

**Framingham State University
(a department of the Commonwealth
of Massachusetts)**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Reports**

June 30, 2016 and 2015

Framingham State University
(a department of the Commonwealth of Massachusetts)

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Independent Auditor's Report

To the Board of Trustees
Framingham State University

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 years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Framingham State University and its discretely presented component unit are intended to present the respective financial position, the changes in financial position 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, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the years 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the pension benefit schedules on pages 6 to 26 and 82 and 83, respectively, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2016 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 85 to 87, and the statistical section on pages 88 to 93 are presented for purposes of additional analysis and are not a required part of the 2016 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 2016 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 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 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 2016 financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the 2016 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 21, 2016, on our consideration of Framingham State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts
October 21, 2016



Framingham State University
FY2016 Financial Statements
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2016, 2015, and 2014
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, 2016 (Fiscal Year 2016), June 30, 2015 (Fiscal Year 2015) and June 30, 2014 (Fiscal Year 2014). 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.

Framingham State is committed to institutional excellence in diversity and inclusion through collaborative and sustainable partnerships with faculty, staff, students and the greater community. The University encourages a supportive, diverse and collaborative environment in which students, faculty and staff learn from each other through informed and open communication, institutional practices and community engagement.

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 30 undergraduate majors and 28 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").

While Framingham State's historical focus was teacher education (it was founded in 1839 as the first public normal school in America), 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. During Fall 2015, Framingham State opened Hemenway Laboratories, a 68,000-square-foot addition to Hemenway Hall featuring 16 state-of-the-art labs for biology, chemistry and food science.

Framingham State's more than 40,000 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.

FY2016 FINANCIAL STATEMENTS HIGHLIGHTS

- The University's financial position remains strong as of June 30, 2016, with total assets of \$205.7 million (an increase of \$14.9 million, or +7.8%, from FY2015), liabilities of \$69.0 million (an increase of \$4.4 million, or 6.8%, from FY2015) and \$0.4 million in deferred inflows of resources and \$5.5 million in deferred outflows of resources (pensions attribution). **Net Position (in prior years termed "Net Assets"), which represent the residual interest in the University's assets after liabilities and deferred inflows/outflows, increased \$15.8 million, or +12.6%, from fiscal year 2015 to \$141.8 million as of June 30, 2016.**
 - **Restricted net position and net investment in capital assets accounts total \$101.3 million (an increase of \$12.6 million, or +14.3%, from FY2015)** and include: \$96.7 million net investment in capital assets (an increase of \$12.5M; predominantly due to general obligation bond funding for the Science Project), \$3.7 million in scholarship reserves, and \$0.9 million in other restricted accounts.
 - **Aggregate accumulated unrestricted net position of \$40.5 million (an increase of \$3.2 million, or 8.5%, from FY2015)** 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 or repair, new programs, and long-term investment.
- **The Framingham State University Foundation had a net position of \$8.8 million (a decrease of \$0.3 million, or -3.8%, from FY2015) as of the close of Fiscal Year 2016.**
- **Gross revenues from tuition and fees, state appropriations and capital support, federal grants, private fundraising, investment income, and other sources totaled \$110.1 million (a decrease of \$16.6 million, or -13.1%, from FY2015).**
 - State capital grants and capital appropriations decreased \$14.3M (-40.9%)
 - Transfers to state agencies (an expense) increased \$8.7M (+421.1%)
 - State appropriations for operations (including fringe benefits support and less remitted tuition) net revenue increased \$2.8 million (+8.6%)
 - State, Federal, and Private Grants and Contracts increased \$2.3 million (+22.8%)
 - Tuition and fees (less scholarship allowances) net revenue increased \$0.6 million (+1.9%) - this increase reflects changes in rates, enrollments, and retained tuition policies
 - Auxiliary Enterprises (residence halls and dining) revenue increased \$0.5 million (+3.5%)
 - Gifts and Investment income of \$2.1million remained essentially level from FY2015.
- **Expenses incurred during Fiscal Year 2016 totaled \$94.2 million (an increase of \$5.9 million, or +6.7%, from FY2015).**
 - Wages expenditures increased \$2.1 million (+4.9%)
 - Benefits expenditures increased \$1.4 million (+14.9%)
 - Utilities expenditures increased \$0.4 million (+13.2%)
 - Supplies and Services expenditures increased \$1.5 million (+5.4%)
 - Depreciation expenditures increased \$0.5 million (+12.7%)
 - Scholarship expenditures (excluding allowances) remained essentially level.

-
- ◆ 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

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, 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

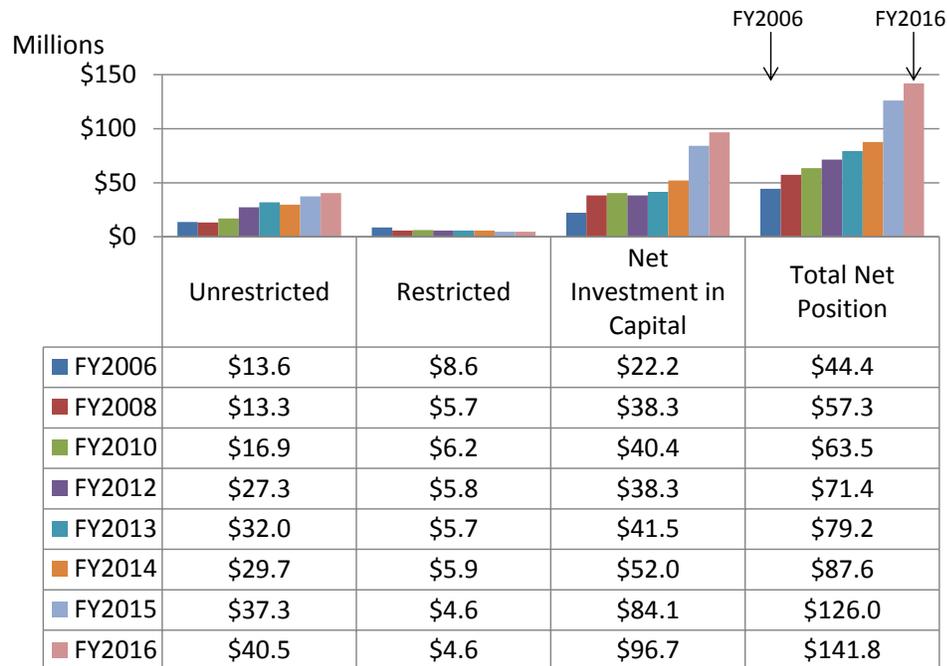
Statement of Net Position

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 outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. A condensed comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016, June 30, 2015 and June 30, 2014 is as follows:

University Accounts	<i>(In Thousands)</i>		
	2016	2015	2014
Current assets	\$ 36,193	\$ 34,219	\$ 31,954
Capital assets	134,207	121,647	88,198
Other noncurrent assets	35,316	34,963	33,525
Total assets	205,716	190,829	153,677
Total deferred outflows of resources	5,463	1,031	-
Current liabilities	14,424	14,889	14,123
Noncurrent liabilities	54,557	49,705	51,450
Total liabilities	68,981	64,594	65,573
Total deferred inflows of resources	375	1,273	469
Net position			
Net investment in capital assets	96,687	84,138	52,034
Restricted	4,607	4,513	5,875
Unrestricted	40,529	37,342	29,726
Total net position	\$ 141,823	\$ 125,993	\$ 87,635

A review of the University's net position as of June 30, 2016 shows that the University enhanced its strong financial position during Fiscal Year 2016. The most significant changes include increases in Capital Assets and Net Investment in Capital Assets resulting from continuing state capital grant funding for the FSU Science Project as well as changes in Total Deferred Outflow of Resources that relates to the State Comptroller's assessment of future pension liabilities that are assigned to campus' financial statements (this represents a change in accounting practice as of FY2015).

Trend Analysis: Net Position



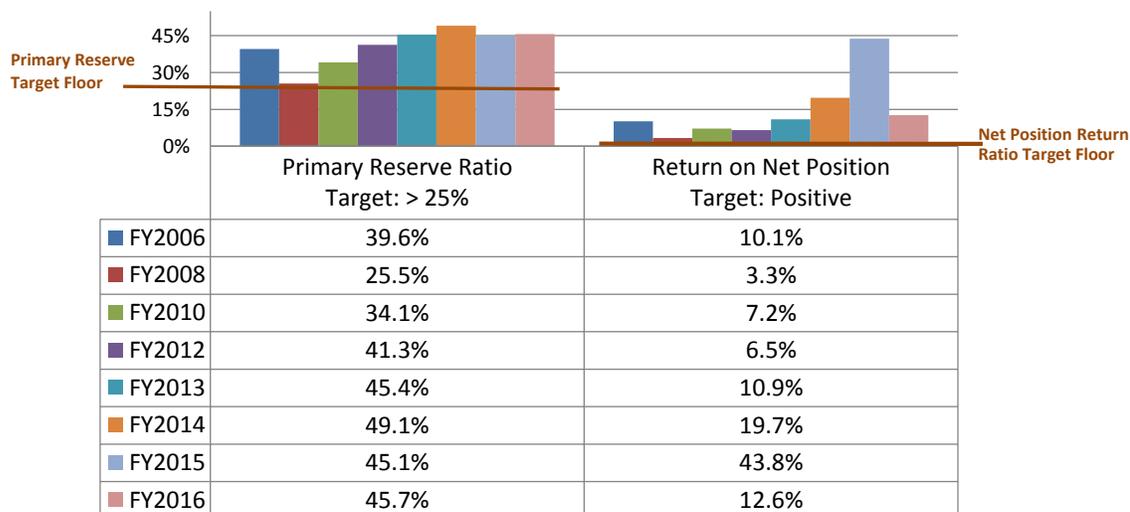
Note: Net Position has been adjusted beginning FY2015 to reflect allocation of a pro-rated portion of the Commonwealth of Massachusetts' unfunded pension liability to Framingham State University per required implementation of GASB 68.

Net Position has increased \$15.8M, or +12.6%, since FY2015 and has increased \$97.4M, or +219.4%, since FY2006. The largest growth since FY2006 has been in Net Investment in Capital (+336% increase) and then in Unrestricted Assets (+198% increase).

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 FY2016 was 45.7%.**

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 FY2016 was 12.6%.**

Trend Analysis: Primary Reserve and Return on Net Position 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, 2016, June 30, 2015 and June 30, 2014 is as follows:

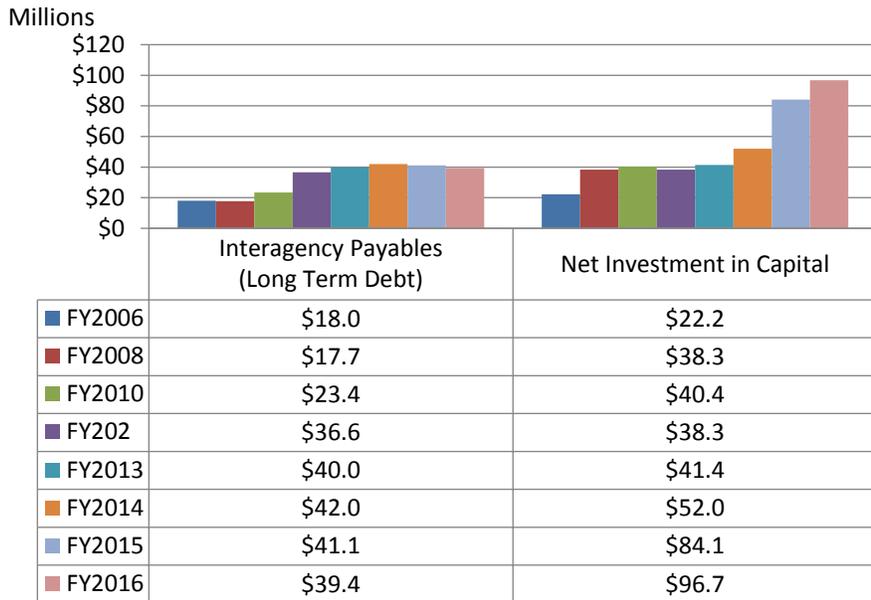
Foundation Accounts

	<i>(In Thousands)</i>		
	2016	2015	2014
Current assets	\$ 7,485	\$ 7,650	\$ 7,709
Capital assets	-	-	-
Other noncurrent assets	1,639	1,594	1,488
Total assets	\$ 9,124	\$ 9,244	\$ 9,197
Current liabilities	\$ 305	\$ 77	\$ 104
Noncurrent liabilities	-	-	-
Total liabilities	\$ 305	\$ 77	\$ 104
Net position			
Net investment in capital assets	\$ -	\$ -	\$ -
Restricted	3,636	4,002	4,141
Unrestricted	5,183	5,165	4,952
Total net position	\$ 8,819	\$ 9,167	\$ 9,093

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, 2016, the University has \$196.5 million invested in capital assets, \$62.3 million in accumulated depreciation, and \$134.2 million in net capital assets (an increase of \$12.6 million over FY2015). **The University has \$39.4 million in aggregate interagency payables (predominantly long-term capital debt) as of the close of FY2016 (a decrease of \$1.7 million over FY2015). FY2016 Net Investment in Capital Assets was \$96.7 million.**

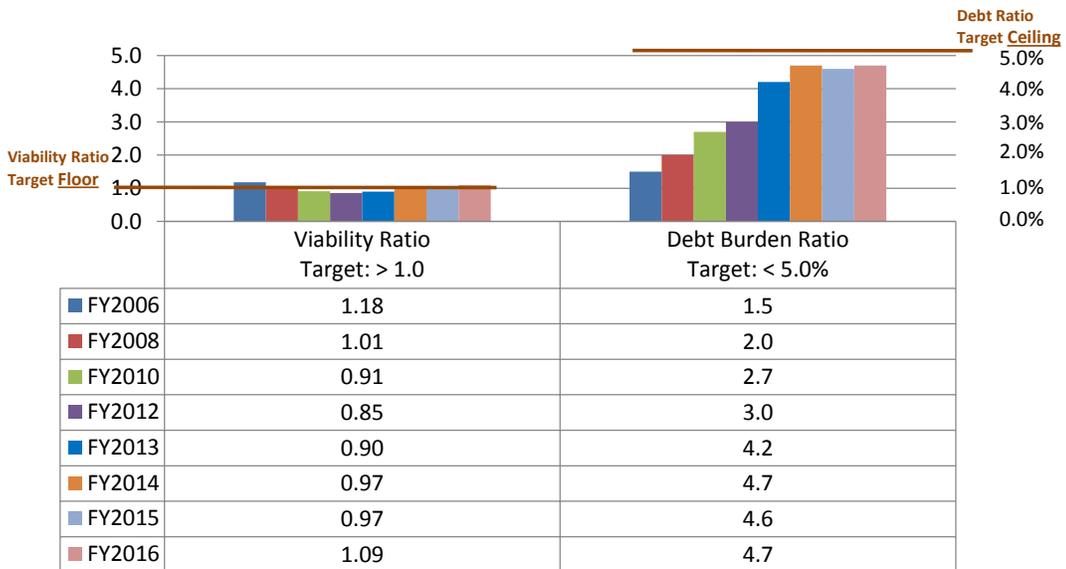
Trend Analysis: Interagency Payables (Long Term Debt); Net Capital Investment



Note: The dramatic increase in Net Investment in Capital beginning in FY2015 is predominantly due to state general obligation bond funding (with associated debt service the responsibility of the Commonwealth and therefore does not impact FSU Long Term Debt) for the FSU Science Project.

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 FY2016, the University's Viability Ratio is 1.09** 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 the end of FY2016, is 4.7%** signifying some, but limited, 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 debt burden cap is 10.0%.

