 - 2024	245,000	99,250	344,250
2025 - 2028	<u>245,000</u>	<u>31,500</u>	<u>276,500</u>
	680,000	<u>\$ 280,925</u>	<u>\$ 960,925</u>
Plus: Unamortized premium	<u>24,747</u>		
	<u>\$ 704,747</u>		

Massachusetts State College Building Authority (MSCBA) bond issuance - \$5,899,009

During January, 2009, the University signed a financing agreement to receive \$5,899,009 from a MSCBA bond issuance. These funds have been used for a parking facility (the Project) at the University and for a new roof on O'Connor Hall. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2014 and 2013, the MSCBA held debt service reserve funds in the amount of \$392,056 each year, which are included in the accompanying statements of net position at June 30, 2014 and 2013 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2029. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.00% to 5.30% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The effective interest rate on this debt was 4.61% and 4.38% for the years ended June 30, 2014 and 2013, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$4,954,792 and \$5,187,479, respectively, including unamortized premium.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$5,899,009 - continued

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 237,579	\$ 227,678	\$ 465,257
2016	246,379	220,023	466,402
2017	256,938	209,816	466,754
2018	265,737	199,971	465,708
2019	278,056	188,796	466,852
2020 - 2024	1,583,863	744,754	2,328,617
2025 - 2029	<u>2,011,505</u>	<u>318,909</u>	<u>2,330,414</u>
	4,880,057	<u>\$ 2,109,947</u>	<u>\$ 6,990,004</u>
Plus: Unamortized premium	<u>74,735</u>		
	<u>\$ 4,954,792</u>		

Massachusetts State College Building Authority (MSCBA) bond issuance - \$685,000

During October, 2009, the MSCBA transferred land (the Project) acquired with bond proceeds and the associated debt to the University pursuant to a financing agreement. This obligation will be repaid solely by the University through University operations.

As of June 30, 2014 and 2013, the MSCBA held debt service reserve funds in the amount of \$45,526 each year, which are included in the accompanying statements of net position at June 30, 2014 and 2013 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2029. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.00% to 5.30% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The effective interest rate on this debt was 4.68% and 4.72% for the years ended June 30, 2014 and 2013, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$585,414 and \$611,446, respectively, including unamortized premium.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$685,000 - continued

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 25,000	\$ 28,688	\$ 53,688
2016	30,000	27,438	57,438
2017	30,000	25,938	55,938
2018	30,000	24,438	54,438
2019	30,000	22,938	52,938
2020 - 2024	185,000	89,438	274,438
2025 - 2029	<u>240,000</u>	<u>37,625</u>	<u>277,625</u>
	570,000	<u>\$ 256,503</u>	<u>\$ 826,503</u>
Plus: Unamortized premium	<u>15,414</u>		
	<u>\$ 585,414</u>		

Massachusetts Development Finance Agency (MDFA) bond issuance - \$177,705

During June, 2010, the University signed a financing agreement to receive \$177,705 from a MDFA New Clean Renewable Energy Bonds (CREBS) issuance. These funds are being used for the installation of solar photovoltaic panels on the Student Center and Athletic Center. This obligation will be repaid solely by the University through University operations.

As of June 30, 2014 and 2013, unexpended debt proceeds held by Century Bancorp, Inc. related to the debt issue and the Project are \$18,086 and \$18,009, respectively.

The amounts held by Century Bancorp, Inc. are included in the accompanying statements of net position at June 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Restricted cash and cash equivalents:		
Current	\$ -	\$ -
Noncurrent	<u>18,086</u>	<u>18,009</u>
	<u>\$ 18,086</u>	<u>\$ 18,009</u>

The University is required to make annual principal payments on the CREBS debt each May 1. The final principal payment is due on May 1, 2027. Interest on the debt is payable May 1 and November 1 each year.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts Development Finance Agency (MDFA) bond issuance - \$177,705 - continued

Interest payments are based on an amortization schedule using a 3.5% interest rate over the term of the debt to maturity. The effective interest rate on this debt was 3.50% for each of the years ended June 30, 2014 and 2013, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$135,892 and \$146,345, respectively.

The expected principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,453	\$ 4,822	\$ 15,275
2016	10,453	4,464	14,917
2017	10,453	4,080	14,533
2018	10,453	3,709	14,162
2019	10,453	3,339	13,792
2020 - 2024	52,266	11,141	63,407
2025 - 2027	<u>31,361</u>	<u>2,226</u>	<u>33,587</u>
	<u>\$ 135,892</u>	<u>\$ 33,781</u>	<u>\$ 169,673</u>

Massachusetts State College Building Authority (MSCBA) bond issuance - \$11,095,000

During December, 2010, the University signed a financing agreement to receive \$11,095,000 from a MSBCA bond issuance. These funds, net of bond issue costs and a debt service reserve fund, are being used for the renovation of Hemenway Science Center, including the relocation of the Planetarium to O'Connor Hall. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2014 and 2013, amounts held by MSCBA related to the debt issue and the Project are as follows:

	<u>2014</u>	<u>2013</u>
Unexpended debt proceeds	\$ 510,927	\$ 510,927
Debt service reserve fund	<u>965,564</u>	<u>965,564</u>
	<u>\$ 1,476,491</u>	<u>\$ 1,476,491</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$11,095,000 - continued

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Restricted cash and cash equivalents:		
Current	\$ -	\$ -
Noncurrent	<u>1,476,491</u>	<u>1,476,491</u>
	<u>\$ 1,476,491</u>	<u>\$ 1,476,491</u>

In accordance with an amended funding agreement among MSCBA, DCAM and the University, MSCBA transferred \$8,150,000 of project funds to DCAM in association with the upgrade of the University's science and academic facilities at the Hemenway Hall Science Center. The \$8,150,000 transfer represents the University's equity contribution for the project. As of June 30, 2014, DCAM has expended all funds in accordance with the terms of the agreement. As of June 30, 2013, DCAM held unexpended funds in the amount of \$8,150,000, all of which was included in noncurrent restricted cash and cash equivalents in the accompanying 2013 statement of net position.