Trend Analysis: Viability and Debt Burden Ratios



The FY2016 Financial Statement footnotes – Note 12 Interagency Payables – provides interest rate details as well as debt service schedules on FSU-accounted issued bonds. **Weighted average interest rate costs for outstanding bonds as of June 30, 2016 was 3.57%.**

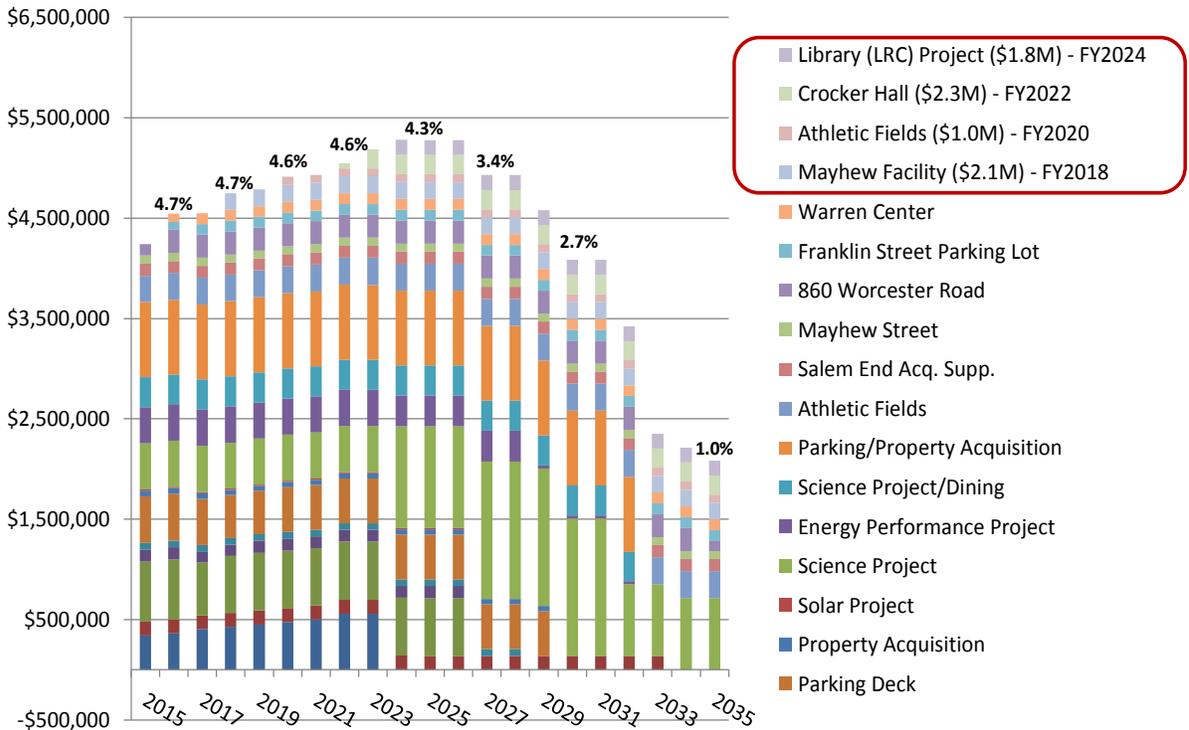
FSU Outstanding Debt							2016	
<u>Year</u>	<u>Term</u>	<u>Rate</u>	<u>Fixed/Var</u>	<u>Agency</u>	<u>Project</u>	<u>Orig Debt Issuance</u>	<u>Principal Outstanding</u>	
1998	25	0.81%	Variable	Mass. Dev. {HEFA}	Athletic Center	\$6,265,000	\$3,714,063	
2003	30	4.10%	Fixed	MSCBA	Athletic Fields/Parking	\$2,275,000	\$1,755,000	
2005	21	1.75%	Fixed	MSCBA	McCarthy Center	\$7,835,000	\$4,670,000	
2006	20	4.32%	Fixed	MSCBA	McCarthy Center	\$1,545,000	\$1,000,259	
2008	20	4.27%	Fixed	MSCBA	McCarthy Center	\$870,000	\$631,169	
2009	20	4.49%	Fixed	MSCBA	Parking	\$5,899,009	\$4,466,542	
2009	20	4.78%	Fixed	MSCBA	Property Acquisition	\$685,000	\$528,362	
2010	17	3.50%	Fixed	Mass. Dev.	Solar Project	\$177,705	\$114,986	
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	\$322,597	
2012	15	4.00%	Fixed	State G.O.	Clean Energy Program - II	\$3,711,166	\$2,924,129	
2012	20	3.33%	Fixed	MSCBA	Science Project/Dining	\$4,155,000	\$4,030,762	
2012	20	3.64%	Fixed	MSCBA	Salem End Road Parking	\$10,380,000	\$9,860,000	
2014	20	4.90%	Fixed	MSCBA	Athletic Fields	\$3,185,000	\$3,358,509	
2014	20	4.97%	Fixed	MSCBA	Salem End Supplement	\$1,598,217	\$1,558,217	
2014	20	4.91%	Fixed	MSCBA	Athletic Fields	\$680,000	\$787,148	
2015	20	3.90%	Fixed	MSCBA	Warren Center	\$1,685,000	\$1,618,660	
2015	20	3.90%	Fixed	MSCBA	860 Worcester Road	\$1,685,000	\$1,618,660	
2015	20	3.90%	Fixed	MSCBA	Franklin Street Parking Lot	\$3,590,000	\$3,447,400	
Total		3.57%	Weighted Average			\$67,689,634	\$57,501,463	
While the highlighted projects are included in this analysis as FSU pays debt service, these projects are currently included on the MSCBA financial statements until time of property transfer.								

Current scheduled debt service burden, while anticipated to significantly increase in dollar terms over the next decade (by \$0.9M between FY2016 and FY2025), is projected to stay below the Board-designated 5.0% ceiling rate even with additional anticipated issuances – consistent with the FSU Capital Spending Plan – as noted below.

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%.**

~ Future proposed scheduled financing includes \$2.1M FY2018; \$1.0M in FY2020; \$2.3M in FY2022; \$1.8M in FY2024

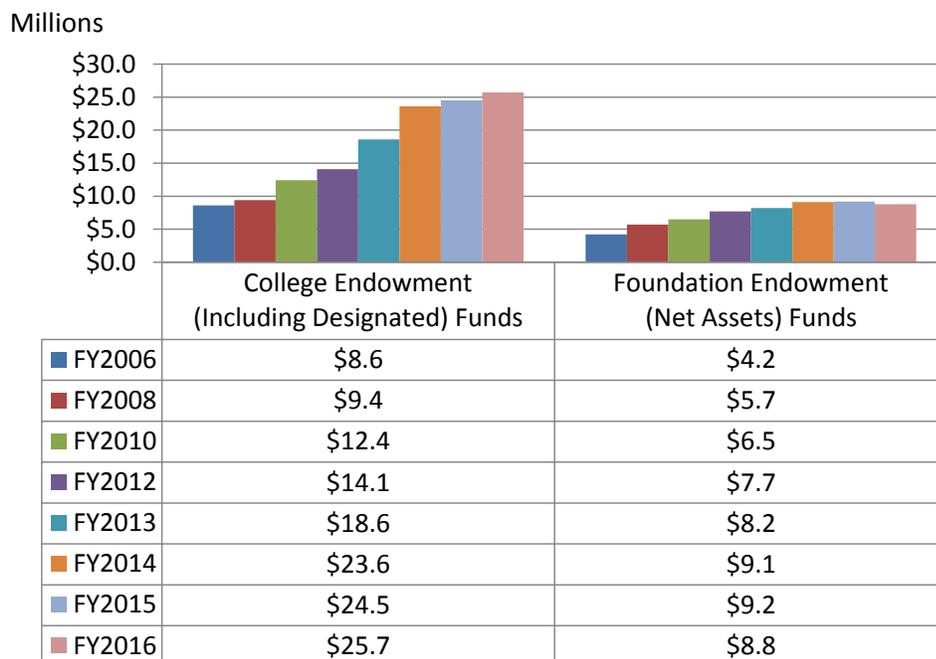


Endowment Funds

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 \$1.7 million, at June 30, 2016, 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 FY2016 value of \$22.0 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 \$25.7M (representing an increase of \$1.2M or +4.7% from FY2016).** 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, 2016, the Foundation had a net position of \$8.8 million (representing a decrease of \$0.3M or - 3.8% from FY2015).**

Trend Analysis: Endowment (Including Designated) Funds



Statement of Revenues, Expenses and Changes in Net Position

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, 2016, June 30, 2015 and June 30, 2014 is as follows:

<i>(In Thousands)</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues			
Tuition and fees	\$ 42,531	\$ 41,556	\$ 41,218
Less scholarships	(8,110)	(7,770)	(7,577)
Sales and services	827	694	693
Auxiliary enterprises	14,707	14,209	13,740
Other revenues	<u>13,495</u>	<u>10,929</u>	<u>8,875</u>
Total operating revenues	<u>63,450</u>	<u>59,618</u>	<u>56,949</u>
Operating expenses			
Instruction	(31,337)	(29,050)	(27,347)
Research	(1,631)	(1,509)	(90)
Academic support	(11,852)	(9,998)	(9,975)
Student services	(11,912)	(11,158)	(10,513)
Institutional support	(10,815)	(9,010)	(7,859)
Operation/maintenance of plant	(11,440)	(11,167)	(11,088)
Depreciation	(4,735)	(4,202)	(3,987)
Scholarships	(105)	(141)	(155)
Auxiliary enterprises	<u>(10,396)</u>	<u>(12,100)</u>	<u>(11,908)</u>
Total operating expenses	<u>(94,223)</u>	<u>(88,335)</u>	<u>(82,922)</u>
Operating loss	<u>(30,773)</u>	<u>(28,717)</u>	<u>(25,973)</u>
Non-operating revenues (expenses)			
State appropriations (net)	35,478	32,664	30,676
Gifts	329	839	810
Net investment income	1,729	1,231	3,637
State capital appropriations/grants	20,696	34,999	8,400
Interest/issuance costs on debt	(829)	(586)	(645)
Transfers (to) from state agencies	<u>(10,799)</u>	<u>(2,072)</u>	<u>(1,315)</u>
Net non-operating revenues	<u>46,604</u>	<u>67,075</u>	<u>41,563</u>
Restatement	<u>-</u>	<u>-</u>	<u>(7,113)</u>
Increase in net position	<u>\$ 15,831</u>	<u>\$ 38,358</u>	<u>\$ 8,477</u>

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, 2016, June 30, 2015 and June 30, 2014:

Schedule of Loss from Operations

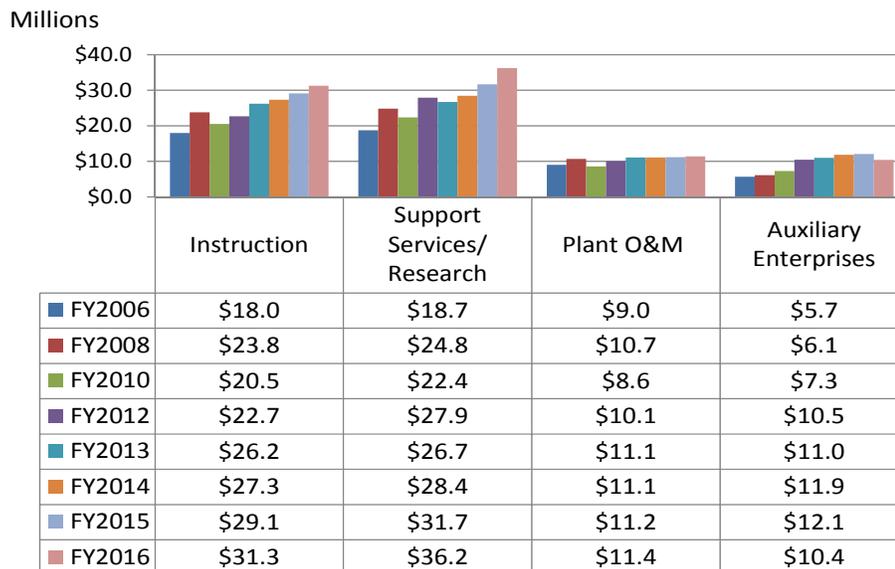
	FY2016	(In Thousands) FY2015	FY2014
Tuition and fees revenue, net	\$ 34,421	\$ 33,786	\$ 33,641
Other operating revenue	29,029	25,832	23,308
Total operating revenue	<u>63,450</u>	<u>59,618</u>	<u>56,949</u>
Operating expenses	<u>(94,223)</u>	<u>(88,335)</u>	<u>(82,922)</u>
Operating loss	(30,773)	(28,717)	(25,973)
Net state appropriations	35,478	32,664	30,676
Other revenue/(expenses)	<u>11,126</u>	<u>34,411</u>	<u>10,887</u>
Increase in net position	<u>\$ 15,831</u>	<u>\$ 38,358</u>	<u>\$ 15,590</u>

Net position at the beginning of Fiscal Year 2016 was \$126.0 million. Net position at the end of Fiscal Year 2016 was \$141.8 million; representing a \$15.8 million (+12.6%) increase.

Revenues and Expenditures Trends

Expenditures on Instruction experienced the largest increase over the past year, increasing \$2.3M or 7.9%. Academic Support expenditures increased \$1.9M or 18.5%. Since 2006, Support Services annual expenditures have increased \$17.5M; while annual Instruction expenditures have increased \$13.3M, Auxiliary Enterprises (i.e., residence halls and dining) expenditures have increased \$4.7M, and Plant Operations and Maintenance (from institutional revenue sources) have increased \$2.4M. {Note: the methodology used to allocate some support costs to various IPEDS categories was changed beginning FY2013.}

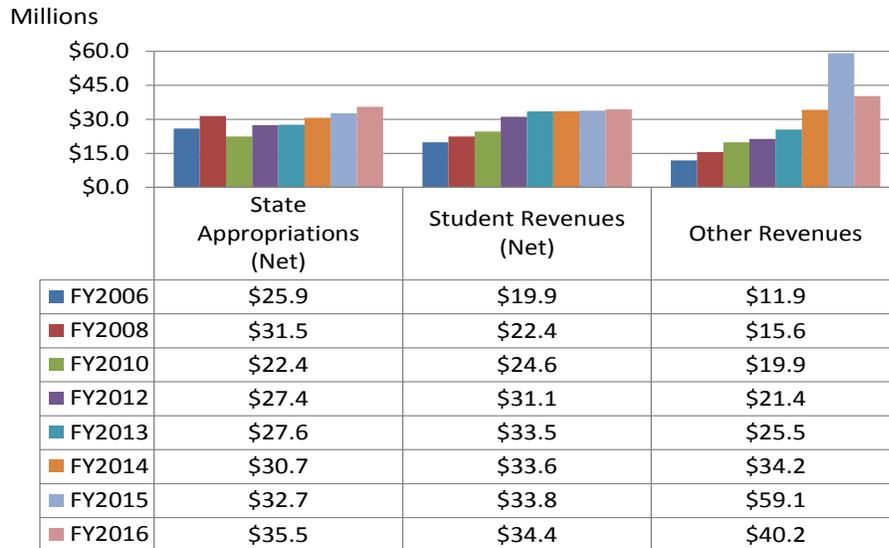
Trend Analysis: Instruction, Support Services, Plant O&M, Aux. Ent. Expenditures



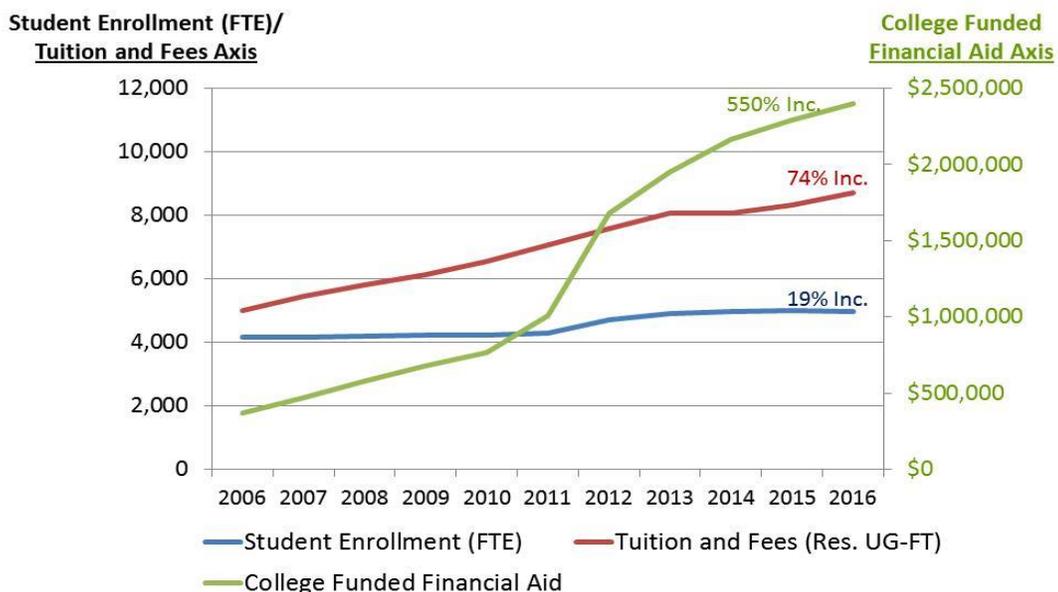
Note: The methodology used to allocate some support costs to various IPEDS categories was revised beginning FY2013.

From FY2015 to FY2016, net state appropriations increased by \$2.8M (+8.6%), student net revenues increased by \$0.6M (+1.9%), and other revenues decreased a total of \$20.1M (+33.3% - predominantly due to changes in state funding annual support of the Science Project). Trend analysis covering FY2006-FY2016 reveal that FY2016 net state appropriations is greater than FY2006 support by \$9.6M for an average annual increase of +3.7%; average annual increase in net student revenues (combination of rate and enrollment impact) has been +7.3% over 10 years. The change in make-up of revenues – including Other Revenues – reflects progress against the University's goal in two prior strategic plans to diversity its income base; of total revenues, FY2016 net state funding represents 32%, net student revenues represent 31%, and other revenues represent 37% of total revenues (including non-operating capital projects funding).

Trend Analysis: State Appropriations, Student and Other Revenues



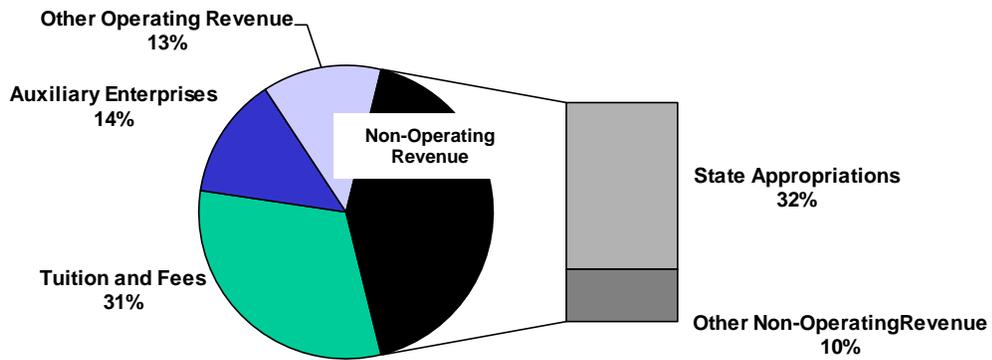
Changes in Student Revenues (Net of Scholarship Allowances) result from changes in student charges and student enrollment as well as scholarship allowance impact which includes college-funded financial aid (a component of annual fee increases has been dedicated to increased college funded financial aid). Changes in these three measures over time are illustrated below.



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, 2016.

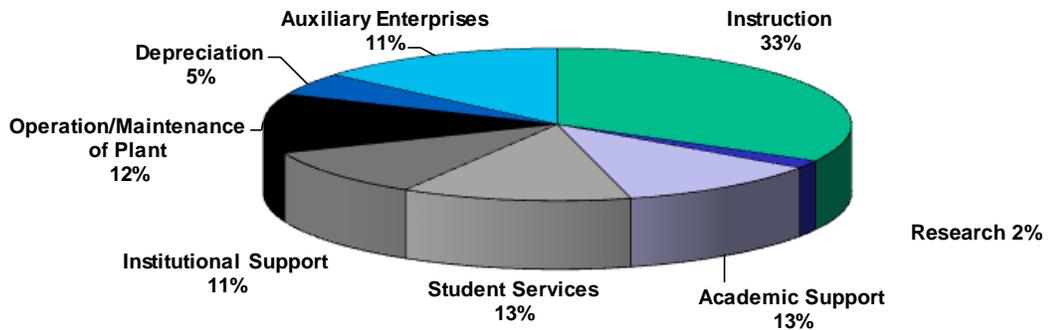
Fiscal Year 2016 Revenues



Student tuition and fees, along with state appropriations, are the primary sources of funding for the University. Fiscal Year 2016 net state appropriation support as a percent of total revenues (including capital support) was 32% while tuition and fees revenues represented 31% of total revenues and other revenue represented 37% of total revenues.

Expenditures Illustration

A graphic of the University's functional expenditures for FY2016 is as follows:



Expenditures on Instruction and Academic Support made up approximately 46% of total expenditures in FY2016 (an increase from 43% in FY2015).

Statement of Cash Flows

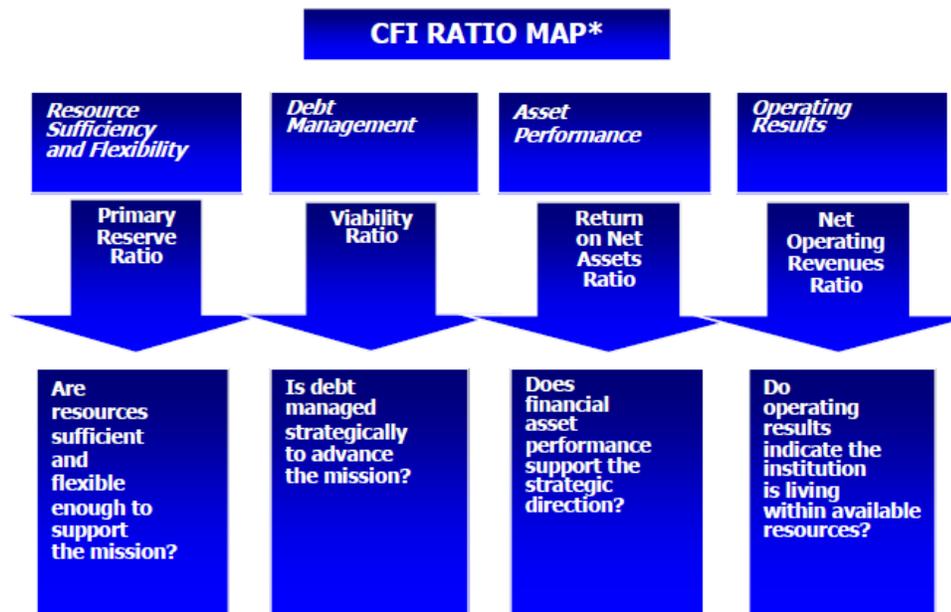
The statement of cash flows provides information about the University's financial results, by reporting the major sources and uses of cash. A condensed summary of the statement of cash flows for fiscal years 2016, 2015 and 2014 is as follows:

Statement of Cash Flows			
<i>(In Thousands)</i>	FY2016	FY2015	FY2014
Cash flows from operating activities			
Cash received from operations	\$ 63,413	\$ 59,588	\$ 57,175
Cash expended for operations	(81,781)	(77,965)	(72,965)
Net cash provided/(used) by operating activities	(18,368)	(18,377)	(15,790)
Cash flows from noncapital financing activities			
State appropriations	30,448	26,133	25,785
Tuition remitted to the Commonwealth	(312)	(372)	(1,511)
Gifts and endowment	93	393	371
Net cash provided/(used) by noncapital financing activities	30,229	26,154	24,645
Cash flows from capital and related financing activities			
State capital appropriations	7,459	1,984	-
Perkins loan program net funds received	(50)	52	7
Payments for capital assets	(3,524)	(4,925)	(15,042)
Interagency payable proceeds received	-	801	3,561
Interagency principal payments	(1,702)	(1,592)	(1,540)
Interest paid on interagency payables	(1,430)	(1,348)	(1,566)
Transfers of funds to/from state agencies	(10,799)	(2,072)	(1,315)
Bond issuance costs	-	(6)	(17)
Net proceeds of bank line of credit	(1,153)	1,153	-
Net cash provided/(used) by capital and related financing activities	(11,199)	(5,953)	(15,912)
Cash flows from investing activities			
Purchase/sale (net) of marketable securities	(3,165)	(4,524)	(4,746)
Earnings on investments	1,362	1,691	898
Loan funds received (advanced)	1,153	(1,153)	-
Net cash provided/(used) by investing activities	(650)	(3,986)	(3,848)
Net increase/(decrease) in cash and cash equivalents	\$ 12	\$ (2,162)	\$ (10,905)

Cash and cash equivalents at the beginning and end of Fiscal Year 2016 were \$31.2 million; reflecting essentially no net change.

Composite Financial Index Analysis

To provide a broader context to the various ratio analyses that are presented, the following Composite Financial Index ("CFI")¹ analysis is presented; the CFI is a measure of the institution's overall financial health based on the sufficiency and flexibility of resources, the management of debt, the performance of assets, and the results of operations. The CFI provides a more complex picture of the financial health of an institution at a point in time than is possible by simply comparing multiple indicators. The CFI is essentially an amalgam of four commonly used financial ratios²:



**Adapted from Strategic Financial Analysis for Higher Education, p. 107.*

Once each of the four ratios is calculated, the relative strength of the score (standardization of the ratio) and its importance in the mix (weighting) are considered in calculation of a composite score. The result is one weighted score for each indicator that when added together produces the Composite Financial Index ("CFI"). The strength factors and CFI score are standardized scores that fall along a scale of -4 to 10. A matrix identifying strategic positioning as suggested by the composite index score has been developed to place the CFI scores into a strategic context¹:

CFI Score	
-4 to -2	Consider whether financial exigency is appropriate
-3 to 1	Structured programs to conserve cash and thus survive
1 to 3	Consider substantial program adjustments, then reengineer
3 to 5	Direct resources toward transformation
5 to 7	Focus resources to compete in future
7 to 9	Experiment with initiatives; design a robust mission
9 to 10	Deploy resources to achieve robust mission

¹ The Composite Financial Index was developed by KPMG, Prager, Sealy & Co., LLC, and Bearing Point, Inc. (see Tahey, P., Salluzzo, R.E., Prager, F.J., Mezzina, L., & Cowen, C.J., (2010). Strategic Financial Analysis for Higher Education: Identifying, Measuring and Reporting Financial Risks, (7th ed.); KPMG, Prager, Sealy & Co., LLC, and Attain).

² Prager, F. J., Cowen, C. J., Beare, J., Mezzina, L., Salluzzo, R. E., Lipnick, J. & Tahey, P. (2005). Strategic Financial Analysis for Higher Education. (6th ed.): KPMG, Prager, Sealy & Co., LLC, and BearingPoint, Inc.

The computed CFI for Framingham State University for FY2016, using the standard methodology (Tahey, et al.) is as follows:

Composite Financial Index	FY2016 Ratio	Methodology Adjust. Value	Weight Factor	Computed Value
Primary Reserve Ratio	45.7%	0.133	35%	1.20
Viability Ratio	1.09	0.417	35%	0.92
Return on Net Assets Ratio	12.6%	2.0%	20%	1.26
Net Income Ratio	14.4%	1.3%	10%	<u>1.11</u>
Composite Score				4.5

Examining FSU's results, both the composite score and the individual ratio components are of interest:

- For comparative context regarding the composite score, in a review³ of a large number of independent institutions (n=691 – while ratio measurement for independent colleges varies slightly from public institutions due to different accounting standards, the methodologies that have been developed are meant to make the scores comparable), the national average (50th percentile) CFI score was 3.7 (a CFI score of 3.0 is considered the threshold for financial health indicating that an institution has sufficient and adequately managed resources to fulfill its mission objectives), while the 25th percentile was 2.1 and the 75th percentile was 5.6. With an overall composite score of 4.5 in FY2016, FSU's CFI was above the national average.
- Examining the individual ratio components for FSU, the Primary Reserve Ratio and Viability Ratio (both at 35% weighting factors) depict healthy performance; Return on Net Assets (a 20% weighting factor) indicates good performance (as previously noted in the MD&A, this ratio was positively impact due to non-operating/capital revenues in FY2016); and, Net Income Ratio (a 10% weighting factor), which reflects Net (less Operating Expenses) Operating and Non-Operating Income over Total Operating and Non-Operating Income, was also a positive factor.

Comparing performance on this composite financial health indicator against other Massachusetts public universities is another mechanism for considering FSU's relative financial condition and the institution's ability to fulfill its mission objectives and compete in the future. Using a three-year average for FSU in order to even out one-year anomalies in any of the measures and FY2015 data (the most recent data available) for the University's "sister colleges," the following charts note that FSU performs well against both the UMass system and State University segment on the individual measures as well as the overall composite score: 5.1 (three-year average) for FSU versus 2.7 for the State Universities and 2.3 for the University of Massachusetts segment (utilizing FY2015 data).

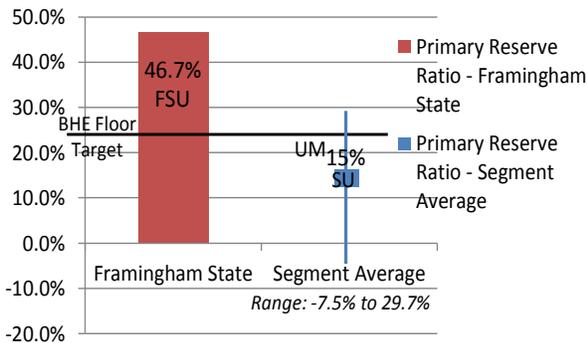
³ "CIC Financial Indicators Tool" Report, Council of Independent Colleges (July 2015).

State Universities Key Financial Indicators

FSU Data: Three Year Average; "Sister Colleges": FY2015 Data

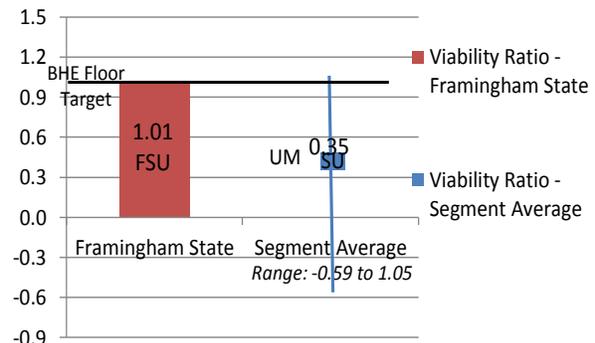
Primary Reserve Ratio

(Unrestricted and Expendable Net Assets/Total Operating Expenditures)



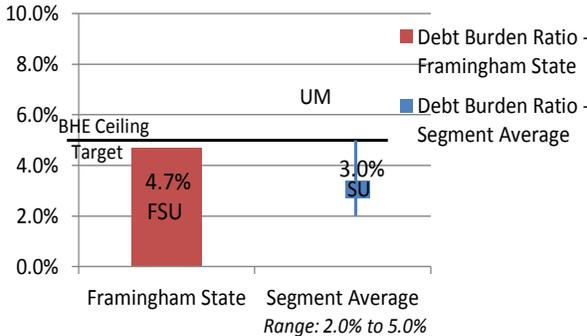
Viability Ratio

(Unrestricted and Expendable Net Assets/Total Long Term Debt)



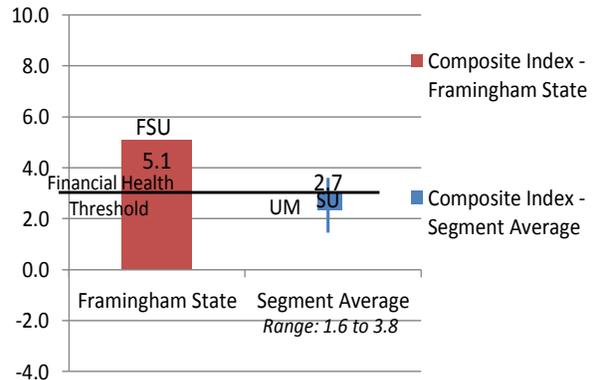
Debt Burden Ratio

(Annual Debt Service/Total Expenditures)



Composite Financial Index Ratio

(Overall Financial Strength Index based on weighted financial ratios)



FACTORS THAT MAY AFFECT THE FUTURE

Framingham State University ("FSU") is entering into a transition period where – after a period of very substantial enrollment growth – the University has experienced a decrease in new and aggregate student enrollment for the fall 2016 semester. This situation is primarily a result of demographic changes (predominantly the number of Massachusetts high school graduates being produced annually) as well as other external factors such as increased competition for students (e.g., the University of Massachusetts system continues its enrollment growth strategy) and internal factors (e.g., a reduction in the FSU freshmen acceptance and yield rates during the last admissions cycle).

As significant as future enrollment changes impact on university operations will be, so will be the level of future state appropriation support. The one percent increase in FY2017 state funding for public higher education was significantly lower than recent levels of support and more substantial future state support will require increases in state general revenues greater than currently being experienced and projected. When state funding increases are not sufficient to keep up with university salary costs, the University has to move personnel to local trust funds and, subsequently, picks up additional fringe benefits costs on these faculty and staff (that is, for every one dollar of salary that gets transferred to local funds, the University is picking up an additional 35 cents in benefits costs in addition to the assumed salary costs).

Another significant factor that will affect the future is that the University is concluding its five year planning cycle as guided by the "*Framingham State University 2012-2017 Strategic Plan*." During the upcoming academic year, a new multi-year strategic plan for the University will be developed. This initiative will undoubtedly identify new initiatives and priorities for investment.

Significant revenue factors to be considered in the development of long range plans and budgets will include:

- Anticipated levels of state appropriation support over the next few years
- Consideration of student charges in light of concerns regarding the cost of higher education
- Continued institution-funded increases in student financial aid (to account for reduction in value of state funded aid)
- Ability to achieve enrollment targets identified in the proforma budget
- Investment funds performance in a turbulent economic environment
- Impact of FSU's comprehensive fundraising campaign.