The University is required to make annual principal payments on this debt each May 1, commencing on May 1, 2023. The final principal payment is due on May 1, 2035. Interest on the debt is payable on May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 5.788% to 6.540% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The MSCBA is receiving a Federal interest subsidy associated with this bond issue and is billing the University for interest net of the subsidy. As a result, the effective interest rate on this debt to the University was 3.64% for each of the years ended June 30, 2014 and 2013, respectively. The outstanding balance of this Interagency payable at June 30, 2014 and 2013 was \$11,095,000 each year.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$11,095,000 - continued

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 458,095	\$ 458,095
2016	-	458,095	458,095
2017	-	458,095	458,095
2018	-	458,095	458,095
2019	-	458,095	458,095
2020 - 2024	985,000	2,274,296	3,259,296
2025 - 2029	5,335,000	1,713,427	7,048,427
2030 - 2034	4,300,000	589,719	4,889,719
2035	<u>475,000</u>	<u>20,192</u>	<u>495,192</u>
	<u>\$ 11,095,000</u>	<u>\$ 6,888,109</u>	<u>\$17,983,109</u>

Clean Energy Investment Program

In July 2011, the University entered into a Memorandum of Agreement with the Commonwealth of Massachusetts' Division of Capital Asset Management (DCAM) to undertake a Comprehensive Energy Performance Contracting Project – Phase 1 (the project). Further, in March 2012, the University entered into a second Memorandum of Agreement with DCAM related to the same project but known as Phase 2. The second agreement provided for, among other items, an increase in the total project cost and a change in the performance term from twenty years to five years. The project's goal is to upgrade boilers, replace the chiller, lighting, EMS improvements, VAV boxes, and various energy conservation measures. The total project cost for Phase 1 is \$451,537, including capitalized interest of \$12,551. Phase 1 has been funded with Clean Energy Investment Program Funds (CEIP Funds) in the amount of \$373,537, which are to be repaid over 20 years at 4.5% interest and \$78,000 of University operating funds. Annual payments of principal and interest for Phase 1 in the amount of \$28,716 commenced on January 1, 2013. The Agreement for Phase 2 provides for a total cost of approximately \$6,650,000. The cost of the project is expected to be funded from Clean Energy Investment Program Funds (CEIP Funds) in the amount of \$3,711,166, capital grants of \$2,700,000, energy incentives from the contractor in the amount of \$45,600 and University operating funds of approximately \$193,000. CEIP Funds for Phase 2 are to be repaid over 15 years at 4.0% interest. Annual payments of principal and interest for Phase 2 in the amount of \$333,786 were to commence on January 1, 2013. The initial payment of principal and interest for Phase 2 was not made timely and was paid in October, 2013. Additionally, both agreements provide for the University to fund annual maintenance costs to be paid over the first five years of the project totaling approximately \$100,800 of which approximately \$6,900 relates to Phase 1 and \$93,900 relates to Phase 2. These maintenance costs are expected to be offset by energy savings as a result of the project. Maintenance costs incurred and paid by the University during fiscal 2014 and 2013 for Phase 1 amounted to \$2,710 and \$1,335, respectively. Maintenance costs incurred for Phase 2 as of June 30, 2014 and 2013 amounted to \$211,054 and \$0, respectively. The outstanding balance on this Interagency payable at June 30, 2014 and 2013 was \$3,682,262 and \$4,072,790, respectively.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Clean Energy Investment Program - continued

As of June 30, 2014, DCAM expended all debt proceeds.

As of June 30, 2013, DCAM held unexpended debt proceeds in the amount of \$322,251, all of which is included in noncurrent restricted cash and cash equivalents in the accompanying 2013 statement of net position.

During fiscal 2014, the University received \$392,897 of capital grants toward this project.

During fiscal 2013, the University received \$648,062 of capital grants toward this project.

Principal and interest payments due to maturity consist of the following:

For the year ended June 30,	<u>Phase 1</u>		<u>Phase 2</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 13,003	\$ 15,713	\$ 200,463	\$ 133,323	\$ 362,502
2016	13,588	15,128	208,482	125,304	362,502
2017	14,199	14,517	216,821	116,965	362,502
2018	14,838	13,878	225,494	108,292	362,502
2019	15,506	13,210	234,513	99,273	362,502
2020 - 2024	88,645	54,935	1,321,008	347,922	1,812,510
2025 - 2029	110,468	33,112	926,293	75,065	1,144,938
2030 - 2032	<u>78,941</u>	<u>7,206</u>	<u>-</u>	<u>-</u>	<u>86,147</u>
	<u>\$ 349,188</u>	<u>\$ 167,699</u>	<u>\$ 3,333,074</u>	<u>\$ 1,006,144</u>	<u>\$ 4,856,105</u>

Massachusetts State College Building Authority (MSCBA) bond issuances - 2012C bonds

During December, 2012, the University signed financing agreements to receive an aggregate amount of \$4,155,000 from a MSBCA bond issuance (in the separate amounts of \$1,890,000 and \$2,265,000). The \$1,890,000 bond, net of a bond issue premium, bond issue costs, and a debt service reserve fund, is being used for the renovation of the Hemenway Science Center, including the relocation of the Planetarium to O'Connor Hall. The \$2,265,000 bond, net of a bond issue premium, bond issue costs, and a debt service reserve fund, is being used for the expansion of the McCarthy Center. These obligations will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Projects.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuances - 2012C bonds - continued

The net proceeds of the borrowings deposited by MSCBA on behalf of the University were as follows:

	<u>2013</u>
Debt issue	\$ 4,155,000
Amount held by MSCBA for debt service reserve fund (included in restricted cash and cash equivalents - noncurrent)	(69,848)
Debt issuance premium	367,094
Debt issuance costs	(52,246)
Net proceeds	<u>\$ 4,400,000</u>

As of June 30, 2014 and 2013, amounts held by MSCBA related to the debt issues and the Projects are as follows:

	<u>2014</u>	<u>2013</u>
<u>\$1,890,000 bond</u>		
Unexpended debt proceeds	\$ -	\$ -
Debt service reserve fund	<u>31,772</u>	<u>31,772</u>
	<u>\$ 31,772</u>	<u>\$ 31,772</u>
<u>\$2,265,000 bond</u>		
Unexpended debt proceeds	\$ -	\$ 1,537,446
Debt service reserve fund	<u>38,076</u>	<u>38,076</u>
	<u>\$ 38,076</u>	<u>\$ 1,575,522</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuances - 2012C bonds - continued

The amounts held by MSCBA are included in the accompanying statement of net position at June 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
<u>\$1,890,000 bond</u>		
Restricted cash and cash equivalents:		
Current	\$ -	\$ -
Noncurrent	<u>31,772</u>	<u>31,772</u>
	<u>\$ 31,772</u>	<u>\$ 31,772</u>
 <u>\$2,265,000 bond</u>		
Restricted cash and cash equivalents:		
Current	\$ -	\$ -
Noncurrent	<u>38,076</u>	<u>1,575,522</u>
	<u>\$ 38,076</u>	<u>\$ 1,575,522</u>

In accordance with an amended funding agreement among MSCBA, DCAM and the University, MSCBA transferred \$2,000,000, during fiscal year 2013, of project funds to DCAM in association with the Hemenway Science Center project. The \$2,000,000 transfer, along with an additional \$250,000 from University operating funds represents the University's additional equity contribution for the project. In July, 2013, the University transferred the \$270,000 to DCAM. As of June 30, 2014 and 2013, DCAM held unexpended funds in the amount of \$270,000 and \$1,980,000, respectively, all of which is included in noncurrent restricted cash and cash equivalents in the accompanying 2014 and 2013 statements of net position.

The University is required to make annual principal payments on the debt each May 1, commencing on May 1, 2014. The final principal payments are due on May 1, 2032. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 2.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The effective interest rate on the debt was 4.28% and 1.88% for the years ended June 30, 2014 and 2013, respectively. The aggregate outstanding balance of these Interagency payables at June 30, 2014 and 2013 was \$4,393,666 (\$1,999,174 and \$2,394,492) and \$4,512,618 (\$2,052,802 and \$2,459,816), respectively.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuances - 2012C bonds - continued

Principal and interest payments due to maturity consist of the following:

For the year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 160,000	\$ 137,963	\$ 297,963
2016	165,000	129,963	294,963
2017	175,000	123,363	298,363
2018	185,000	116,363	301,363
2019	190,000	108,963	298,963
2020 - 2024	1,080,000	410,213	1,490,213
2025 - 2029	1,255,000	235,425	1,490,425
2030 - 2032	<u>845,000</u>	<u>51,000</u>	<u>896,000</u>
Total	4,055,000	<u>\$ 1,313,253</u>	<u>\$ 5,368,253</u>
Plus: Unamortized premium	<u>338,666</u>		
	<u>\$ 4,393,666</u>		

Massachusetts State College Building Authority (MSCBA) bond issuance - \$3,185,000

During January, 2014, the University signed a financing agreement to receive \$3,185,000. These bonds net of a bond issue premium, bond issue costs, and a debt service reserve fund, are being used for the renovation of the University's Maple Street athletic fields and the Salem End Road parking project. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

The net proceeds of the borrowing deposited by MSCBA on behalf of the University was as follows:

	<u>2014</u>
Debt issue	\$ 3,185,000
Amount held by MSCBA for debt service reserve fund (included in restricted cash and cash equivalents - noncurrent)	(194,330)
Debt issuance premium	375,863
Debt issuance costs	(<u>16,533</u>)
Net proceeds	<u>\$ 3,350,000</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$3,185,000 - continued

As of June 30, 2014, amounts held by MSCBA related to the debt issuance and the Project are as follows:

	<u>2014</u>
Unexpended debt proceeds	\$ 3,121,419
Debt service reserve fund	<u>194,330</u>
	<u>\$ 3,315,749</u>

The amounts held by MSCBA are included in the accompanying statement of net position at June 30, 2014 is as follows:

	<u>2014</u>
Restricted cash and cash equivalents:	
Current	\$ 991,141
Noncurrent	<u>2,324,608</u>
	<u>\$ 3,315,749</u>

The University is required to make annual principal payments on the debt each May 1, commencing on May 1, 2015. The final principal payment is due on May 1, 2033. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 2.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The effective interest rate on the date was 4.97% for the year ended June 30, 2014. The outstanding balance of this Interagency payable at June 30, 2014 is \$3,555,392.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

12. Interagency payables - continued

Massachusetts State College Building Authority (MSCBA) bond issuance - \$3,185,000 - continued

Principal and interest payments due to maturity consist of the following:

For the year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,000	\$ 202,701	\$ 262,701
2016	115,000	152,750	267,750
2017	120,000	149,300	269,300
2018	120,000	144,500	264,500
2019	130,000	138,500	268,500
2020 - 2024	745,000	589,250	1,334,250
2025 - 2029	950,000	383,750	1,333,750
2030 - 2033	<u>945,000</u>	<u>121,000</u>	<u>1,066,000</u>
Total	3,185,000	<u>\$ 1,881,751</u>	<u>\$ 5,066,751</u>
Plus: Unamortized premium	<u>370,392</u>		
	<u>\$ 3,555,392</u>		

Other Interagency activity

The oversight of various capital projects on campus is provided by MSCBA. To fund these projects, the University provides equity contributions, by advancing funds to the MSCBA, which are then held by MSCBA until used for the payment of the capital project costs. As of June 30, 2014, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$565,563, all of which is included in noncurrent restricted cash and cash equivalents in the accompanying 2014 statement of net position. As of June 30, 2013, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$1,266,812, of which \$834,199 is included in noncurrent restricted cash and cash equivalents and \$432,613 is included in current restricted cash and cash equivalents in the accompanying 2013 statement of net position.

As of June 30, 2014 and 2013, construction in progress on the Projects funded by the University's equity contributions and bond issuance funds amounted to approximately \$3,975,902 and \$1,776,887, respectively.