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

- Collective bargaining costs associated with contracts to be negotiated during this academic year
- Commitment to the number of faculty and staff positions identified in the long range plans (with annual modifications)
- Funding of the University's multi-year capital spending plan including: renovation of Crocker Hall; adaptation of the Mayhew Facility for art studios; adaptation and renewal of the Whittemore Library; and, general facilities repairs and maintenance.
 - The University continues to advocate for release of state general obligation bond authorizations for capital projects and 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, progress in implementation of a new strategic plan beginning FY2018 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 high-quality and appropriately-scaled programs and services 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, 2016 and 2015

			Component Unit Framingham State University Foundation, Inc.	
	2016	2015	2016	2015
Assets				
Current assets				
Cash and cash equivalents	\$ 18,463,702	\$ 17,821,005	\$ 490,913	\$ 735,579
Restricted cash and cash equivalents	1,549,249	1,794,491	-	-
Investments in marketable securities	13,745,314	11,025,096	6,903,212	6,820,816
Accounts receivable, net	1,904,425	1,673,812	-	-
Contribution receivable, net	-	-	75,277	73,303
Loans receivable - current portion	3,462	1,157,006	-	-
Other current assets	526,785	747,503	15,384	19,687
Total current assets	36,192,937	34,218,913	7,484,786	7,649,385
Noncurrent assets				
Restricted cash and cash equivalents	11,172,390	11,557,243	-	-
Endowment investments	-	-	1,587,990	1,451,628
Investment in marketable securities	21,835,618	21,023,467	-	-
Contributions receivable, net	-	-	50,923	142,752
Loans receivable, net of current portion	2,308,430	2,382,400	-	-
Capital assets, net	134,206,766	121,647,338	-	-
Total noncurrent assets	169,523,204	156,610,448	1,638,913	1,594,380
Total assets	205,716,141	190,829,361	9,123,699	9,243,765
Deferred outflows of resources				
Deferred outflows for pensions	5,463,391	1,031,054	-	-
Total deferred outflows of resources	5,463,391	1,031,054	-	-

Framingham State University
(a department of the Commonwealth of Massachusetts)

Statements of Net Position
June 30, 2016 and 2015

			Component Unit Framingham State University Foundation, Inc.	
	2016	2015	2016	2015
Liabilities				
Current liabilities				
Interagency payables - current portion	\$ 1,818,555	\$ 1,725,423	\$ -	\$ -
Accounts payable and accrued liabilities	3,556,612	2,857,267	305,324	77,137
Accounts payable - construction	10,353	10,266	-	-
Accrued workers' compensation - current portion	109,477	100,388	-	-
Compensated absences - current portion	3,410,445	3,231,440	-	-
Faculty payroll accrual	2,722,997	2,616,749	-	-
Bank line of credit	-	1,152,765	-	-
Revenue received in advance	2,150,445	2,508,621	-	-
Deposits	338,905	355,460	-	-
Other current liabilities	305,864	330,136	-	-
Total current liabilities	14,423,653	14,888,515	305,324	77,137
Noncurrent liabilities				
Interagency payables, net of current portion	37,583,594	39,416,436	-	-
Accrued workers' compensation, net of current portion	409,371	360,109	-	-
Compensated absences, net of current portion	1,980,383	1,801,468	-	-
Loan payable - federal financial assistance programs	1,881,685	1,930,383	-	-
Net pension liability	12,702,384	6,196,704	-	-
Total noncurrent liabilities	54,557,417	49,705,100	-	-
Total liabilities	68,981,070	64,593,615	305,324	77,137

Framingham State University
(a department of the Commonwealth of Massachusetts)

Statements of Net Position
June 30, 2016 and 2015

			Component Unit Framingham State University Foundation, Inc.	
	2016	2015	2016	2015
Deferred inflows of resources				
Deferred inflows for pensions	\$ 374,766	\$ 1,274,012	\$ -	\$ -
Total deferred inflows of resources	374,766	1,274,012	-	-
Net position				
Net investment in capital assets	96,687,194	84,138,157	-	-
Restricted for				
Non-expendable				
Scholarships and academic purposes	2,045,582	1,996,750	1,587,990	1,451,628
Expendable				
Scholarships	1,658,868	1,505,210	582,700	706,543
Academic purposes	-	-	1,465,146	1,843,812
Research	443,495	432,682	-	-
Loans	438,604	468,357	-	-
Debt service	21,302	52,091	-	-
Other	-	57,735	-	-
Unrestricted	40,528,651	37,341,806	5,182,539	5,164,645
Total net position	\$ 141,823,696	\$ 125,992,788	\$ 8,818,375	\$ 9,166,628

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, 2016 and 2015

			Component Unit Framingham State University Foundation, Inc.	
	2016	2015	2016	2015
Operating revenues				
Student tuition and fees	\$ 42,531,161	\$ 41,555,831	\$ -	\$ -
Less: Scholarship allowances	<u>(8,110,544)</u>	<u>(7,770,032)</u>	<u>-</u>	<u>-</u>
Net student tuition and fees	34,420,617	33,785,799	-	-
Federal grants and contracts	6,476,370	6,415,576	-	-
State and local grants and contracts	3,868,561	1,835,548	-	-
Private grants	1,939,165	1,753,262	-	-
Sales and services of educational departments	827,421	694,512	-	-
Gifts and contributions	-	-	207,454	344,153
Auxiliary enterprises				
Residential life	14,706,516	14,208,692	-	-
Other operating revenues	<u>1,211,446</u>	<u>924,068</u>	<u>51,198</u>	<u>70,708</u>
Total operating revenues	<u>63,450,096</u>	<u>59,617,457</u>	<u>258,652</u>	<u>414,861</u>
Operating expenses				
Educational and general				
Instruction	31,336,705	29,049,793	-	-
Research	1,630,714	1,508,572	-	-
Academic support	11,852,251	9,998,548	-	-
Student services	11,911,904	11,158,061	-	-
Institutional support	10,815,126	9,009,848	259,577	276,970
Operations and maintenance of plant	11,440,601	11,167,239	-	-
Depreciation	4,735,291	4,202,084	-	-
Scholarships	104,989	141,076	743,561	524,000
Auxiliary enterprises				
Residential life	<u>10,395,641</u>	<u>12,099,652</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>94,223,222</u>	<u>88,334,873</u>	<u>1,003,138</u>	<u>800,970</u>
Operating loss	<u>(30,773,126)</u>	<u>(28,717,416)</u>	<u>(744,486)</u>	<u>(386,109)</u>

Framingham State University
(a department of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

			Component Unit Framingham State University Foundation, Inc.	
	2016	2015	2016	2015
Nonoperating revenues (expenses)				
State appropriations	\$ 35,477,537	\$ 32,664,050	\$ -	\$ -
Gifts	328,515	838,660	-	-
Investment income, net of investment expense	1,729,499	1,231,389	260,102	336,902
Interest expense on Interagency payables and capital asset related debt	(829,081)	(579,563)	-	-
Debt issuance costs	-	(5,990)	-	-
	<u>36,706,470</u>	<u>34,148,546</u>	<u>260,102</u>	<u>336,902</u>
Net nonoperating revenues before capital and endowment additions				
	<u>36,706,470</u>	<u>34,148,546</u>	<u>260,102</u>	<u>336,902</u>
Income (loss) before capital and endowment additions	<u>5,933,344</u>	<u>5,431,130</u>	<u>(484,384)</u>	<u>(49,207)</u>
State capital appropriations	7,459,122	1,984,189	-	-
Transfers (to)/from state agencies	(10,798,765)	(2,072,255)	-	-
Capital grants	13,237,207	33,014,510	-	-
Private gifts for endowment purposes	-	-	136,131	123,570
	<u>9,897,564</u>	<u>32,926,444</u>	<u>136,131</u>	<u>123,570</u>
Total capital and endowment additions				
	<u>9,897,564</u>	<u>32,926,444</u>	<u>136,131</u>	<u>123,570</u>
Increase (decrease) in net position	<u>15,830,908</u>	<u>38,357,574</u>	<u>(348,253)</u>	<u>74,363</u>
Net position - beginning of year	<u>125,992,788</u>	<u>87,635,214</u>	<u>9,166,628</u>	<u>9,092,265</u>
Net position - end of year	<u>\$ 141,823,696</u>	<u>\$ 125,992,788</u>	<u>\$ 8,818,375</u>	<u>\$ 9,166,628</u>

See Notes to Financial Statements.

Framingham State University
(a department of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Tuition and fees	\$ 34,530,967	\$ 33,738,240
Research grants and contracts	10,226,384	7,892,746
Private grants	1,597,521	1,755,459
Payments to suppliers	(29,376,527)	(28,186,392)
Payments to utilities	(3,660,203)	(3,233,905)
Payments to employees	(45,685,498)	(43,532,232)
Payments for benefits	(2,415,120)	(2,161,379)
Payments for scholarships	(392,989)	(429,076)
Loans issued to students	(234,768)	(411,904)
Collection of loans to students	309,517	332,865
Auxiliary enterprise receipts		
Residential life	14,706,516	14,208,692
Receipts from sales and services of educational departments	838,233	673,401
Room and parking fees	(16,555)	(10,425)
Other receipts	1,204,061	986,442
	<u>(18,368,461)</u>	<u>(18,377,468)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities		
State appropriations	30,448,636	26,133,877
Tuition remitted to State	(312,014)	(372,448)
Gifts from grants for other than capital purposes	92,554	392,465
	<u>30,229,176</u>	<u>26,153,894</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities		
State capital appropriations	7,459,122	1,984,189
Perkins loan program net funds received	(48,698)	52,476
Payments for capital assets	(3,524,859)	(4,924,947)
Interagency payable proceeds received	-	800,771
Interagency principal payments	(1,702,420)	(1,591,599)
Interest paid on Interagency payables	(1,429,623)	(1,347,696)
Net transfers of funds to State Agencies	(10,798,765)	(2,072,255)
Debt issuance costs	-	(5,990)
Net proceeds of bank line of credit	-	1,152,765
Repayment of bank line of credit	(1,152,765)	-
	<u>(11,198,008)</u>	<u>(5,952,286)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Proceeds from sale of marketable securities	3,632,927	4,943,808
Purchase of marketable securities	(6,797,414)	(9,468,759)
Earnings on investments	1,361,617	1,691,424
Loan funds advanced	-	(1,152,765)
Loan funds received	1,152,765	-
	<u>(650,105)</u>	<u>(3,986,292)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	12,602	(2,162,152)
Cash and cash equivalents - beginning of year	<u>31,172,739</u>	<u>33,334,891</u>
Cash and cash equivalents - end of year	<u>\$ 31,185,341</u>	<u>\$ 31,172,739</u>

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Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (30,773,126)	\$ (28,717,416)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	4,735,291	4,202,084
Bad debt expense	41,396	29,961
Fringe benefits paid by the Commonwealth of Massachusetts	7,840,915	6,902,621
Change in unfunded net pension liability and deferred inflows and outflows for pensions	1,174,097	(672,932)
Changes in assets and liabilities		
Accounts receivable	(36,048)	(141,954)
Loans to students	74,749	(79,039)
Other current assets	220,718	(479,116)
Accounts payable and accrued liabilities	(1,800,655)	357,287
Accrued workers' compensation	58,351	(95,463)
Compensated absences	357,920	463,234
Faculty payroll accrual	106,248	114,174
Revenue received in advance	(358,176)	(252,289)
Deposits	(16,555)	(10,425)
Other current liabilities	6,414	1,805
Net cash used in operating activities	\$ (18,368,461)	\$ (18,377,468)
Schedule of noncash investing and financing activities		
Acquisition of capital assets	\$ 17,294,719	\$ 37,651,639
Accounts payable thereon		
Beginning of year	10,266	991,141
End of year	(10,353)	(10,266)
Payments made by DCAM	(13,237,207)	(33,014,510)
Net interest incurred and earned, capitalized in construction in progress	(532,566)	(693,057)
Payments for capital assets	\$ 3,524,859	\$ 4,924,947
Unrealized gain (loss) on marketable securities	\$ 367,882	\$ (460,035)
Fringe benefits paid by the Commonwealth of Massachusetts	\$ 7,840,915	\$ 6,902,621
Amortization of deferred inflows of resources - service concession arrangement proceeds	\$ -	\$ 468,589
Reconciliation of cash and cash equivalent balances		
Current assets		
Cash and cash equivalents	\$ 18,463,702	\$ 17,821,005
Restricted cash and cash equivalents	1,549,249	1,794,491
Noncurrent assets		
Restricted cash and cash equivalents	11,172,390	11,557,243
Total cash and cash equivalents	\$ 31,185,341	\$ 31,172,739

See Notes to Financial Statements.

Framingham State University
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Notes to Financial Statements
June 30, 2016 and 2015

Note 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 master's 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.

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, 2016, 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, 2016, the FSU Foundation distributed scholarships in the amount of \$743,561 directly to students of the University, and incurred an additional \$259,577 in support of its mission in other ways. During the year ended June 30, 2015, the FSU Foundation distributed scholarships in the amount of \$524,000 directly to students of the University, and incurred an additional \$276,970 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.

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Notes to Financial Statements
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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.

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.

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Notes to Financial Statements
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- 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;
- (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.

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At June 30, 2016 and 2015, the University had \$109,608 and \$116,787, 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 Finance 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.

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 \$1,881,685 and \$1,930,383 at June 30, 2016 and 2015, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

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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.

The federal law authorizing the disbursement of Perkins loans expired on September 30, 2015. As of October 1, 2015, the University is prohibited from issuing new Perkins loans to students who have not received them prior to October 1, 2014. As of the date of the financial statements, the Perkins loans program will end any further new loans being issued after June 30, 2017. The University may remit all federal proceeds and loans at any time thereafter to the Department of Education or continue to maintain them for five more years.

Loans receivable also included an amount receivable from the Massachusetts State College Building Authority ("MSCBA") at June 30, 2015 (see Note 13).

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 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 obligations may include the costs of periodic renovations and improvements to the residence halls. The revenue assessment amounts for the years ended June 30, 2016 and 2015 were \$7,213,806 and \$7,646,546, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues,

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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% of amounts earned by those University employees with 10 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 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.

Scholarship allowances consist of various forms of student financial assistance, which do not require repayment. Federal scholarships include Federal Supplemental Educational Opportunity Grants, Federal Pell Grants, and Teacher Education Assistance for College and Higher Education Grants ("TEACH Grants"). University scholarships include a wide variety of University and University department funded scholarship programs. Scholarship allowances for the years ended June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Federal scholarships	\$ 5,928,153	\$ 5,813,610
University scholarships	<u>2,182,391</u>	<u>1,956,422</u>
Total	<u>\$ 8,110,544</u>	<u>\$ 7,770,032</u>

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, 2016 and 2015.

Bond premiums

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

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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 2016 and 2015, total interest costs incurred were accounted for as follows:

	2016	2015
Total interest costs incurred	\$ 1,483,662	\$ 1,408,920
Less: Interest income on unused funds from tax exempt borrowings	(84,725)	(99,010)
Bond premium amortization	(37,290)	(37,290)
	1,361,647	1,272,620
Less: Capitalized portion of net interest earned and incurred	(532,566)	(693,057)
Interest expense	\$ 829,081	\$ 579,563

Pension plan

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

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 2015 financial statements to conform to the 2016 presentation.

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Notes to Financial Statements
June 30, 2016 and 2015

Note 2 - Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2016 and 2015:

	2016		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts ****	\$ 13,945,878	\$ 1,177,917	\$ 6,971,571
Massachusetts State Treasurer ***	4,504,253	-	1,649,197
Petty cash	13,571	2,100	-
Century Bancorp, Inc.	-	-	18,171
Cash and cash equivalents held by MDFA*	-	369,232	349,281
Cash and cash equivalents held by MSCBA **	-	-	2,084,170
Cash and cash equivalents held by DCAM *****	-	-	100,000
	<u>\$ 18,463,702</u>	<u>\$ 1,549,249</u>	<u>\$ 11,172,390</u>
	2015		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts ****	\$ 14,221,179	\$ 1,443,159	\$ 5,664,348
Massachusetts State Treasurer ***	3,582,149	-	2,281,180
Petty cash	17,677	2,100	-
Century Bancorp, Inc.	-	-	18,132
Cash and cash equivalents held by MDFA*	-	349,232	379,641
Cash and cash equivalents held by MSCBA **	-	-	2,863,942
Cash and cash equivalents held by DCAM	-	-	350,000
	<u>\$ 17,821,005</u>	<u>\$ 1,794,491</u>	<u>\$ 11,557,243</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 is 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 \$5,449,327 and \$3,913,668 at June 30, 2016 and 2015, 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 \$704,123 and \$1,949,661 at June 30, 2016 and 2015, respectively, to pay year-

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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 \$15,895,943 and \$18,561,591 at June 30, 2016 and 2015, 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.

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, 2016 and 2015, 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.

The University does not have a formal policy with respect to the custodial credit risk. Custodial credit risk is that, in the event of the failure of the counterparty, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

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The following University investments are held by the counterparty's trust department or agent but not in the University's name and, therefore, are subject to custodial credit risk as follows:

	2016	2015
U.S. Treasury Notes and Government Securities	\$ 5,031,840	\$ 4,317,356
Corporate Debt Securities	1,431,370	1,151,869
Equity Securities	13,166,018	13,255,974
Money Market Funds	409,958	549,571
Mutual Funds	5,009,108	4,707,960
Commonfund (pooled investment funds)	10,532,638	8,065,833
	35,580,932	32,048,563
Less insured amounts	500,000	500,000
	\$ 35,080,932	\$ 31,548,563

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, 2016 and 2015, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$15,895,943 and \$18,561,591, respectively. At June 30, 2016, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 54% at 30 days or less; 29% at 31-90 days; 11% at 91-180 days; and 6% at 181 days or more. At June 30, 2016, 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 fair values of \$718,513 and \$728,873 at June 30, 2016 and 2015, 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, 2016 and

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2015. The STAR Fund's investment securities maintain a weighted average maturity of 46 and 27 days at June 30, 2016 and 2015, respectively.

At June 30, 2016, certain of the University's funds are held at MSCBA. Of the total, \$453,223 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$1,630,947 is invested in various funds as listed below:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
Fannie Mae Corporation discount note	\$ 249,472	\$ 249,472	\$ -	\$ -	\$ -	AAA
Federal Home Loan Mortgage Corp. U.S. Govt. Issues	221,582	-	221,582	-	-	AAA
Federal Farm Credit	194,330	-	-	194,330	-	AAA
Massachusetts ST Bonds	965,563	-	-	-	965,563	AAA
Total	\$ 1,630,947	\$ 249,472	\$ 221,582	\$ 194,330	\$ 965,563	

At June 30, 2015, certain of the University's funds are held at MSCBA. Of the total, \$908,363 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$1,955,579 is invested in various funds as listed below:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
Federal Home Loan Banks discount notes	\$ 108,631	\$ 108,631	\$ -	\$ -	\$ -	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	965,564	-	-	-	965,564	AAA
Total	\$ 1,955,579	\$ 358,103	\$ 437,582	\$ 194,330	\$ 965,564	

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

	2016		2015	
	Cost	Fair value	Cost	Fair value
Current				
U.S. Treasury Notes and Government Securities	\$ 299,516	\$ 293,873	\$ 91,673	\$ 87,874
Corporate Debt Securities	116,815	66,734	100,831	93,144
Equity Securities	419,703	621,369	401,634	615,383
Money Market Funds	29,224	29,224	28,670	28,670
Mutual Funds	2,165,845	2,201,476	2,118,226	2,134,192
Commonfund (pooled investment funds)				
Multi Strategy Bond Fund	989,742	1,059,722	930,658	1,014,849
Intermediate Term Fund	2,002,191	1,913,453	1,950,553	1,879,520
Equity Index Fund	5,751,430	7,559,463	3,752,992	5,171,464
	\$ 11,774,466	\$ 13,745,314	\$ 9,375,237	\$ 11,025,096
Noncurrent				
U.S. Treasury Notes and Government Securities	\$ 4,520,266	\$ 4,737,967	\$ 4,229,219	\$ 4,229,482
Corporate Debt Securities	1,288,014	1,364,636	1,045,075	1,058,725
Equity Securities	9,088,674	12,544,649	8,987,669	12,640,591
Money Market Funds	380,734	380,734	517,507	520,901
Mutual Funds	2,565,760	2,807,632	2,240,161	2,573,768
	\$ 17,843,448	\$ 21,835,618	\$ 17,019,631	\$ 21,023,467

The University's investment balances as of June 30, 2016 and 2015 include \$21,950,722 and \$20,995,482, respectively, which represent unrestricted net assets designated by the Board of Trustees (see Note 16). These amounts consist of an original designated investment of \$13,500,000 (\$0 designated in fiscal years 2016 and 2015), plus accumulated investment income earned thereon.

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At June 30, 2016, 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:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
U.S. Treasury Notes and Government Securities 1.000% to 5.450%	\$ 4,592,244	\$ 293,872	\$ 1,043,787	\$ 3,254,585	\$ -	AA+
U.S. Treasury Notes and Government Securities 0.125% to 4.500%	439,596	-	23,623	348,356	67,617	NR
Corporate Debt Securities 1.700% to 7.900%	695,710	51,587	383,856	260,267	-	A
Corporate Debt Securities 2.550% to 3.850%	292,554	-	82,429	210,125	-	A+
Corporate Debt Securities 2.000% to 5.500%	204,409	65,709	30,844	107,856	-	A-
Corporate Debt Securities 3.250% to 3.250%	108,181	-	108,181	-	-	AA
Corporate Debt Securities 1.000% to 1.000%	15,037	-	15,037	-	-	AA+
Corporate Debt Securities 2.100% to 4.950%	42,581	-	42,581	-	-	AA-
Corporate Debt Securities 2.400% to 2.650%	72,898	-	15,153	57,745	-	BBB+
Total	\$ 6,463,210	\$ 411,168	\$ 1,745,491	\$ 4,238,934	\$ 67,617	

At June 30, 2015, 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:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
U.S. Treasury Notes and Government Securities 1.250% to 5.450%	\$ 3,201,870	\$ -	\$ 791,301	\$ 2,410,569	\$ -	AA+
U.S. Treasury Notes and Government Securities 0.980% to 2.500%	461,729	87,874	373,855	-	-	AAA
U.S. Treasury Notes and Government Securities 0.125% to 4.500%	653,757	-	227,431	335,912	90,414	N/R
Corporate Debt Securities 0.039% to 7.900%	789,814	51,579	452,025	286,210	-	A
Corporate Debt Securities 2.375% to 3.700%	93,503	-	93,503	-	-	A-
Corporate Debt Securities 2.100% to 4.950%	31,625	-	31,625	-	-	AA-
Corporate Debt Securities 3.150% to 3.250%	115,364	-	10,428	104,936	-	AA
Corporate Debt Securities 1.000% to 4.375%	35,251	10,084	25,167	-	-	AA+
Corporate Debt Securities 5.100% to 5.100%	10,009	10,009	-	-	-	BBB-
Corporate Debt Securities 2.500% to 5.450%	76,303	21,471	-	54,832	-	BBB+
Total	\$ 5,469,225	\$ 181,017	\$ 2,005,335	\$ 3,192,459	\$ 90,414	

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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, 2016, and 2015, the fund's investment securities had a weighted average life of 2.4 and 2.6 years, respectively, and an effective duration of 2.0 and 2.1 years, respectively. The fund had an average credit quality rating of AA as of both June 30, 2016 and June 30, 2015.

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, 2016 and 2015, the fund's investment securities had a weighted average life of 7.5 and 6.7 years, respectively, and an effective duration of 4.6 and 4.5 years, respectively. The fund had an average credit quality rating of A+ as of both June 30, 2016 and June 30, 2015.

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 \$2,077,134 and \$2,021,191 held at the Massachusetts Municipal Depository Trust ("MMDT") in the MMDT Short Term Bond Portfolio at June 30 2016 and 2015, respectively. 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, 2016 and 2015, the fund's investment securities had a weighted average life of 2.9 and 2.6 years, respectively, and an effective duration of 2.7 and 2.4 years, respectively. The fund had an average credit quality rating of AAA as of both June 30, 2016 and 2015.

The University incurred investment advisory fees of \$101,886 and \$98,796 for the years ended June 30, 2016 and 2015, 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 50-80% equity securities, 20-60% fixed income securities, and 0% to 20% cash and cash equivalents based on market value.

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

	2016	2015
Equity Securities	\$ 4,081,245	\$ 4,857,827
U.S. Treasury Notes and Government Securities	1,122,564	1,417,600
Equity Funds	1,172,321	642,310
Corporate Bonds	765,886	382,242
Bond Funds	1,204,110	654,179
Cash and cash equivalents	145,076	318,286
	\$ 8,491,202	\$ 8,272,444

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.

The University's investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below. The Foundation follows similar guidance in accordance with Financial Accounting Standards Codification ASC 820-10, which prioritizes the inputs to valuation techniques used to measure fair value of investment assets into three levels also.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the University can access at measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for an asset or liability.

The University's investments at fair value measurement are as follows at June 30, 2016:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes and Government Securities	\$ 5,031,840	\$ -	\$ -	\$ 5,031,840
Corporate Debt Securities	1,431,370	-	-	1,431,370
Equity Securities	13,166,018	-	-	13,166,018
Money Market Funds	409,958	-	-	409,958
Mutual Funds	5,009,108	-	-	5,009,108
Commonfund (pooled investment funds):				
Multi Strategy Bond Fund	-	1,059,722	-	1,059,722
Intermediate Term Fund	-	1,913,453	-	1,913,453
Equity Index Fund	-	7,559,463	-	7,559,463
	\$ 25,048,294	\$ 10,532,638	\$ -	\$ 35,580,932

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The University's investments at fair value measurement are as follows at June 30, 2015:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes and Government Securities	\$ 4,317,356	\$ -	\$ -	\$ 4,317,356
Corporate Debt Securities	1,151,869	-	-	1,151,869
Equity Securities	13,255,974	-	-	13,255,974
Money Market Funds	549,571	-	-	549,571
Mutual Funds	4,707,960	-	-	4,707,960
Commonfund (pooled investment funds):				
Multi Strategy Bond Fund	-	1,014,849	-	1,014,849
Intermediate Term Fund	-	1,879,520	-	1,879,520
Equity Index Fund	-	5,171,464	-	5,171,464
	<u>\$ 23,982,730</u>	<u>\$ 8,065,833</u>	<u>\$ -</u>	<u>\$ 32,048,563</u>

The Foundation's investments at fair value measurement are as follows at June 30, 2016:

	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 4,081,245	\$ -	\$ -	\$ 4,081,245
U.S. Treasury Notes and Government Securities	1,122,564	-	-	1,122,564
Equity Funds	1,172,321	-	-	1,172,321
Corporate Bonds	765,886	-	-	765,886
Bond Funds	1,204,110	-	-	1,204,110
Cash and cash equivalents	145,076	-	-	145,076
	<u>\$ 8,491,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,491,202</u>

The Foundation's investments at fair value measurement are as follows at June 30, 2015:

	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 4,857,827	\$ -	\$ -	\$ 4,857,827
U.S. Treasury Notes and Government Securities	1,417,600	-	-	1,417,600
Equity Funds	642,310	-	-	642,310
Corporate Bonds	382,242	-	-	382,242
Bond Funds	654,179	-	-	654,179
Cash and cash equivalents	318,286	-	-	318,286
	<u>\$ 8,272,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,272,444</u>

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Note 3 - Accounts receivable

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

	2016	2015
Student accounts receivable	\$ 2,081,439	\$ 2,396,148
Grants receivable	507,491	135,507
Parking fines receivable	307,956	252,761
Tuition receivable	18,400	18,880
Commissions receivable	31,610	40,112
Due from the Foundation	291,674	55,713
Miscellaneous other receivables	1,288	40,651
	3,239,858	2,939,772
Less allowance for doubtful accounts	(1,335,433)	(1,265,960)
	\$ 1,904,425	\$ 1,673,812

Note 4 - Loans receivable

Loans receivable include the following at June 30:

	2016	2015
Perkins loans receivable	\$ 2,308,430	\$ 2,382,400
Loan receivable from MSCBA	-	1,152,765
Emergency student loans receivable	3,462	4,241
	\$ 2,311,892	\$ 3,539,406

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Note 5 - Capital assets

Capital assets activity of the University for the year ended June 30, 2016 is as follows:

	Totals June 30, 2015	Additions	Reclassification* and reductions	Totals June 30, 2016
Capital assets				
<u>Non-depreciable capital assets</u>				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	59,517,045	15,800,386	(6,049,540)	69,267,891
Total non-depreciable assets	62,718,260	15,800,386	(6,049,540)	72,469,106
<u>Depreciable capital assets</u>				
Land improvements	9,439,196	-	163,540	9,602,736
Buildings	40,691,685	-	160,000	40,851,685
Building improvements	60,363,872	-	5,726,000	66,089,872
Equipment	4,428,761	1,075,888	-	5,504,649
Library materials	1,861,363	418,445	(335,099)	1,944,709
Total depreciable assets	116,784,877	1,494,333	5,714,441	123,993,651
Total capital assets	179,503,137	17,294,719	(335,099)	196,462,757
Less: accumulated depreciation				
Land improvements	2,710,828	476,000	-	3,186,828
Buildings	29,118,265	536,902	-	29,655,167
Building improvements	21,890,838	3,147,374	-	25,038,212
Equipment	4,135,868	239,916	-	4,375,784
Library materials	-	335,099	(335,099)	-
Total accumulated depreciation	57,855,799	4,735,291	(335,099)	62,255,991
Capital assets, net	\$ 121,647,338	\$ 12,559,428	\$ -	\$ 134,206,766

* Construction costs incurred for the University's McCarthy Center Dining Expansion Project 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, 2016.

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Capital assets activity of the University for the year ended June 30, 2015 is as follows:

	Totals June 30, 2014	Additions	Reclassification* and reductions	Totals June 30, 2015
Capital assets				
<u>Non-depreciable capital assets</u>				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	32,350,667	36,931,605	(9,765,227)	59,517,045
Total non-depreciable assets	35,551,882	36,931,605	(9,765,227)	62,718,260
<u>Depreciable capital assets</u>				
Land improvements	5,139,115	152,724	4,147,357	9,439,196
Buildings	40,691,685	-	-	40,691,685
Building improvements	54,746,002	-	5,617,870	60,363,872
Equipment	4,271,429	157,332	-	4,428,761
Library materials	1,759,813	409,978	(308,428)	1,861,363
Total depreciable assets	106,608,044	720,034	9,456,799	116,784,877
Total capital assets	142,159,926	37,651,639	(308,428)	179,503,137
Less: accumulated depreciation				
Land improvements	2,346,414	364,414	-	2,710,828
Buildings	28,583,363	534,902	-	29,118,265
Building improvements	19,013,092	2,877,746	-	21,890,838
Equipment	4,019,274	116,594	-	4,135,868
Library materials	-	308,428	(308,428)	-
Total accumulated depreciation	53,962,143	4,202,084	(308,428)	57,855,799
Capital assets, net	<u>\$ 88,197,783</u>	<u>\$ 33,449,555</u>	<u>\$ -</u>	<u>\$ 121,647,338</u>

* Construction costs incurred for the University's Comprehensive Energy Performance Contracting Project 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, 2015.

During 2016, the University transferred \$10,890,000 to fund University equity contributions related to costs associated with the Warren Conference Center acquisition (\$6,500,000), costs related to the 89 Mount Wayte Avenue acquisition (\$90,000), costs related to the O'Connor Hall Renovation project (\$1,300,000), and costs related to the construction of the Hemenway Hall Science Center (\$3,000,000) (see below).

Additionally, \$256,000 was transferred to the MSCBA from available bond funds related to the Warren Conference Center acquisition (\$40,000) and funds related to the bond refunding (\$216,000) (see Note 12).

During fiscal 2016, the MSCBA used bond proceeds of \$1,500,000 to repay a loan receivable to the University in the amount of \$1,152,765. The excess bond proceeds of \$347,235 have been accounted for as a transfer to the University (see Note 13).

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During 2015, the University transferred \$1,650,000 to fund University equity contributions related to costs associated with the 1812 House Renovation project (\$400,000), costs related to the O'Connor Hall Renovation project (\$1,200,000), and costs related to the 860 Worcester Road acquisition (\$50,000), all of which were funded from University operations.

Additionally, \$430,968 was transferred to the MSCBA from available bond funds related to the 860 Worcester Road acquisition (\$218,000) and funds related to the bond refunding (\$212,968) (see Note 12).

The net transfers to/from state agencies amounted to a net transfer out of \$10,798,765 and \$2,072,255 in 2016 and 2015, respectively.

During fiscal 2015, 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. During 2016, the University received grant proceeds of \$3,000,000 from the MLSC. The grant proceeds of \$3,000,000 were transferred to DCAM to be used toward the construction of the Hemenway Hall Science Center during 2016.

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, 2016 and 2015.

Note 6 - Accounts payable and accrued liabilities

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

	2016	2015
Due to the Commonwealth	\$ 2,500,000	\$ -
Accounts payable - trade	123,083	425,177
Salaries and fringe benefits payable	933,529	2,432,090
	\$ 3,556,612	\$ 2,857,267

During fiscal 2016, the University received State appropriations in the amount of \$2,500,000 to contribute to the acquisition of the Warren Conference Center by the MSCBA. The contribution was ultimately made with bond funding provided by DCAM in the amount of \$2,500,000. The University intends to revert the \$2,500,000 of State appropriations back to the Commonwealth during fiscal 2017.

Note 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, 2016 and 2015. Based upon the Commonwealth's analyses, \$518,848 and \$460,497 of accrued workers' compensation has been recorded as a liability at June 30, 2016 and 2015, respectively.

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Note 8 - Accrued compensated absences

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

	2016	2015
Vacation time payable	\$ 2,932,837	\$ 2,835,094
Sick time payable	2,457,991	2,197,814
Total	\$ 5,390,828	\$ 5,032,908
Amount representing obligations due to employees funded through sources other than State appropriations	\$ 619,997	\$ 512,234
Amount representing obligations for employees funded through State appropriations	4,770,831	4,520,674
Total	\$ 5,390,828	\$ 5,032,908

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 \$45,299,482 and \$41,862,480 at June 30, 2016 and 2015, respectively (see Note 1, Compensated absences).

Note 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 12-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, 2016 of \$2,722,997 will be paid from the University's fiscal 2017 State appropriations. The total amount due at June 30, 2015 of \$2,616,749 was paid from the University's fiscal 2016 State appropriations.

Note 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.

Revenue received in advance includes the following at June 30:

	2016	2015
Summer tuition	\$ 1,841,445	\$ 2,074,359
Grants	309,000	434,262
	\$ 2,150,445	\$ 2,508,621

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Note 11 - Deferred inflows of resources from service concession arrangement

In fiscal 2011, the University recorded a service concession arrangement with Sodexo Operations, LLC ("Sodexo") 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 was being amortized to revenue on a straight-line basis over the term of the original arrangement, which ended June 30, 2015. Amortization in the amount of \$468,589 was recognized in nonoperating revenue (gifts) in the accompanying 2015 statement of revenues, expenses and changes in net position for the year ended June 30, 2015.

Note 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.

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><u>\$ 5,636,093</u></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 35 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 35 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, 2016 and 2015 were .991% and .504%, respectively. The University is also responsible to pay for program expenses at an annual rate of 1.154% (2016) and 1.142% (2015) of

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the outstanding principal balance, calculated and payable every 35 days when the rate is auctioned. The effective interest rate for 2016 and 2015 amounted to .81% and .11%, 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 10-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, 2016 and 2015 was \$3,714,063 and \$4,077,582, respectively.

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,	Principal	Estimated interest (1)	Total
2017	\$ 369,232	\$ 36,806	\$ 406,038
2018	390,664	36,806	427,470
2019	413,263	36,806	450,069
2020	437,217	36,806	474,023
2021	462,609	36,806	499,415
2022 - 2023	<u>1,007,586</u>	<u>110,417</u>	<u>1,118,003</u>
	3,080,571	294,447	3,375,018
Balance of restricted cash held for debt principal at June 30, 2016	<u>633,492</u>	<u>-</u>	<u>633,492</u>
Total	<u><u>\$ 3,714,063</u></u>	<u><u>\$ 294,447</u></u>	<u><u>\$ 4,008,510</u></u>

(1) The interest rate in effect at June 30, 2016 of .991% 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.