The accounts payable - construction on the accompanying statements of net position includes \$991,141 and \$432,613 to be paid from these funds. Accordingly, these amounts are included in current restricted cash and cash equivalents and accounts payable - construction in the accompanying 2014 and 2013 statements of net position.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

13. Long-term liabilities

Long-term liabilities activity for the year ended June 30, 2014 included the following:

	<u>Totals</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Totals June 30, 2014</u>	
				<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Interagency payables	\$ 39,981,273	\$ 3,560,863	\$ 1,572,159	\$ 41,969,977	\$ 1,589,046
Other liabilities:					
Compensated absences	4,469,486	2,973,568	2,873,380	4,569,674	2,932,979
Workers' compensation	555,960	106,220	106,220	555,960	114,499
Loan payable - federal					
financial assistance	<u>1,870,989</u>	<u>467,150</u>	<u>460,232</u>	<u>1,877,907</u>	<u>-</u>
Total other liabilities	<u>6,896,435</u>	<u>3,546,938</u>	<u>3,439,832</u>	<u>7,003,541</u>	<u>3,047,478</u>
Long term obligations	<u>\$ 46,877,708</u>	<u>\$ 7,107,801</u>	<u>\$ 5,011,991</u>	<u>\$ 48,973,518</u>	<u>\$ 4,636,524</u>

Long-term liabilities activity for the year ended June 30, 2013 included the following:

	<u>Totals</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Totals June 30, 2013</u>	
				<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Interagency payables	\$ 36,564,705	\$ 4,522,094	\$ 1,105,526	\$ 39,981,273	\$ 1,576,281
Other liabilities:					
Compensated absences	3,802,593	3,154,929	2,488,036	4,469,486	2,873,380
Workers' compensation	555,960	121,774	121,774	555,960	106,220
Loan payable - federal					
financial assistance	<u>1,823,363</u>	<u>373,481</u>	<u>325,855</u>	<u>1,870,989</u>	<u>-</u>
Total other liabilities	<u>6,181,916</u>	<u>3,650,184</u>	<u>2,935,665</u>	<u>6,896,435</u>	<u>2,979,600</u>
Long term obligations	<u>\$ 42,746,621</u>	<u>\$ 8,172,278</u>	<u>\$ 4,041,191</u>	<u>\$ 46,877,708</u>	<u>\$ 4,555,881</u>

[A] - The MDFA debt issuance totaling \$4,447,682 and \$4,731,495 at June 30, 2014 and 2013, respectively, is due in 2023. Required annual funding payments are due each June 15 and are held in escrow by the University's trustee and made available to reborrow subject to specific conditions of the financing agreement or used to pay down the outstanding debt (see Note 12). Funding payments held by the trustee at June 30, 2014 and 2013 are included in restricted cash and cash equivalents - current.

The MSCBA debt issuances, including unamortized premiums, totaling \$33,704,141 and \$31,030,643 at June 30, 2014 and 2013, respectively, are due in various years (see Note 12). Required annual principal payments are due each May 1.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

13. Long-term liabilities - continued

The MDFA debt issuance in the amount of \$135,892 and \$146,345 at June 30, 2014 and 2013, respectively, is due in 2027. Required annual principal payments are due each May 1.

The CEIP debt issuances in the total amount of \$3,682,262 and \$4,072,796 at June 30, 2014 and June 30, 2013, are due in 2027 and 2032 (see Note 12). Required annual principal payments are expected to be paid each January 1.

14. Operating lease commitments

Pursuant to a management and service agreement (the Agreement) between the University and MSCBA, the University is leasing a parcel of land from MSCBA for student parking and is obligated to make payments for the portion of a debt issuance attributable to the cost of the land. Lease payments are payable May 1 and November 1 each year and continue through May 1, 2019. Rent expense during 2014 and 2013, related to this lease amounted to \$240,792 and \$244,946, respectively. The University received \$123,073 and \$110,617 in parking fees from students during 2014 and 2013, respectively, to offset these lease payments.

According to the terms of the Agreement, the University is required to pay annually their portion of fees and expenses attributable to the management and administration of the bond issuance as well as applicable insurance and maintenance costs of the land. The University designated approximately \$63,000 as a pledge for payment under this financial arrangement. A portion of the fees earned by the University from student parking charges is designated for the sole purpose of being applied to the lease payments as they become due. In addition, annual State appropriations or other spending authorizations in the Commonwealth's annual operating budget available on behalf of the University are additionally pledged to secure payment.

Following is a schedule of estimated future lease payments:

For the year ending June 30,	
2015	\$ 236,361
2016	235,855
2017	234,852
2018	230,000
2019	<u>240,000</u>
	<u>\$ 1,177,068</u>

On July 2, 2012, the Commonwealth of Massachusetts, acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of the University, entered into a lease agreement with the Town of Framingham for new office space located in Framingham, Massachusetts. The leased space is approximately 6,600 square feet. The lease provides for a one time payment of \$200,000 for the initial three year term of the lease agreement. The \$200,000 payment was paid in October 2012 and the University occupied the building on August 30, 2012. The lease is for an initial term of three years and expires on the third anniversary of the Date of Occupancy. The lease may be extended for a term not to exceed five years in the aggregate pursuant to mutually agreed upon provisions by the landlord and the University.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

15. Net position

Unrestricted net position is comprised of net assets that are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, 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. Certain unrestricted net assets are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Net assets designated as unrestricted were \$30,581,170 and \$25,695,133 at June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, of the total designated unrestricted net assets, \$20,267,045 and \$15,066,611, respectively, were designated by a vote of the Board of Trustees during fiscal 2006 as a quasi-endowment and the remainder have been designated by action of management for the purposes described above. Undesignated unrestricted net assets were \$6,256,928 and \$6,282,996 at June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, the net investment in capital assets amount of \$52,034,054 and \$41,448,701, respectively, includes the effect of deferring the recognition of revenue from the installment payments associated with the dining facilities service concession arrangement. At June 30, 2014 and 2013, \$468,589 and \$937,184, respectively, of the balance of the deferred inflow of resources has been included, as a reduction, in the calculation of net investment in capital assets. This amount will be recognized as revenue and increase the net investment in capital assets net position over the remaining term of the arrangement.

16. Net position restricted by enabling legislation

Framingham State University Foundation, Inc.'s statements of net position as of June 30, 2014 and 2013 reflect a restricted net position of \$4,140,728 and \$4,115,649, respectively. Of these amounts, \$2,201,845 for each year, are restricted by enabling legislation for the State Matching Funds Program.

17. Operating expenses

The University's operating expenses for the years ended June 30, 2014 and 2013, on a natural classification basis, are comprised of the following:

	<u>2014</u>	<u>2013</u>
Salaries:		
Faculty	\$ 21,328,668	\$ 19,375,834
Exempt wages	4,631,835	4,554,849
Non-exempt wages	15,521,116	14,870,975
Benefits	8,775,757	8,192,769
Scholarships	443,336	460,180
Utilities	3,076,039	3,084,240
Supplies and other services	25,157,823	24,698,054
Depreciation	<u>3,986,967</u>	<u>3,569,696</u>
Total operating expenses	<u>\$ 82,921,541</u>	<u>\$ 78,806,597</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

17. Operating expenses - continued

The University's operating expenses for the years ended June 30, 2014 and 2013 presented in accordance with the Commonwealth's expenditure classification plan, are comprised of the following:

	<u>2014</u>	<u>2013</u>
Education and general:		
Regular employee compensation	\$ 31,729,521	\$ 30,576,275
Regular employee related expenses	448,127	420,623
Special employee/contract services	9,966,778	9,083,058
Pension and insurance	8,775,757	8,192,769
Administrative expenses	3,743,837	3,313,137
Facility operating supplies and related expenses	1,125,634	1,187,414
Energy and space rental	3,076,539	3,084,240
Consultant services	1,335,465	1,217,381
Operational services	434,424	481,524
Equipment purchases	692,391	711,507
Equipment lease and maintenance	445,493	593,297
Purchased client services and programs	408,980	323,300
Building improvements	320,187	1,136,893
Grants and subsidies	77,684	76,726
Benefit programs	155,336	172,860
Debt payment	341,412	43,061
Loans and special payments	703,553	444,991
Information technology	3,245,857	3,195,043
Depreciation	<u>3,986,967</u>	<u>3,569,696</u>
Total educational and general expenses	<u>\$ 71,013,942</u>	<u>\$ 67,823,795</u>

18. State controlled accounts

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled, and reported by the Commonwealth through non-University line items in the Commonwealth's budget. Under generally accepted accounting principles, such transactions must be recorded in the financial statements of the University. These transactions include payments by the Commonwealth for the employer's share of funding the Massachusetts State Employees' Retirement System (see Note 19) and for the employer's share of health care premiums. The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2014, 2013 and 2012 were as follows (see State appropriations under Note 21):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Commonwealth's retirement system contribution	\$ 2,135,685	\$ 1,729,893	\$ 2,096,294
Employer's share of health care premiums	4,266,495	4,039,379	4,782,887

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

19. Retirement plan

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System (SERS). SERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 32A of the General Laws of the Commonwealth of Massachusetts assigns the authority to establish and amend benefit provisions to the Massachusetts Legislature. The University is not required to contribute from its appropriation allocation or other University funds to SERS for employees compensated from State appropriations. For University employees covered by SERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate established by the State. The total amount of current funding by the State related to the University's employees during 2014, 2013 and 2012 was \$2,135,685, \$1,729,893, and \$2,096,294, respectively. Annual covered payroll was approximately 59%, 58% and 59% of annual total payroll for the University in 2014, 2013 and 2012, respectively.

The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

Substantially all full-time staff are covered by and must participate in SERS. Benefits fully vest after 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service, or after 10 years of service and having attained the age of 55.

Based on State statute, covered employees of the University contribute an amount ranging from 5% to 9% (depending on date of employment) of their eligible compensation to SERS. Employees hired after January 1, 1979, are required to contribute an additional 2% for the eligible compensation over \$30,000 per year. The State is required to make actuarially determined contributions that maintain the financial integrity of the retirement system.

20. Fringe benefits for current employees and post employment obligations - pension and non-pension

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

On-behalf payments of fringe benefits for benefited employees on the Commonwealth's payroll are recognized as revenues and expenses in the University's financial statements in each of the fiscal years presented.

Post Employment Other than Pensions

In addition to providing pension benefits, 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.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

20. Fringe benefits for current employees and post employment obligations - pension and non-pension - continued

Post Employment Other than Pensions - continued

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 is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

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. The 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 amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

The GIC administers a plan included within the State Retiree Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

The GIC does not issue separately audited financial statements. The financial position and results of operations of the plan are incorporated in the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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 is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2014 and 2013, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its 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, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2014, 2013 and 2012 were \$5,848,277, \$5,736,200 and \$6,579,604, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

21. 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) using the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

State appropriations

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

	<u>2014</u>	<u>2013</u>
Gross State appropriations	\$ 25,785,452	\$ 22,827,699
Add: Fringe benefits for benefited employees on the Commonwealth payroll	6,402,180	5,769,272
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(<u>1,511,564</u>)	(<u>1,012,581</u>)
Net State appropriations	<u>\$ 30,676,068</u>	<u>\$ 27,584,390</u>

\$30,676,068 and \$27,569,611 represent appropriations for maintenance and payroll during 2014 and 2013, respectively. There were no appropriations for capital improvements during 2014. \$14,779 represent appropriations for capital improvements during 2013. This amount is presented separately in the accompanying statements of revenues, expenses and changes in net position.

Day school tuition receipts and transfers have been recorded in an agency fund and had no material balance outstanding at June 30, 2014 and 2013.

22. Risk management, 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 University also participates in the Commonwealth's self-insured programs for employees workers' compensation, health care and other insurance. The Commonwealth assesses the costs of workers' compensation and unemployment insurance to the University based on the University's actual experience (see Note 7). The Commonwealth manages workers' compensation as part of its general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws. The Commonwealth assesses the costs of health care insurance to the University through a fringe benefit rate and the liability for such coverage is borne by the Commonwealth. The Commonwealth's Group Insurance Commission manages health insurance and other benefits for the Commonwealth's active and retired employees (see Note 20).

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

22. Risk management, commitments and contingencies - continued

Massachusetts General Laws limit the risk assumed by the Commonwealth for claims of personal injury or property damages to \$100,000 per occurrence, in most circumstances.