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As of June 30, 2016 and 2015, 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, 2016 and 2015 as noncurrent restricted cash and cash equivalents. As the result of a bond refunding transaction in 2015, the University expects to have a net interest credit in fiscal year 2033 as a result of interest savings. The bond refunding by the MSCBA had no other impact on the debt of the University.

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, 2016 and 2015, the effective interest rate on this debt was 4.05% and 4.00%, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$1,755,000 and \$1,815,000, respectively.

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

For the year ending June 30,	Principal	Estimated interest	Total
2017	\$ 60,000	\$ 70,064	\$ 130,064
2018	65,000	66,842	131,842
2019	70,000	63,349	133,349
2020	70,000	59,956	129,956
2021	75,000	55,992	130,992
2022 - 2026	445,000	202,377	647,377
2027 - 2031	550,000	108,515	658,515
2032 - 2033	420,000	(14,122)	405,878
	<u>\$ 1,755,000</u>	<u>\$ 612,973</u>	<u>\$ 2,367,973</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.

During fiscal 2015, \$212,968 of debt service reserve funds were transferred to the MSCBA as part of bond refunding transactions. Other than the transfer of those funds to the MSCBA, the bond refundings by the MSCBA had no impact on the debt of the University. The University expects to benefit from interest savings on the bond refundings.

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

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service costs. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 1.75% and 3.96%, respectively. The effective interest rate at June 30, 2016 and 2015, respectively, reflects interest savings as a result of the bond refundings. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$4,670,000 and \$5,040,000, respectively.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 385,000	\$ 141,337	\$ 526,337
2018	400,000	165,979	565,979
2019	415,000	157,764	572,764
2020	435,000	139,602	574,602
2021	450,000	123,693	573,693
2022 - 2026	<u>2,585,000</u>	<u>300,067</u>	<u>2,885,067</u>
	<u>\$ 4,670,000</u>	<u>\$ 1,028,442</u>	<u>\$ 5,698,442</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, 2016 and 2015, 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, 2016 and 2015 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 4.32% and 4.15% for the years ended June 30, 2016 and 2015, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$1,000,259 and \$1,077,694, respectively, including unamortized premium.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 75,000	\$ 31,617	\$ 106,617
2018	80,000	34,446	114,446
2019	85,000	35,132	120,132
2020	85,000	30,769	115,769
2021	90,000	26,990	116,990
2022 - 2026	<u>525,000</u>	<u>64,521</u>	<u>589,521</u>
	940,000	<u>\$ 223,475</u>	<u>\$ 1,163,475</u>
Plus: Unamortized premium	<u>60,259</u>		
	<u>\$ 1,000,259</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, 2016 and 2015, 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, 2016 and 2015 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 4.27% for each of the years ended June 30, 2016 and 2015, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$631,169 and \$667,958, respectively, including unamortized premium.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 40,000	\$ 29,355	\$ 69,355
2018	40,000	23,260	63,260
2019	40,000	25,213	65,213
2020	45,000	22,020	67,020
2021	45,000	19,710	64,710
2022 - 2026	270,000	62,065	332,065
2027-2028	130,000	4,965	134,965
	610,000	<u>\$ 186,588</u>	<u>\$ 796,588</u>
Plus: Unamortized premium	<u>21,169</u>		
	<u>\$ 631,169</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.

During fiscal 2016, \$180,000 of debt service reserve funds was transferred to the MSCBA as part of a bond refunding transaction. Other than the transfer of those funds to the MSCBA, the bond refundings by the MSCBA had no impact on the debt of the University. The University expects to benefit from interest savings on the bond refundings.

As of June 30, 2016 and 2015, the MSCBA held debt service reserve funds in the amounts of \$212,056 and \$392,056, respectively, which are included in the accompanying statements of net position at June 30, 2016 and 2015, 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 4.49% and 4.46% for the years ended June 30, 2016 and 2015, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$4,466,542 and \$4,715,067, respectively, including unamortized premium.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 256,938	\$ 202,147	\$ 459,085
2018	265,737	164,109	429,846
2019	278,056	154,174	432,230
2020	288,615	157,347	445,962
2021	300,934	144,453	445,387
2022-2026	1,740,489	489,335	2,229,824
2027-2029	1,265,330	70,451	1,335,781
	4,396,099	<u>\$ 1,382,016</u>	<u>\$ 5,778,115</u>
Plus: Unamortized premium	<u>70,443</u>		
	<u>\$ 4,466,542</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.

During fiscal 2016, \$36,000 of debt service reserve funds were transferred to the MSCBA as part of bond refunding transactions. Other than the transfer of those funds to the MSCBA, the bond refundings by the MSCBA had no impact on the debt of the University. The University expects to benefit from interest savings on the bond refundings.

As of June 30, 2016 and 2015, the MSCBA held debt service reserve funds in the amounts of \$9,526 and \$45,526, respectively, which are included in the accompanying statements of net position at June 30, 2016 and 2015 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 4.78% and 4.83% for the years ended June 30, 2016 and 2015, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$528,362 and \$559,388, respectively, including unamortized premium.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 30,000	\$ 24,990	\$ 54,990
2018	30,000	20,055	50,055
2019	30,000	18,731	48,731
2020	35,000	19,059	54,059
2021	35,000	17,257	52,257
2022 - 2026	205,000	58,420	263,420
2027 - 2029	150,000	8,194	158,194
	515,000	<u>\$ 166,706</u>	<u>\$ 681,706</u>
Plus: Unamortized premium	<u>13,362</u>		
	<u>\$ 528,362</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, 2016 and 2015, unexpended debt proceeds held by Century Bancorp, Inc. related to the debt issue and the Project are \$18,171 and \$18,132, respectively, which are included in the accompanying statements of net position at June 30, 2016 and 2015 as noncurrent restricted cash and cash equivalents.

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. 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, 2016 and 2015, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$114,986 and \$125,439, respectively.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 10,453	\$ 4,080	\$ 14,533
2018	10,453	3,709	14,162
2019	10,453	3,339	13,792
2020	10,453	2,976	13,429
2021	10,453	2,597	13,050
2022 - 2026	52,266	7,423	59,689
2027	10,455	371	10,826
	<u>\$ 114,986</u>	<u>\$ 24,495</u>	<u>\$ 139,481</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. 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.

As of June 30, 2016 and 2015, amounts held by MSCBA related to the debt issue and the Project are as follows:

	<u>2016</u>	<u>2015</u>
Unexpended debt proceeds	\$ 175,273	\$ 292,927
Debt service reserve fund	965,564	965,564
	<u>\$ 1,140,837</u>	<u>\$ 1,258,491</u>

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2016 and 2015 as noncurrent restricted cash and cash equivalents.

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

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each of the years ended June 30, 2016 and 2015, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$11,095,000 each year.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ -	\$ 458,095	\$ 458,095
2018	-	458,095	458,095
2019	-	458,095	458,095
2020	-	458,095	458,095
2021	-	458,095	458,095
2022 - 2026	2,895,000	2,177,420	5,072,420
2027 - 2031	5,600,000	1,247,902	6,847,902
2032 - 2035	2,600,000	256,123	2,856,123
	<u>\$ 11,095,000</u>	<u>\$ 5,971,920</u>	<u>\$ 17,066,920</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 20 years to 5 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 commenced in 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 by the University during fiscal 2016 and 2015 for Phase 1 amounted to \$1,459 and \$1,417, respectively. Maintenance costs incurred for Phase 2 for fiscal June 30, 2016 and 2015 amounted to \$19,256 and \$18,786, respectively. Maintenance costs incurred in fiscal 2016 and 2015 were inadvertently not billed to the University and, accordingly, not recorded or paid by the University in fiscal 2016 and 2015. These amounts are expected to be paid in fiscal 2017. The outstanding balance on this Interagency payable at June 30, 2016 and 2015 was \$3,246,726 and \$3,468,795, respectively.

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

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

For the year ending June 30,	Phase 1		Phase 2		Total
	Principal	Interest	Principal	Interest	
2017	\$ 14,199	\$ 14,517	\$ 216,820	\$ 116,965	\$ 362,501
2018	14,838	13,878	225,494	108,292	362,502
2019	15,506	13,210	234,513	99,273	362,502
2020	16,204	12,512	243,894	89,892	362,502
2021	16,933	11,783	253,650	80,136	362,502
2022 - 2026	96,803	46,777	1,428,803	240,127	1,812,510
2027 - 2031	120,634	22,946	320,955	12,831	477,366
2032	27,480	1,234	-	-	28,714
	<u>\$ 322,597</u>	<u>\$ 136,857</u>	<u>\$ 2,924,129</u>	<u>\$ 747,516</u>	<u>\$ 4,131,099</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 MSCBA 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.

As of June 30, 2016 and 2015, the MSCBA held debt service reserve funds related to the 2012C bond in the amount of \$69,848, which are included in the accompanying statements of net position at June 30, 2016 and 2015 as noncurrent restricted cash and cash equivalents.

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 \$270,000 to DCAM. As of June 30, 2016 and 2015, DCAM held unexpended funds in the amounts of \$100,000 and \$350,000, respectively, all of which is included in noncurrent restricted cash and cash equivalents in the accompanying 2016 and 2015 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 3.33% and 3.43% for the years ended June 30, 2016 and 2015, respectively. The aggregate outstanding balance of these Interagency payables at June 30, 2016 and 2015 was \$4,030,762 (\$1,831,918 and \$2,198,844) and \$4,214,714 (\$1,915,546 and \$2,299,168), respectively, including unamortized premium.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 175,000	\$ 123,363	\$ 298,363
2018	185,000	116,363	301,363
2019	190,000	108,963	298,963
2020	200,000	99,463	299,463
2021	205,000	91,463	296,463
2022 - 2026	1,160,000	332,013	1,492,013
2027 - 2031	1,330,000	165,150	1,495,150
2032	<u>285,000</u>	<u>8,550</u>	<u>293,550</u>
	3,730,000	<u>\$ 1,045,328</u>	<u>\$ 4,775,328</u>
Plus: Unamortized premium	<u>300,762</u>		
	<u>\$ 4,030,762</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.

As of June 30, 2016 and 2015, amounts held by MSCBA related to the debt issuance and the Project are as follows:

	<u>2016</u>	<u>2015</u>
Unexpended debt proceeds	\$ 1,944	\$ 2,989
Debt service reserve fund	<u>194,330</u>	<u>194,330</u>
	<u>\$ 196,274</u>	<u>\$ 197,319</u>

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2016 and 2015 as noncurrent restricted cash and cash equivalents.

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 debt was 4.90% and 4.81% for the years ended June 30, 2016 and 2015, respectively. The outstanding balance of this

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Interagency payable at June 30, 2016 and 2015 was \$3,358,509 and \$3,484,451, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Estimated interest	Total
2017	\$ 120,000	\$ 149,300	\$ 269,300
2018	120,000	144,500	264,500
2019	130,000	138,500	268,500
2020	135,000	132,000	267,000
2021	140,000	125,250	265,250
2022-2026	820,000	513,000	1,333,000
2027-2031	1,050,000	286,250	1,336,250
2032-2033	495,000	37,500	532,500
	3,010,000	\$ 1,526,300	\$ 4,536,300
Plus: Unamortized premium	348,509		
	<u>\$ 3,358,509</u>		

Massachusetts State College Building Authority ("MSCBA") bond issuance - \$680,000

During December 2014, the University signed a financing agreement to receive \$680,000. 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. 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 were as follows:

	2015
Debt issue	\$ 680,000
Amount held by MSCBA for debt service reserve fund (included in restricted cash and cash equivalents - noncurrent)	(44,781)
Debt issue premium	120,771
Debt issuance costs	(5,990)
Net proceeds	<u>\$ 750,000</u>

As of June 30, 2016 and 2015, the MSCBA held debt service reserve funds in the amount of \$44,781, which are included in the accompanying statements of net position at June 30, 2016 and 2015 as noncurrent restricted cash and cash equivalents.

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The University is required to make annual principal payments on the debt each May 1, commencing on May 1, 2016. The final principal payment is due on May 1, 2034. 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 the debt was 4.91% and 5.05% for the years ended June 30, 2016 and 2015, respectively. The outstanding balance of this Interagency payable at June 30, 2016 and 2015 was \$790,771 and \$800,771, respectively, including unamortized premium.

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

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Estimated interest</u>	<u>Total</u>
2017	\$ 25,000	\$ 32,500	\$ 57,500
2018	25,000	31,750	56,750
2019	25,000	30,750	55,750
2020	30,000	29,750	59,750
2021	30,000	28,250	58,250
2022 - 2026	165,000	118,000	283,000
2026 - 2031	215,000	71,750	286,750
2032 - 2034	155,000	15,750	170,750
	670,000	<u>\$ 358,500</u>	<u>\$ 1,028,500</u>
Plus: Unamortized premium	<u>120,771</u>		
	<u>\$ 790,771</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, 2016 and 2015, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$52,745 and \$497,818, respectively, all of which is included in noncurrent restricted cash and cash equivalents in the accompanying 2016 and 2015 statements of net position.

As of June 30, 2016 and 2015, construction costs funded during the year by the University's equity contributions and bond issuance funds amounted to \$77,654 and \$2,951,999, respectively.

Note 13 - Line of credit

During fiscal 2015, the University entered into a demand non-revolving line of credit agreement with MutualOne Bank which permitted the University to borrow up to \$1,500,000. The line of credit provided for interest at the Wall Street Journal Prime Rate plus 0.50%, but in no event less than 3.25% per annum. For the years ended June 30, 2016 and 2015, interest expense incurred on borrowings under this line of credit amounted to \$26,081 and \$14,606, respectively. On January 4, 2016, the University repaid the outstanding balance of \$1,152,765 under the line of credit

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agreement. At June 30, 2015, the University had an outstanding balance of \$1,152,765 under the line of credit agreement.

During fiscal 2015, the University advanced \$1,152,765 of funds under the line of credit to MSCBA. The loan receivable had no stated repayment terms. The MSCBA issued a bond in fiscal 2016 and used bond proceeds of \$1,500,000 to repay the University. The excess bond proceeds of \$347,235 has been recognized in transfers to/from state agencies in the accompanying 2016 statement of revenues, expenses and changes in net position. The advance was included in loans receivable - current portion in the accompanying 2015 statement of net position.

Note 14 - Long-term liabilities

Long-term liabilities activity for the year ended June 30, 2016 included the following:

	Totals June 30, 2015	Additions	Reductions	Totals June 30, 2016	
				Ending balance	Current portion
Interagency payables	\$ 41,141,859	\$ -	\$ 1,739,710	\$ 39,402,149	\$ 1,818,555 [A]
Other liabilities					
Compensated absences	5,032,908	3,589,360	3,231,440	5,390,828	3,410,445
Workers' compensation	460,497	158,739	100,388	518,848	109,477
Loan payable - federal financial assistance	1,930,383	235,660	284,358	1,881,685	-
Net pension liability	6,196,704	6,505,680	-	12,702,384	-
Total other liabilities	13,620,492	10,489,439	3,616,186	20,493,745	3,519,922
Long-term obligations	\$ 54,762,351	\$ 10,489,439	\$ 5,355,896	\$ 59,895,894	\$ 5,338,477

Long-term liabilities activity for the year ended June 30, 2015 included the following:

	Totals June 30, 2014	Additions	Reductions	Totals June 30, 2015	
				Ending balance	Current portion
Interagency payables	\$ 41,969,977	\$ 800,771	\$ 1,628,889	\$ 41,141,859	\$ 1,725,423 [A]
Other liabilities					
Compensated absences	4,569,674	3,396,213	2,932,979	5,032,908	3,231,440
Workers' compensation	555,960	19,036	114,499	460,497	100,388
Loan payable - federal financial assistance	1,877,907	409,800	357,324	1,930,383	-
Net pension liability	7,112,594	-	915,890	6,196,704	-
Total other liabilities	14,116,135	3,825,049	4,320,692	13,620,492	3,331,828
Long-term obligations	\$ 56,086,112	\$ 4,625,820	\$ 5,949,581	\$ 54,762,351	\$ 5,057,251

[A] - The MDFA debt issuance totaling \$3,714,063 and \$4,077,582 at June 30, 2016 and 2015, 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, 2016 and 2015 are included in restricted cash and cash equivalents - current.

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The MSCBA debt issuances, including unamortized premiums, totaling \$32,326,374 and \$33,470,043 at June 30, 2016 and 2015, respectively, are due in various years (see Note 12). Required annual principal payments are due each May 1.

The MDFA debt issuance in the amount of \$114,986 and \$125,439 at June 30, 2016 and 2015, respectively, is due in 2027. Required annual principal payments are due each May 1.

The CEIP debt issuances in the total amount of \$3,246,726 and \$3,468,795 at June 30, 2016 and 2015, respectively, are due in 2027 and 2032 (see Note 12). Required annual principal payments are expected to be paid each January 1.