Pending or threatened lawsuits against governmental agencies arise in the ordinary course of operations. In the opinion of the University's administration, the ultimate resolution of any legal actions at this date will not result in a material loss to the University since most of any obligation is expected to be paid from State appropriated funds.

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

The University participates in the Massachusetts University Savings Prepaid Tuition Program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase, 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 this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the University.

The University has various capital projects that are currently in progress as of the date of the financial statements. These projects will be paid from funds appropriated and under the control of the DCAM. The projects consist of renovations and improvements and have been recorded in the respective accounts.

During 2014, an agreement was signed between the Department of Higher Education and an Employee Union in which certain employees would be given various increases in salary, retroactive to January 1, 2014. The increases were subject to approval by the Massachusetts Legislature and ratification by the Governor of the Commonwealth. The increases were approved by the Massachusetts Legislature and ratified by the Governor. The retroactive increases are expected to be paid from the University's fiscal 2015 State appropriation and from University funds. The amount expected to be paid is currently unknown as of October 14, 2014.

23. Pledge agreement

In fiscal 2012, the Independent Association of Framingham State Alumni (Alumni Association) made a conditional promise to give (pledge) a total amount of \$500,000 to either the Foundation and/or the University over a seven year period beginning July 1, 2011 through June 30, 2018. The condition to be met, amounts, and timing of annual gifts pursuant to the pledge agreement are more fully described in a Memorandum of Understanding (MOU) among the Alumni Association, Foundation and University. The gifts shall be restricted-use gifts with the restricted use specified by the Alumni Association in writing at the time each gift payment is made pursuant to the MOU. During the years ended June 30, 2014 and June 30, 2013, the University received \$77,901 and \$75,000, respectively, in accordance with this agreement.

SUPPLEMENTAL INFORMATION

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY

JUNE 30, 2014

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2014 are as follows:

Statements of Net Position

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Assets:		
Cash	\$ 1,907,623	\$ 233,431
Accounts receivable	<u>138,848</u>	<u>20,215</u>
Total assets	<u>2,046,471</u>	<u>253,646</u>
Liabilities:		
Accounts payable	1,128	-
Salaries and fringe benefits	40,014	-
Compensated absences	209,075	-
Deposits	<u>342,185</u>	<u>-</u>
Total liabilities	<u>592,402</u>	<u>-</u>
Net position	<u>\$ 1,454,069</u>	<u>\$ 253,646</u>

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY - CONTINUED

JUNE 30, 2014

The University's Residence Hall Fund and Residence Hall Damage Fund Statements of Revenues, Expenses and Changes in Net Position (presented in accordance with the Commonwealth of Massachusetts' Expenditure Classification plan) for the year ended June 30, 2014 are as follow:

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Revenue:		
Student tuition and fees	\$ 12,263,068	\$ 53,231
Interest	2,562	-
Commissions	52,919	-
Rentals	59,060	-
Auxiliary services fees and other revenue	<u>1,308,681</u>	<u>-</u>
Total revenues	<u>13,686,290</u>	<u>53,231</u>
Transfer in (external)	<u>43,945</u>	<u>-</u>
Expenses:		
Regular employee compensation	1,406,755	-
Regular employee related expenses	12,046	-
Special employee/contract services	908,471	-
Pension and insurance	371,074	-
Administrative expenses	269,029	-
Facility operating supplies and related expenses	146,914	-
Consultant services	10,352	-
Operational services	16,151	-
Equipment purchases	45,944	-
Equipment lease - purchase, lease, rent, repair	157,543	-
Purchased client service and programs	2,770	-
Building improvements	134,833	14,659
Benefit programs	288,000	-
Information technology	137,864	-
Loans and special payments	<u>7,085,194</u>	<u>-</u>
Total expenses	<u>10,992,940</u>	<u>14,659</u>
Transfer out (external):		
Electricity	1,359,766	-
Laundry and cleaning	50,000	-
Health services reimbursement	70,000	-
Meal plans	<u>86,400</u>	<u>-</u>
Total transfer out (external)	<u>1,566,166</u>	<u>-</u>
Transfers (to)/from state agencies	<u>(900,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (expenses)	271,129	38,572
Net position - beginning of year	<u>1,182,940</u>	<u>215,074</u>
Net position - end of year	<u>\$ 1,454,069</u>	<u>\$ 253,646</u>

The above Statements of Revenues, Expenses and Changes in Net Position do not include an allocation of the current year charge for workers' compensation as estimated by the Commonwealth's actuarial review. It is not practical to allocate any such amount to any specific trust fund.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Net Position by Category

	2005	2006	2007	2008	2009	2010	2011 ^a	2012	2013	2014
Net investment in capital assets	\$ 20,025,924	\$ 22,210,485	\$ 31,444,778	\$ 38,339,612	\$ 46,599,851	\$ 40,387,949	\$ 37,988,052	\$ 38,286,821	\$ 41,448,701	\$ 52,034,054
Restricted-expendable	4,333,750	6,909,336	7,435,619	3,892,404	3,525,890	4,423,654	4,225,527	3,926,198	3,805,464	3,905,599
Restricted-nonexpendable	1,718,326	1,719,826	1,719,826	1,719,826	1,719,826	1,770,386	1,833,122	1,867,226	1,925,721	1,970,057
Unrestricted	14,253,432	13,566,716	14,862,892	13,336,609	14,303,979	16,927,583	22,978,623	27,289,909	31,978,129	36,838,098
Total net position	\$ 40,331,432	\$ 44,406,363	\$ 55,463,115	\$ 57,288,451	\$ 66,149,546	\$ 63,509,572	\$ 67,025,324	\$ 71,370,154	\$ 79,158,015	\$ 94,747,808

Note: This schedule does not include the component unit, like the Framingham State University Foundation, Inc.

Sources and Uses of Funds

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Source of Revenue										
Student charges (net of scholarships)	\$ 18,907,573	\$ 19,850,720	\$ 21,791,862	\$ 22,351,999	\$ 23,583,384	\$ 24,576,837	\$ 26,007,531	\$ 31,147,293	\$ 33,455,320	\$ 33,641,345
Grants & contracts	2,056,074	1,935,445	2,257,102	2,671,878	3,069,398	4,050,321	4,967,041	5,344,608	6,706,251	7,480,144
Stimulus grants	-	-	-	-	-	3,482,805	830,709	424	-	-
Auxiliary enterprises	5,570,600	6,289,784	6,892,452	7,101,203	7,712,138	8,456,561	9,354,988	12,394,711	13,106,652	13,739,521
Other operating revenue	2,455,544	2,582,563	2,488,527	2,826,358	1,975,343	1,975,870	1,496,656	1,754,261	2,224,319	2,087,533
Total operating revenue	28,989,791	30,658,512	33,429,943	34,951,438	36,340,263	42,542,394	42,656,925	50,641,297	55,492,542	56,948,543
State support	22,359,417	25,942,306	31,456,514	31,484,538	28,427,909	22,390,029	27,509,637	30,014,259	27,584,390	30,676,068
Stimulus grants	-	-	-	-	-	1,649,328	782,970	2,586,100	-	-
Other non-operating revenue	573,357	1,144,886	6,631,703	3,061,205	6,344,482	287,029	2,392,533	25,513	4,296,226	12,202,066
Total non-operating revenue	22,932,774	27,087,192	38,088,217	34,545,743	34,772,391	24,326,386	30,685,140	32,625,872	31,880,616	42,878,134
Total revenue	\$ 51,922,565	\$ 57,745,704	\$ 71,518,160	\$ 69,497,181	\$ 71,112,654	\$ 66,868,780	\$ 73,342,065	\$ 83,267,169	\$ 87,373,158	\$ 99,826,677
Functional Expense										
Instruction	\$ 17,153,264	\$ 18,025,043	\$ 21,208,906	\$ 23,832,939	\$ 20,408,847	\$ 20,491,371	\$ 21,453,520	\$ 22,735,216	\$ 23,335,680	\$ 24,274,404
Research	-	4,779	10,499	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-	-
Academic support	5,887,937	6,331,702	7,590,955	7,991,707	7,169,261	7,255,860	8,899,811	9,011,501	9,225,586	9,241,661
Student services	5,598,933	5,901,625	6,640,774	7,659,953	6,551,763	6,607,464	7,495,741	8,543,923	8,976,245	9,656,265
Institutional support	6,405,558	6,455,947	7,375,721	9,099,526	8,456,589	8,526,921	8,971,673	10,311,003	11,271,453	11,635,665
Operations and maintenance of plant	8,044,691	9,028,151	9,632,258	10,657,583	9,743,916	8,578,382	8,457,584	10,122,757	11,272,855	12,063,644
Scholarships	324,622	310,202	270,689	128,973	182,264	156,617	230,346	185,858	172,280	155,336
Sub-total	43,415,005	46,057,449	52,729,802	59,370,681	52,512,640	51,616,615	55,508,675	60,910,258	64,254,099	67,026,975
Auxiliary enterprises	4,916,382	5,732,870	6,075,064	6,082,569	6,702,220	7,267,640	8,329,122	10,465,629	10,982,802	11,907,599
Total operating expense	48,331,387	51,790,319	58,804,866	65,453,250	59,214,860	58,884,255	63,837,797	71,375,887	75,236,901	78,934,574
Other non-operating expense	-	-	-	-	-	6,881,873	1,925,000	3,327,353	778,700	1,315,343
Total non-operating expense	-	-	-	-	-	6,881,873	1,925,000	3,327,353	778,700	1,315,343
Total expense	\$ 48,331,387	\$ 51,790,319	\$ 58,804,866	\$ 65,453,250	\$ 59,214,860	\$ 65,766,128	\$ 65,762,797	\$ 74,703,240	\$ 76,015,601	\$ 80,249,917

Note: This schedule does not include the component unit, like the Framingham State University Foundation, Inc.; total operating expense does not include depreciation.

^a Beginning in 2011, the University began reporting net position rather than net assets, in conformity with GASB Statement 60. Prior to that time, net investment in capital assets was labeled "invested in capital assets, net of related debt."

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Capital Asset Information

	Academic Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Land (acreage)	50.35	50.35	52.35	50.35	50.93	51.28	51.28	51.28	51.28	53.00
Buildings (square feet)										
100 Instruction /classroom	49,482	49,482	49,482	49,482	49,482	49,482	49,482	49,482	49,482	49,482
200 Labs	69,875	69,875	69,875	69,875	69,875	69,875	69,875	69,875	69,875	69,875
300 Administrative	79,268	82,657	83,857	83,857	83,857	83,857	83,857	83,857	83,857	83,857
400 Study facilities	54,565	54,565	54,565	54,565	54,565	54,565	54,565	54,565	54,565	54,565
52x Athletic	49,709	49,709	49,709	49,709	49,709	49,709	49,709	49,709	49,709	49,709
5xx Other Special Use	8,852	8,852	8,852	8,852	8,852	8,852	8,852	8,852	8,852	31,706
600 General Use	56,311	56,311	56,311	56,311	56,311	56,311	56,311	56,311	56,311	56,311
700 Support facilities	133,565	133,565	133,565	133,565	138,165	138,165	138,165	138,165	138,165	138,165
000 Unclassified	-	-	-	-	-	-	-	-	-	-
Unassigned/ unassignable	151,504	151,504	151,504	154,688	154,688	154,688	154,688	154,688	154,688	154,688
Total Square Feet	653,131	656,520	657,720	660,904	665,504	665,504	665,504	665,504	665,504	688,358
Residence Halls	341,900	341,900	341,900	341,900	341,900	341,900	341,900	469,645	539,045	539,045
Rental space	-	-	-	-	-	-	-	-	6,613	6,613
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Dormitories - # of residents	1,518	1,553	1,552	1,534	1,583	1,552	1,966	1,946	1,946	1,940

Note: Classification of facilities space is consistent with Facilities Inventory & Classification Code guide. This was implemented in 2005; comparable statistics prior to this time are not available.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Tuition and Mandatory Fees