Note 15 - 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 2016 and 2015, related to this lease amounted to \$245,221 and \$241,357, respectively. The University received \$229,096 and \$222,144 in parking fees from students during 2016 and 2015, 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:

<u>For the year ending June 30,</u>	
2017	\$ 234,852
2018	230,000
2019	<u>240,000</u>
	<u>\$ 704,852</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 was for an initial term of three years and expired on the third anniversary of the Date of Occupancy. The original lease allowed for an extension for a term not to exceed five years in the aggregate pursuant to mutually agreed upon provisions by the landlord and the University. The Town of Framingham sold the property to the Danforth Museum. On September 1, 2015, the lease was extended with the Danforth Museum effective September 15, 2015 for a term of three years,

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expiring in September 2018, pursuant to mutually agreed upon provisions by the landlord and the University. The lease provides for a minimum annual base rent of \$72,000 for the initial year of the lease agreement and increases to \$74,520 for year two and \$77,128 for year three of the lease agreement.

Future minimum rental payments under this operating lease agreement are as follows:

Year ending June 30,	
2017	\$ 73,995
2018	76,585
2019	16,068
	\$ 166,648

Note 16 - 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 position 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 position are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Net position designated as unrestricted were \$35,774,969 and \$33,306,798 at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, of the total designated unrestricted net position, \$21,950,722 and \$20,995,492, 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 position (deficiency) were \$4,753,682 and \$4,035,008 at June 30, 2016 and 2015, respectively.

Note 17 - Net position restricted by enabling legislation

Framingham State University Foundation, Inc.'s statements of net position as of June 30, 2016 and 2015 reflect a restricted net position of \$3,635,836 and \$4,001,983, respectively. Of these amounts, \$974,233 and \$1,108,233 in fiscal 2016 and 2015, respectively, are restricted by enabling legislation for the State Matching Funds Program.

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Note 18 - Operating expenses

The University's operating expenses for the years ended June 30, 2016 and 2015, on a natural classification basis, are comprised of the following:

	2016	2015
Salaries		
Faculty	\$ 22,364,107	\$ 21,849,842
Exempt wages	7,907,247	5,273,212
Non-exempt wages	15,434,502	16,456,222
Benefits	10,433,732	9,082,990
Scholarships	392,989	429,076
Utilities	3,660,203	3,233,905
Supplies and other services	29,295,151	27,807,542
Depreciation	4,735,291	4,202,084
Total operating expenses	\$ 94,223,222	\$ 88,334,873

The University's operating expenses for the years ended June 30, 2016 and 2015, presented in accordance with the Commonwealth's expenditure classification plan, are comprised of the following:

	2016	2015
Education and general		
Regular employee compensation	\$ 36,339,485	\$ 34,175,152
Regular employee related expenses	529,709	436,111
Special employee/contract services	9,892,826	9,705,818
Pension and insurance	12,427,790	9,082,990
Administrative expenses	4,051,381	4,527,512
Facility operating supplies and related expenses	2,265,177	2,221,263
Energy and space rental	3,761,885	3,233,905
Consultant services	1,174,583	1,045,475
Operational services	833,781	605,665
Equipment purchases	556,966	1,110,390
Equipment lease and maintenance	585,666	522,901
Purchased client services and programs	325,488	397,313
Building improvements	656,324	785,099
Grants and subsidies	79,652	71,890
Benefit programs	104,989	141,076
Debt payment	177,961	149,531
Loans and special payments	1,502,786	424,744
Information technology	3,825,841	3,396,302
Depreciation	4,735,291	4,202,084
Total educational and general expenses	\$ 83,827,581	\$ 76,235,221

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Note 19 - 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 20) 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, 2016, 2015 and 2014 were as follows (see State appropriations under Note 22):

	2016	2015	2014
Commonwealth's retirement system contribution	\$ 2,795,701	\$ 2,862,803	\$ 2,135,685
Employer's share of health care premiums	5,045,703	4,039,818	4,266,495

Note 20 - Retirement plan

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. 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.

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

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Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

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

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

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate established by the State. The total amount of current funding by the State related to the University's employees during 2016, 2015 and 2014 was \$2,795,701, \$2,862,803, and \$2,135,685, respectively. Annual covered payroll was approximately 59%, 58% and 59% of annual total payroll for the University in 2016, 2015 and 2014, respectively.

At June 30, 2016 and 2015, the University reported a liability of \$12,702,384 and \$6,196,704, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015 and January 1, 2014, respectively, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2016, the University's proportion was .1116% which was an increase of .0281% from its proportion measured as of June 30, 2015. At June 30, 2015, the University's proportion was .0835%, which was a decrease of .0035% from its proportion measured as of June 30, 2014.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of \$3,719,946 and \$3,228,100, respectively.

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At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 2,199,793	\$ -
Net difference between projected and actual earnings on pension plan investments	-	365,014
Differences between expected and actual experience	251,083	-
Changes in proportion due to internal allocation	2,255,561	-
Changes in proportion from Commonwealth	-	9,752
University contributions subsequent to the measurement date	756,954	-
Total	\$ 5,463,391	\$ 374,766

\$756,954 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	852,955
2018		852,955
2019		852,955
2020		1,267,732
2021		505,074
Total	\$	4,331,671

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

1. 7.5% investment rate of return (8% for the year ended June 30, 2015), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.

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3. In May 2015, Chapter 19 of the Acts of 2015 created Early Retirement Incentive ("ERI") for certain members of MSERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of MSERS has increased by approximately \$230 million as of June 30, 2015.
4. Mortality rates were as follows:
 - (i) Pre-retirement - reflects RP-2000 Employees Table projected generationally with Scale BB and a base year of 2009 (gender distinct) which is a change from RP - 2000 Employees Table projected 20 years with Scale AA (gender distinct).
 - (ii) Post-retirement - reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2009 (gender distinct) which is a change from Healthy Annuitant Table projected 15 years with Scale AA (gender distinct).
 - (iii) Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) which is a change from the mortality rate assumed to be in accordance with RP - 2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	
		<u>2015</u>	<u>2014</u>
Global equity	40.00%	6.90%	7.20%
Core fixed income	13.00%	2.40%	2.50%
Hedge funds	9.00%	5.80%	5.50%
Private equity	10.00%	8.50%	8.80%
Real estate	10.00%	6.50%	6.30%
Value added fixed income	10.00%	5.80%	6.30%
Portfolio completion strategies	4.00%	5.50%	N/A
Timber/natural resources	4.00%	6.60%	5.00%
Total	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2015 and 2014 was 7.5% and 8.0%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the University's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension

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plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.5% and 8.0%, respectively, for the measurement years ended June 30, 2015 and 2014, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5% and 7.0%) or 1-percentage-point higher (8.5% and 9.0%) than the current rate:

<u>Measurement year ended</u>	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
June 30, 2014	\$ 8,975,470	\$ 6,196,704	\$ 3,817,164
June 30, 2015	17,267,321	12,702,384	8,765,902

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth's financial statements.

Note 21 - 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.

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. 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

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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 11-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, 2016 and 2015, 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, 2016, 2015 and 2014 were \$7,241,406, \$4,922,058 and \$5,848,277, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Note 22 - 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*.

Framingham State University
(a department of the Commonwealth of Massachusetts)

Notes to Financial Statements
June 30, 2016 and 2015

State appropriations

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

	2016	2015
Gross State appropriations	\$ 35,407,758	\$ 28,118,066
Add: Fringe benefits for benefited employees on the Commonwealth payroll	7,840,915	6,902,621
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(312,014)	(372,448)
Net State appropriations	\$ 42,936,659	\$ 34,648,239

\$35,477,537 and \$32,664,050 represent appropriations for maintenance and payroll during 2016 and 2015, respectively. \$7,459,122 and \$1,984,189 represent appropriations for capital improvements during 2016 and 2015, respectively. 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, 2016 and 2015.

Note 23 - 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. In addition, the University maintains commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The separate insurance policies maintained by the University consist of Educator's Legal Liability, commercial crime, general liability, automobile liability, excess liability, and a foreign package policy. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded policy coverages in any of the past three years.

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 21).

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.

Framingham State University
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Notes to Financial Statements
June 30, 2016 and 2015

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.

Note 24 - 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, 2016 and June 30, 2015, the University received \$85,089 and \$75,550, respectively, in accordance with this agreement.

Supplementary Information

Framingham State University
(a department of the Commonwealth of Massachusetts)

Schedule of the University's Proportionate Share of the Net Pension Liability
June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
University's proportion of the net pension liability (asset)	0.1116%	0.0835%	0.0800%
University's proportionate share of the net pension liability (asset)	\$ 12,702,384	\$ 6,196,704	\$ 7,112,594
University's covered-employee payroll	\$ 26,881,039	\$ 25,165,545	\$ 24,312,096
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.25%	24.62%	29.26%
Plan fiduciary net position as a percentage of the total pension liability	67.87%	76.32%	70.31%

*The amounts presented for each fiscal year were determined as of 6/30.

Framingham State University
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Schedule of University Contributions
June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,795,701	\$ 2,862,803	\$ 2,135,685
Contributions in relation to the contractually required contribution	<u>(2,795,701)</u>	<u>(2,862,803)</u>	<u>(2,135,685)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 26,881,039	\$ 25,165,545	\$ 24,312,096
Contributions as a percentage of covered-employee payroll	10.40%	11.38%	8.78%

Note: These schedules are intended to present 10 years of data. Additional years will be presented when available.

Framingham State University
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Notes to Required Supplementary Information
June 30, 2016

Note 1 - Changes in benefit terms and assumptions

Changes in benefit terms

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

Changes in assumptions

The investment rate of return changed to 7.5% from 8%.

The mortality assumptions changed as follows:

- Pre-retirement - was changed to reflect the RP - 2000 Employees Table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Employees Table projected 20 years with Scale AA (gender distinct).
- Post-retirement - was changed to reflect the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2009 (gender distinct) from Healthy Annuitant Table projected 15 years with Scale AA (gender distinct).
- Disability - was changed to the mortality rate assumed to be accordance with the RP - 2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) from the mortality rate assumed to be in accordance with the RP - 2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

The discount rate used to measure the total pension liability changed to 7.5% from 8%.

Framingham State University
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Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2016

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2016 are as follows:

Statements of Net Position

	Residence Hall Fund	Residence Hall Damage Fund
Assets		
Cash	\$ 4,039,162	\$ 299,941
Accounts receivable	127,480	24,716
	4,166,642	324,657
Liabilities		
Accounts payable	1,387	-
Salaries and fringe benefits	60,448	-
Compensated absences	265,419	-
Deposits	337,855	-
	665,109	-
Net position	\$ 3,501,533	\$ 324,657

See Independent Auditor's Report on Page 3.

Framingham State University
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Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2016

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, 2016 are as follow:

	Residence Hall Fund	Residence Hall Damage Fund
Revenue		
Student tuition and fees	\$ 13,420,243	\$ 60,539
Interest	7,256	-
Commissions	54,173	-
Rentals	55,997	-
Auxiliary services fees and other revenue	1,108,308	-
Total revenues	14,645,977	60,539
Transfer in (external)	42,160	-
Expenses		
Regular employee compensation	1,353,777	-
Regular employee related expenses	5,438	-
Special employee/contract services	1,060,798	-
Pension and insurance	406,660	-
Administrative expenses	305,387	-
Facility operating supplies and related expenses	164,471	-
Operational services	35,907	-
Equipment purchases	18,462	-
Equipment lease - purchase, lease, rent, repair	159,221	-
Purchased client service and programs	3,188	-
Buildings improvements	123,357	16,034
Benefit programs	288,000	-
Information technology	143,320	-
Loans and special payments	6,311,621	-
Total expenses	10,379,607	16,034
Transfer out (external)		
Transfers to/(from) state agencies	1,300,000	-
Electricity	1,450,000	-
Laundry and cleaning	50,000	-
Health services reimbursement	70,000	-
Total transfer out (external)	2,870,000	-
Increase (decrease) in net position	1,438,530	44,505
Net position - beginning of year	2,063,003	280,152
Net position - end of year	\$ 3,501,533	\$ 324,657

See Independent Auditor's Report on Page 3.

**Framingham State University
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**Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2016**

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
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Supplemental Statistical Information - Unaudited

Schedule of Net Position by Category

	2007	2008	2009	2010	2011 ^a	2012	2013	2014	2015	2016
Net investment in capital assets	\$ 31,444,778	\$ 38,339,612	\$ 46,599,851	\$ 40,387,949	\$ 37,988,052	\$ 38,286,821	\$ 41,448,701	\$ 52,034,054	\$ 84,138,157	\$ 96,687,194
Restricted-expendable	7,435,619	3,892,404	3,525,890	4,423,654	4,225,527	3,926,198	3,805,464	3,905,599	2,516,075	2,562,269
Restricted-nonexpendable	1,719,826	1,719,826	1,719,826	1,770,386	1,833,122	1,867,226	1,925,721	1,970,057	1,996,750	2,045,582
Unrestricted	14,862,892	13,336,609	14,303,979	16,927,583	22,978,623	27,289,909	31,978,129	36,838,098	37,341,806	40,528,651
Total net position	\$ 55,463,115	\$ 57,288,451	\$ 66,149,546	\$ 63,509,572	\$ 67,025,324	\$ 71,370,154	\$ 79,158,015	\$ 94,747,808	\$ 125,992,788	\$ 141,823,696

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

Sources and Uses of Funds

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Source of Revenue										
Student charges (net of scholarships)	\$ 21,791,862	\$ 22,351,999	\$ 23,583,384	\$ 24,576,837	\$ 26,007,531	\$ 31,147,293	\$ 33,455,320	\$ 33,641,345	\$ 33,785,799	\$ 34,420,617
Grants and contracts	2,257,102	2,671,878	3,069,398	4,050,321	4,967,041	5,344,608	6,706,251	7,480,144	9,933,830	12,284,096
Stimulus grants	-	-	-	3,482,805	830,709	424	-	-	-	-
Auxiliary enterprises	6,892,452	7,101,203	7,712,138	8,456,561	9,354,988	12,394,711	13,106,652	13,739,521	14,208,692	14,706,516
Other operating revenue	2,488,527	2,826,358	1,975,343	1,975,870	1,496,656	1,754,261	2,224,319	2,087,533	1,689,136	2,038,867
Total operating revenue	33,429,943	34,951,438	36,340,263	42,542,394	42,656,925	50,641,297	55,492,542	56,948,543	59,617,457	63,450,096
State support	31,456,514	31,484,538	28,427,909	22,390,029	27,509,637	30,014,259	27,584,390	30,676,068	32,664,050	35,477,537
Stimulus grants	-	-	-	1,649,328	782,970	2,586,100	-	-	-	-
Other non-operating revenue	6,631,703	3,061,205	6,344,482	287,029	2,392,533	25,513	4,296,226	12,202,066	36,483,195	21,925,262
Total non-operating revenue	38,088,217	34,545,743	34,772,391	24,326,386	30,685,140	32,625,872	31,880,616	42,878,134	69,147,245	57,402,799
Total revenue	\$ 71,518,160	\$ 69,497,181	\$ 71,112,654	\$ 66,868,780	\$ 73,342,065	\$ 83,267,169	\$ 87,373,158	\$ 99,826,677	\$ 128,764,702	\$ 120,852,895

Functional Expense

Instruction	\$ 21,208,906	\$ 23,832,939	\$ 20,408,847	\$ 20,491,371	\$ 21,453,520	\$ 22,735,216	\$ 26,225,721	\$ 27,347,169	\$ 29,049,792	\$ 31,336,705
Research	10,499	-	-	-	-	-	18,537	90,386	1,508,571	1,630,714
Public service	-	-	-	-	-	-	-	-	-	-
Academic support	7,590,955	7,991,707	7,169,261	7,255,860	8,899,811	9,011,501	9,343,322	9,974,585	9,998,548	11,852,251
Student services	6,640,774	7,659,953	6,551,763	6,607,464	7,495,741	8,543,923	9,516,596	10,513,003	11,158,061	11,911,904
Institutional support	7,375,721	9,099,526	8,456,589	8,526,921	8,971,673	10,311,003	7,828,181	7,858,572	9,009,850	10,815,126
Operations and maintenance of plant	9,632,258	10,657,583	9,743,916	8,578,382	8,457,584	10,122,757	11,149,462	11,087,924	11,167,239	11,440,601
Scholarships	270,689	128,973	182,264	156,617	230,346	185,858	172,280	155,336	141,076	104,989
Sub-total	52,729,802	59,370,681	52,512,640	51,616,615	55,508,675	60,910,258	64,254,099	67,026,975	72,033,137	79,092,290
Auxiliary enterprises	6,075,064	6,082,569	6,702,220	7,267,640	8,329,122	10,465,629	10,982,802	11,907,599	12,099,652	10,395,641
Total operating expense	58,804,866	65,453,250	59,214,860	58,884,255	63,837,797	71,375,887	75,236,901	78,934,574	84,132,789	89,487,931
Other non-operating expense	-	-	-	6,881,873	1,925,000	3,327,353	778,700	1,315,343	2,072,255	10,798,765
Total non-operating expense	-	-	-	6,881,873	1,925,000	3,327,353	778,700	1,315,343	2,072,255	10,798,765
Total expense	\$ 58,804,866	\$ 65,453,250	\$ 59,214,860	\$ 65,766,128	\$ 65,762,797	\$ 74,703,240	\$ 76,015,601	\$ 80,249,917	\$ 86,205,044	\$ 100,286,696

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."*

See Independent Auditor's Report on Page 3.

Framingham State University
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Supplemental Statistical Information - Unaudited

During fiscal 2015, FSU changed the methodology used to allocate certain types of university-wide operating expenses. In the past, the allocation was based upon the proportional share of overall operating expenses borne by the following educational and general operating expense categories: Instruction, Academic Support, Student Services, Institutional Support and Operations and Maintenance of Plant.

The revised allocation methodology distributes these expenses based upon the proportional number of FTE faculty and staff members associated with each category. The operating expenses allocated include Information Technology and Campus Police expenses, fiscal 2015 costs for which are approximately \$6.6M. Management believes that the FTE allocation basis more accurately reflects the proportional benefit received by the various university functional areas.

Utilizing the new allocation basis FSU has reclassified the operating expenses by educational and general operating expense categories for fiscal 2013 and fiscal 2014. Operating Expenses for periods prior to fiscal 2013 have not been reclassified as information was unavailable.

Framingham State University
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Supplemental Statistical Information - Unaudited

Schedule of Capital Asset Information

	Academic Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Land (acreage)	52.35	50.35	50.93	51.28	51.28	51.28	51.28	53.00	54.00	143.18
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	124,875
300 Administrative	83,857	83,857	83,857	83,857	83,857	83,857	83,857	83,857	94,325	94,325
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	53,449	53,449
5xx Other special use	8,852	8,852	8,852	8,852	8,852	8,852	8,852	31,706	31,706	114,106
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	138,165	138,165	138,165	138,165	138,165	138,165	138,165	154,425
000 Unclassified	-	-	-	-	-	-	-	-	-	-
Unassigned/unassignable	151,504	154,688	154,688	154,688	154,688	154,688	154,688	154,688	154,688	154,688
Total Square Feet	657,720	660,904	665,504	665,504	665,504	665,504	665,504	688,358	702,566	856,226
Residence Halls	341,900	341,900	341,900	341,900	341,900	469,645	469,645	539,045	539,045	545,795
Rental space	-	-	-	-	-	-	6,613	6,613	6,613	6,613
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Dormitories - # of residents (1)	1,552	1,534	1,583	1,552	1,966	1,946	1,946	1,940	1,890	1,876

Note: Classification of facilities space is consistent with Facilities Inventory & Classification Code guide. This was implemented in 2005.

* Corrected amount from Master Plan; prior years have been adjusted accordingly.

(1) Residence Hall # of residents is based upon the average of the Spring and Fall occupancy the calendar year, e.g. 2016 = Spring 2016 + Fall 2016.

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Framingham State University
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Supplemental Statistical Information - Unaudited

Schedule of Tuition and Mandatory Fees

	Academic Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Resident Undergraduate</i>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	4,479	4,829	5,171	5,570	6,095	6,610	7,110	7,110	7,350	7,730
Total	\$ 5,449	\$ 5,799	\$ 6,141	\$ 6,540	\$ 7,065	\$ 7,580	\$ 8,080	\$ 8,080	\$ 8,320	\$ 8,700
<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	4,479	4,829	5,171	5,570	6,095	6,610	7,110	7,110	7,350	7,730
Total	\$ 11,529	\$ 11,879	\$ 12,221	\$ 12,620	\$ 13,145	\$ 13,660	\$ 14,160	\$ 14,160	\$ 14,400	\$ 14,780
<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	4,479	4,829	5,171	5,570	6,095	6,610	7,110	7,110	7,350	7,730
Total	\$ 6,154	\$ 6,504	\$ 6,846	\$ 7,245	\$ 7,770	\$ 8,285	\$ 8,785	\$ 8,785	\$ 9,025	\$ 9,405

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

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Supplemental Statistical Information - Unaudited

Admissions, Enrollment, and Degree Statistics

Admissions-Freshman (1)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Applications	5,072	4,837	4,620	4,108	4,542	6,254	6,985	6,902	6,665	6,189
Applications accepted	3,084	2,814	2,999	2,744	3,016	3,668	3,733	3,903	4,110	4,239
Accepted as a percentage of applications	61%	58%	65%	67%	66%	59%	53%	57%	62%	68%
Students enrolled (2)	1,051	1,062	991	1,147	1,237	1,442	1,407	1,341	1,338	1,358
Enrolled as a percentage of accepted	34%	38%	33%	42%	41%	39%	38%	34%	33%	32%

(1) Includes all undergraduate admissions including transfer students.

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

Enrollment	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Full-time equivalent	4,169	4,189	4,237	4,213	4,288	4,710	4,909	4,942	4,996	4,881
Unduplicated credit headcount	5,861	5,903	6,086	5,989	5,953	6,415	6,506	6,429	6,499	6,398
Percent undergraduate (3)	65%	65%	65%	64%	65%	67%	69%	71%	71%	70%
Percent graduate	35%	35%	35%	36%	35%	33%	31%	29%	29%	30%

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

Student Population Demographics (4)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Percentage of men	30%	30%	30%	28%	30%	31%	32%	32%	32%	33%
Percentage of women	70%	70%	70%	72%	70%	69%	68%	68%	68%	67%
Percentage of African-American	3%	3%	4%	4%	5%	6%	6%	6%	6%	7%
Percentage of White	89%	89%	88%	89%	86%	84%	82%	83%	82%	77%
Percentage of Latino	4%	4%	4%	4%	5%	6%	8%	8%	9%	10%
Percentage of Other (5)	4%	4%	4%	3%	4%	4%	4%	3%	3%	7%
< 20	19%	19%	18%	19%	20%	22%	21%	21%	20%	24%
20 to 30	56%	53%	51%	51%	51%	50%	53%	54%	55%	51%
31 to 40	10%	12%	13%	12%	13%	12%	12%	11%	12%	12%
41 & Over	15%	16%	18%	18%	16%	16%	14%	14%	14%	13%

(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	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Bachelor's	713	631	662	722	728	703	735	795	908	968
Master's	459	464	410	545	430	546	426	538	414	496

See Independent Auditor's Report on Page 3.

Framingham State University
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Supplemental Statistical Information - Unaudited

Schedule of Employment

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Faculty - Primary Instruction ^{/1 /2}	233	250	264	250	257	261	312	318	366	529
Part-time	65	81	99	81	96	97	136	136	174	325
Full-time	168	169	165	169	161	164	176	182	192	204
Staff and Administrators	266	287	296	287	276	293	310	315	314	322
Part-time	7	5	6	5	7	7	9	9	10	8
Full-time	259	282	290	282	269	286	301	306	304	314
Total Employees	499	537	560	537	533	554	622	633	680	851
Part-time	72	86	105	86	103	104	145	145	184	333
Full-time	427	451	455	451	430	450	477	488	496	518

/1 Includes Instruction, Research & Public Service

/2 As of 2015 Part time Faculty also include all Continuing Education part time instructors

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

**Supplementary Information and Reports
Required by the Uniform Guidance**

Independent Auditor's Report on Supplementary Information
Required by the Uniform Guidance

To the Board of Trustees
Framingham State University

We have audited the financial statements of the business-type activities and the discretely presented component unit of Framingham State University (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2016, which collectively comprise Framingham State University's basic financial statements, and our report thereon dated October 21, 2016, which included emphasis of matter paragraphs and which appears on page 3, expressed an unmodified opinion on those financial statements. That opinion made reference to the use of the report of other auditors who audited the discretely presented component unit, Framingham State University Foundation, Inc. Our audit was conducted for the purpose of forming opinions on the 2016 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the 2016 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2016 financial statements as a whole.



Boston, Massachusetts
October 21, 2016

Framingham State University
(a department of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Program or Cluster Title	Federal CFDA Number	University Internal Fund Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Defense				
Pass-Through Department of the Army				
Basic Scientific Research (Natick				
Laboratories Liver Detox Experiment)	12.431	G01510	\$ -	\$ 50,000
Basic Scientific Research (Natick				
Laboratories Digestive Enzymes Study)	12.431	G01511	-	15,000
Subtotal Pass-Through Programs			-	65,000
Total U.S. Department of Defense			-	65,000
Department of the Interior				
Pass-Through Fish and Wildlife Service				
Coastal Wetlands Planning, Protection				
and Restoration	15.614	G01513	-	6,903
Subtotal Pass-Through Programs			-	6,903
Total Department of the Interior			-	6,903
National Aeronautics and Space Administration				
Pass-Through Smithsonian Astrophysical				
Observatory				
Science (Integrated Astrophysics STEM				
Learning & Literacy Program)	43.001	G01515	-	5,043
Subtotal Pass-Through Programs			-	5,043
Total National Aeronautics and Space			-	5,043
Administration			-	5,043
National Endowment for the Humanities				
Pass-Through Education Development Center, Inc.				
Promotion of the Humanities - Public Programs				
(Massachusetts Exploring Computer				
Science Partnership)	45.164	G01509	-	3,000
Subtotal Pass-Through Programs			-	3,000
Total National Endowment for the Humanities			-	3,000
National Science Foundation				
Pass-Through Education Development Center, Inc.				
Education and Human Resources				
(Massachusetts Exploring Computer				
Science Partnership)	47.076	G01512	-	22,599
Subtotal Pass-Through Programs			-	22,599
Total National Science Foundation			-	22,599
Subtotal Pass-Through Programs			-	102,545

Framingham State University
(a department of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>University Internal Fund Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Education				
Direct Programs				
English Language Acquisition State Grants (MASSexcELLS: Supporting ELL Populations in Central and Eastern Massachusetts)	84.365Z	G01505	\$ -	\$ 359,245
<u>Student Financial Assistance Cluster</u>				
Federal Supplemental Educational Opportunity Grants	84.007	S03003	-	123,460
Federal Work-Study Program	84.033	S03004	-	92,928
Federal Perkins Loan Program	84.038	L01000	-	2,194,284
Federal Pell Grant Program	84.063	S03000	-	5,791,645
Federal Direct Student Loans	84.268	Y05000	-	21,841,706
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	S03005	-	13,048
Total Student Financial Assistance Cluster			-	30,057,071
Subtotal Direct Programs			-	30,416,316
Total U.S. Department of Education			-	30,416,316
Total Federal Expenditures			\$ -	\$ 30,518,861

See Independent Auditor's Report on Supplementary Information Required by the Uniform Guidance on Page 95 and Notes to Schedule of Expenditures of Federal Awards.

Framingham State University
(a department of the Commonwealth of Massachusetts)

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA" or "Schedule") includes the federal award activity of Framingham State University (the "University"), under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Framingham State University has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Federal Direct Student Loans ("FDL")

The Schedule includes FDL ("CFDA 84.268") which are made directly by the U.S. Department of Education to individual students.

Note 4 - Federal Perkins Loan Program

The Federal Perkins Loan Program ("CFDA 84.038") is administered by Framingham State University. Fiscal year 2016 activity included loan funds disbursed of \$235,660. The outstanding liability to the federal government under this loan program at June 30, 2016 totaled \$1,881,685. For the year ended June 30, 2016, the University received an administrative cost allowance totaling \$28,241 for reimbursement of costs of administering the program. This administrative cost allowance has been included on the accompanying Schedule.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of 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, 2016, 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 21, 2016, which included emphasis of matter paragraphs as indicated on page 3. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Boston, Massachusetts
October 21, 2016

Independent Auditor's Report on Compliance for Each Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Framingham State University

Report on Compliance for Each Major Federal Program

We have audited Framingham State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Framingham State University's major federal programs for the year ended June 30, 2016. Framingham State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Framingham State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Framingham State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Framingham State University's compliance.

Opinion on Each Major Federal Program

In our opinion, Framingham State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Framingham State University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Framingham State University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Framingham State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Framingham State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Framingham State University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Boston, Massachusetts
October 21, 2016

Framingham State University
(a department of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

A. Summary of auditor's results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Framingham State University were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the financial statements were reported in the 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Framingham State University, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for Framingham State University expresses an unmodified opinion on Framingham State University's major federal programs.
6. There is one audit finding (Finding 2016-001) required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.
7. The programs tested as major programs were:

<u>Agency</u>	<u>Title</u>	<u>CFDA #</u>
<u>Student Financial Assistance Cluster</u>		
U.S. Department of Education	Federal Supplemental Educational Opportunity Grants	84.007
U.S. Department of Education	Federal Work-Study Program	84.033
U.S. Department of Education	Federal Perkins Loan Program	84.038
U.S. Department of Education	Federal Pell Grant Program	84.063
U.S. Department of Education	Federal Direct Student Loans	84.268
U.S. Department of Education	Teacher Education Assistance for College and Higher Education Grants ("TEACH Grants")	84.379

8. The threshold for distinguishing Type A and B programs for Framingham State University was \$750,000.
9. Framingham State University was determined to be a low-risk auditee.

Framingham State University
(a department of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

B. Findings - audit of financial statements

None

C. Findings and questioned costs - major federal award programs audit

See Finding 2016-001 on the Schedule of Findings and Questioned Costs.

Federal Direct Student Loans (84.268)

Federal Award Number: P268K161601

Award Year: 2016

U.S. Department of Education

Finding Reference: 2016-001

Criteria:

A school shall (1) Upon receipt of an enrollment report from the Secretary, must update all information included in the report and return the report to the Secretary (i) In the manner and format prescribed by the Secretary; and (ii) Within the timeframe prescribed by the Secretary; and (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that (i) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address (34 CFR 685.309 (b)).

Statement of Condition:

Framingham State University's policy is to report student enrollment to a contracted third party, the National Student Clearinghouse ("NSC"). Framingham State University utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System ("NSLDS") of changes in the enrollment status of students. However, Framingham State University is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes. Framingham State University reports an initial enrollment status and subsequent changes in enrollment status on a monthly basis to the NSC each fall and spring semester for a total of 5 times during the fall semester and 6 times during the spring semester (the final report each semester includes only students who have graduated at the end of the semester), and three times during the summer term (the 3rd report includes only students who have graduated at the end of the summer term).

Context:

In our sample of 40 students, we noted two students who had ceased to be enrolled on at least a half-time basis for which the NSLDS was not notified of the change in enrollment status for these two students within the 60 day requirement.

Statement of Cause:

The cause of the finding is due to clerical errors on behalf of the NSC excluding these students from the enrollment report sent to the NSLDS.

Framingham State University
(a department of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Statement of Effect:

The University is not in compliance with U.S. Department of Education regulations.

Auditor's Recommendation:

The University should enhance their policies and procedures to ensure the timely reporting of enrollment data to NSLDS in accordance with federal regulations requirements.

Questioned Costs:

None

Views of Responsible Officials and Corrective Actions:

Framingham State University ("FSU") currently employs written policies and procedures to ensure the timely reporting of enrollment data to the NSLDS via the NSC. Per the auditor's review, FSU did include the enrollment status changes of the two students referred to above in the enrollment reports submitted to the NSC within the required 60-day timeframe. However, the two students were not included in the enrollment reports submitted by NSC to NSLDS. As a result, the enrollment status changes of these two students were not reported to NSLDS within the required 60-day timeframe. Given that FSU is ultimately responsible for ensuring that NSLDS is properly and timely notified of all student enrollment status changes via the NSC, an additional step will be included to the written policies and procedures where the Office of the Registrar will request a copy of the enrollment files submitted to the NSLDS via the NSC and compare to the enrollment files submitted to the NSC by FSU to verify the completeness of the files submitted to the NSLDS.

Contact: Dr. Linda Vaden-Goad
Provost/Vice President of Academic Affairs

Implementation dates: Fall 2016.

Framingham State University
(a department of the Commonwealth of Massachusetts)

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2016

The University is in the process of completing corrective action on the findings noted below from the Commonwealth of Massachusetts Office of the State Auditor ("OSA") audit of certain activities for the period July 1, 2013 through June 30, 2015.

Finding 2015-001:

Commonwealth of MA

Office of the State Auditor ("OSA")

MGL Chapter 647 of the Acts of 1989 -- Responsibilities under the Internal Control Law

Period Audited: July 1, 2013 through June 30, 2015

The OSA conducted a performance audit, in which they examined certain FSU activities related to the safeguarding of fixed assets, the reporting requirements of Chapter 647 of the Acts of 1989, certain administrative expenditures, and the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

Based upon this audit the following findings were cited by the OSA:

- | | |
|-------------------|---|
| Finding 1a | FSU did not record all fixed assets in its inventory. |
| Finding 1b | FSU did not conduct complete annual fixed-asset inventories, and its inventory records contain inaccuracies. |
| Finding 1c | FSU did not properly dispose of assets or properly document that they had been cleared of sensitive data, and it did not report all missing items to OSA. |

Status:

The President and Executive Vice President of Administration, Finance, and Technology ("EVP-AFT") have briefed the Board of Trustees, FSU's executive team, and FSU's Quality Assurance manager regarding the situation. Subsequently, a task force consisting of the EVP-AFT, Associate Vice President of Facilities and Capital Planning, Chief Information Officer, Assistant Vice President of Finance and Business Services, and key team members from these respective areas has been formed to review FSU's property management policies, procedures, reporting, controls, and technologies as well as higher education best practices. Revised policies and procedures will include a communication and training program for departmental management. The task force will provide its recommendations and oversee implementation during the Fall 2016 semester. The Inventory Control Office has already implemented controls to improve the tracking of fixed assets on campus and compliance with Operational Services Division ("OSD") guidelines for surplus and disposal of fixed assets. Simultaneously, the Inventory Control Office is performing a full review of FSU's fixed asset inventory and inventory reports and is working with FSU departments, management, and OSD to take appropriate steps to update fixed asset status and information within its reporting system.

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