	Academic Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Resident Undergraduate</i>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	3,684	4,029	4,479	4,829	5,171	5,570	6,095	6,610	7,110	7,110
<i>Total</i>	\$ 4,654	\$ 4,999	\$ 5,449	\$ 5,799	\$ 6,141	\$ 6,540	\$ 7,065	\$ 7,580	\$ 8,080	\$ 8,080
<i>Non Resident Undergraduate</i>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	3,684	4,029	4,479	4,829	5,171	5,570	6,095	6,610	7,110	7,110
<i>Total</i>	\$ 10,734	\$ 11,079	\$ 11,529	\$ 11,879	\$ 12,221	\$ 12,620	\$ 13,145	\$ 13,660	\$ 14,160	\$ 14,160
<i>Resident Graduate</i>										
Tuition	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675
Mandatory Fees	3,684	4,029	4,479	4,829	5,171	5,570	6,095	6,610	7,110	7,110
<i>Total</i>	\$ 5,359	\$ 5,704	\$ 6,154	\$ 6,504	\$ 6,846	\$ 7,245	\$ 7,770	\$ 8,285	\$ 8,785	\$ 8,785

Note: Tuition and fee amounts are for a full-time student per academic year. These amounts exclude residence hall room and board.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Admissions-Freshman (1)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Applications	4,580	4,813	5,072	4,837	4,620	4,108	4,542	6,254	6,985	6,902
Applications accepted	2,854	3,046	3,084	2,814	2,999	2,744	3,016	3,668	3,733	3,903
Accepted as a percentage of applications	62%	63%	61%	58%	65%	67%	66%	59%	53%	57%
Students enrolled (2)	973	987	1,051	1,062	991	1,147	1,237	1,442	1,407	1,341
Enrolled as a percentage of accepted	34%	32%	34%	38%	33%	42%	41%	39%	38%	34%

(1) Includes all undergraduate admissions including transfer students. Information for Freshman admission only is available for 2003 and 2004.

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

Enrollment	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Full-time equivalent	4,207	4,149	4,169	4,189	4,237	4,213	4,288	4,710	4,909	4,942
Unduplicated credit headcount	6,015	5,874	5,861	5,903	6,086	5,989	5,953	6,415	6,506	6,429
Percent undergraduate (3)	64%	64%	65%	65%	65%	64%	65%	67%	69%	71%
Percent graduate	36%	36%	35%	35%	35%	36%	35%	33%	31%	29%

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

Student Population Demographics (4)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Percentage of men	31%	31%	30%	30%	30%	28%	30%	31%	32%	32%
Percentage of women	69%	69%	70%	70%	70%	72%	70%	69%	68%	68%
Percentage of African-American	3%	3%	3%	3%	4%	4%	5%	6%	6%	6%
Percentage of White	88%	88%	89%	89%	88%	89%	86%	84%	82%	83%
Percentage of Latino	5%	5%	4%	4%	4%	4%	5%	6%	8%	8%
Percentage of Other (5)	4%	4%	4%	4%	4%	3%	4%	4%	4%	3%
< 20	17%	18%	19%	19%	18%	19%	20%	22%	21%	21%
20 to 30	57%	56%	56%	53%	51%	51%	51%	50%	53%	54%
31 to 40	10%	10%	10%	12%	13%	12%	13%	12%	12%	11%
41 & Over	16%	16%	15%	16%	18%	18%	16%	16%	14%	14%

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

(5) Other includes Asian or Pacific Islander, American Indian, Alaskan Native, and Cape Verdean.

Degrees Granted	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Bachelor's	658	674	713	631	662	722	728	703	735	795
Master's	546	496	459	464	410	545	430	546	426	538

See independent auditor's report on supplemental information on page 1.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Employment

	2003	2005	2006	2007	2008	2009	2010	2011	2012	2013
Faculty - Primary Instruction ^{/1}	233	234	233	250	264	250	257	261	312	318
Part-time	72	67	65	81	99	81	96	97	136	136
Full-time	161	167	168	169	165	169	161	164	176	182
Staff and Administrators	234	257	266	287	296	287	276	293	310	315
Part-time	3	6	7	5	6	5	7	7	9	9
Full-time	231	251	259	282	290	282	269	286	301	306
Total Employees	467	491	499	537	560	537	533	554	622	633
Part-time	75	73	72	86	105	86	103	104	145	145
Full-time	392	418	427	451	455	451	430	450	477	488

/1 Includes Instruction, Research & Public Service

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

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

To the Board of Trustees
Framingham State University
Framingham, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Framingham State University (the University) (a department of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2014, 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 14, 2014. Our report includes a reference to other auditors who audited the financial statements of Framingham State University Foundation, Inc., as described in our report on Framingham State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

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 "Cohn Reznick LLP".

Boston, Massachusetts
October 14, 2014

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

There were no findings noted in the audit report on the financial statements of Framingham State University for the year ended June 30, 2014, made 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.

FRAMINGHAM STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

The University has completed corrective action on the finding noted below from the audit report on the financial statement of Framingham State University for the year ended June 30, 2013.

Finding 2013-01YB:

The University failed to maintain an effective system of internal control over procurement credit cards to ensure that all purchases made with University procurement credit cards comply with the Commonwealth of Massachusetts' Procurement Card Program Policies and Procedures and the University's policies and procedures in this area.

Status:

The University revised its procurement card (p-card) program policies and procedures to incorporate the recommendations from the report of an outside accounting firm and to more vigorously reflect the guidance from the Commonwealth's Procurement Card Program as well as to incorporate input from the University's Board of Trustees. Changes to the University's policies and procedures specifically address, among other items, standards for an employee's eligibility to receive a p-card, revised credit/transaction limits for each user, new processes for review and approval of p-card activity by department supervisors and the Business Office, new training requirements for p-card users and their supervisors and Business Office staff, new guidance on specific prohibited purchases with a p-card, and new guidance on required supporting documentation for p-card purchases.

New p-cards are issued on a very limited basis and only after the proposed user satisfactorily demonstrates that a need exists where planned purchases cannot be cost-effectively made through standard purchasing practices. The proposed user and their supervisor are also required to complete general purchasing and p-card training before the p-card is issued.