

# **FRAMINGHAM STATE UNIVERSITY**

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## **FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2019**

# FRAMINGHAM STATE UNIVERSITY

## Financial Statements and Supplemental Information

June 30, 2019 and 2018

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Framingham State University (the "University"), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Framingham State University Foundation, Inc. (the "Foundation") as discussed in Note 1. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

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 financial position of Framingham State University and its discretely presented component unit as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Prior Period Financial Statements*

The University's financial statements as of June 30, 2018 were audited by other auditors, whose report dated November 14, 2018, except prior year Note 26, which was dated March 14, 2019, expressed an unmodified opinion on those statements.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

### **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The residence hall fund and residence hall damage fund activity shown on pages 102 to 104, and the statistical section on pages 105-109, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the 2019 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 2019 financial statements. The residence hall fund and residence hall damage fund information and the statistical section have not been subjected to the auditing procedures applied in the audit of the 2019 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The accompanying schedule of expenditures of federal awards, as listed in the table of contents, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not required part of the

basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants  
Braintree, Massachusetts**

October 9, 2019



**FRAMINGHAM STATE UNIVERSITY**  
**FY2019 Financial Statements**  
**Management's Discussion and Analysis**  
For the Fiscal Years Ended June 30, 2019, 2018 and 2017  
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, 2019 (Fiscal Year 2019), June 30, 2018 (Fiscal Year 2018), and June 30, 2017 (Fiscal Year 2017). This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, as separately provided.

**FY2019 FINANCIAL STATEMENTS HIGHLIGHTS**

- This year's financial statements continue to reflect the significant impact of implementation of Governmental Accounting Standards Board Statement Number 75 (GASB 75) beginning in FY2018 that requires accounting for post-employment benefits liabilities (in addition to pension liabilities that were previously incorporated beginning in FY2017 per GASB 68) on public institutions' financial statements. **The implementation of GASB 68 and GASB 75 relating to the accounting of pension and post-employment benefits liabilities is reflected in the presentation of FY2019, reissued FY2018, and FY2017 financial statements.**
- The University's total assets at the end of Fiscal Year 2019 were \$219.9 million (an increase of \$6.2 million, or 2.9%, from FY2018), liabilities were \$95.4 million (an increase of \$0.3 million, or 0.3%, from FY2018) and there were \$13.8 million in deferred outflow of resources (associated with booked pension and OPEB obligations) and \$12.2M of deferred inflow of resources (\$2.2 million associated with the food service contract and \$10.0M associated with pension and OPEB obligations). **Net Position, which represents the residual interest in the University's assets after liabilities and deferred inflows/outflows, increased \$3.3 million, or 2.7%, from \$122.8 million in Fiscal Year 2018 (restated) to \$126.1 million in Fiscal Year 2019.**
  - **Restricted net position and net investment in capital assets accounts total \$110.2 million (a decrease of -\$2.2 million from FY2018)** and include: \$105.0 million net investment in capital assets, \$4.4 million in scholarship reserves, and \$0.8 million in other restricted accounts.
  - **Aggregate accumulated unrestricted net position (accounting for pension and OPEB liabilities that results in a direct accounting reduction to unrestricted assets) was \$15.9 million (an increase of \$5.5 million) at the end of FY2019.**
  - **The aggregate impact of the accounting of pension and OPEB liabilities as well as associated deferred outflows/inflows for pension and OPEB obligations totaled -\$40.7 million in FY2019 and -\$37.4 million in FY2018; this impact is ultimately reflected in a reduction in Unrestricted Net Position.**
  - **A significant portion of the year-over-year (FY2019 versus FY2018) increase in net position (after accounting for GASB pension and post-employment benefits adjustments) can be attributed to the increase in FY2019 state capital appropriations and investment income.**

## 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 Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements 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 *Statements of Net Position* present 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 *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the University's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 *Statements of Cash Flows* are 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

### Statements of Net Position

The statements of net position present the financial position of the University at the end of the fiscal year and include all assets and deferred outflows of resources less liabilities and deferred inflows of resources of the University. The difference between these amounts – net position – is one indicator of the current financial 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, 2019; June 30, 2018; and June 30, 2017 is as follows:

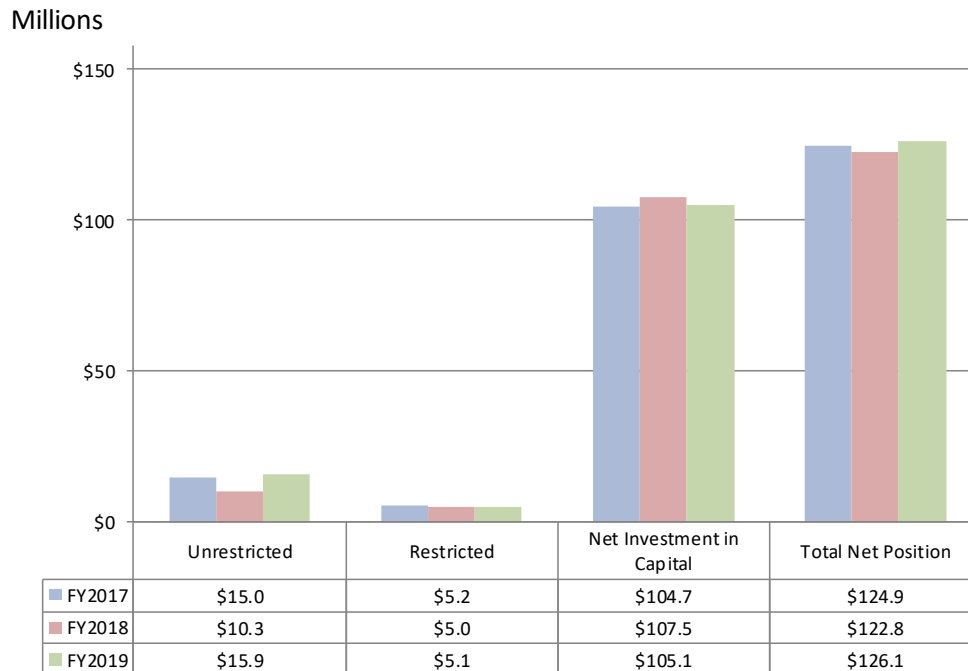


## University Accounts

	(In Thousands)	<i>Restated</i>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$40,562	\$32,362	\$36,720
Capital Assets	\$135,157	\$137,879	\$139,585
Other Noncurrent Assets	\$44,216	\$43,487	\$41,813
<b>Total Assets</b>	<b><u>\$219,935</u></b>	<b><u>\$213,728</u></b>	<b><u>\$218,118</u></b>
Total Deferred Outflows of Resources	<b><u>\$13,777</u></b>	<b><u>\$11,067</u></b>	<b><u>\$5,961</u></b>
Current Liabilities	\$15,855	\$15,517	\$14,090
Noncurrent Liabilities	\$79,535	\$79,598	\$84,572
<b>Total Liabilities</b>	<b><u>\$95,390</u></b>	<b><u>\$95,115</u></b>	<b><u>\$98,662</u></b>
Total Deferred Inflows of Resources	<b><u>\$12,190</u></b>	<b><u>\$6,871</u></b>	<b><u>\$527</u></b>
Net Position:			
Net Investment in Capital Assets	\$105,090	\$107,502	\$104,694
Restricted	\$5,134	\$4,979	\$5,207
Unrestricted	\$15,908	\$10,328	\$14,989
<b>Total Net Position</b>	<b><u>\$126,132</u></b>	<b><u>\$122,809</u></b>	<b><u>\$124,890</u></b>

The University's net position as of June 30, 2019 reflects changes resulting from operations as well as the impact of accounting for pension and OPEB liabilities.

### Trend Analysis: Net Position



**Net Position has increased \$3.3 million, or 2.7%, from the end of FY2018 to the end of FY2019.**

## Net Impact of Accounting for Pension and OPEB Obligations

<i>(In Thousands)</i>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
<b>Pension and OPEB Liabilities:</b>			
Net Pension Liability	\$16,140	\$14,962	\$14,520
Net OPEB Liability	<u>\$28,349</u>	<u>\$29,100</u>	<u>\$29,763</u>
Allocated Pension/OPEB Liability	\$44,489	\$44,062	\$44,283
<b>Net Deferred Outflows/Inflows:</b>			
Deferred Outflows for Pensions	(\$5,140)	(\$5,495)	(\$5,961)
Deferred Outflows for OPEB	(\$8,637)	(\$5,572)	-
Deferred Inflows for Pensions	\$1,177	\$993	\$527
Deferred Inflows for OPEB	\$8,841	\$3,416	-
Net Deferred Outflows/Inflows	<u>(\$3,759)</u>	<u>(\$6,658)</u>	<u>(\$5,434)</u>
<b>Net Impact of Accounting for Pension and OPEB Obligations:</b>	<b>\$40,730</b>	<b>\$37,404</b>	<b>\$38,849</b>
<i>Unrestricted Net Position Adjusted for Pension and OPEB Obligations:</i>	<i>\$56,638</i>	<i>\$47,732</i>	<i>\$53,838</i>
<i>Total Net Position Adjusted for Pension and OPEB Obligations:</i>	<i>\$166,862</i>	<i>\$160,213</i>	<i>\$163,739</i>

The impact of the accounting for Pension (GASB 68) and OPEB (GASB 75) obligations on both Unrestricted Net Position and Total Net Position was \$40.7 million in FY2019; \$37.4 million in FY2018; and \$38.8 million in FY2017. Adjusted Net Position trends – backing out the impact of Pension and OPEB obligations – are as follows:

### Trend Analysis: Net Position

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

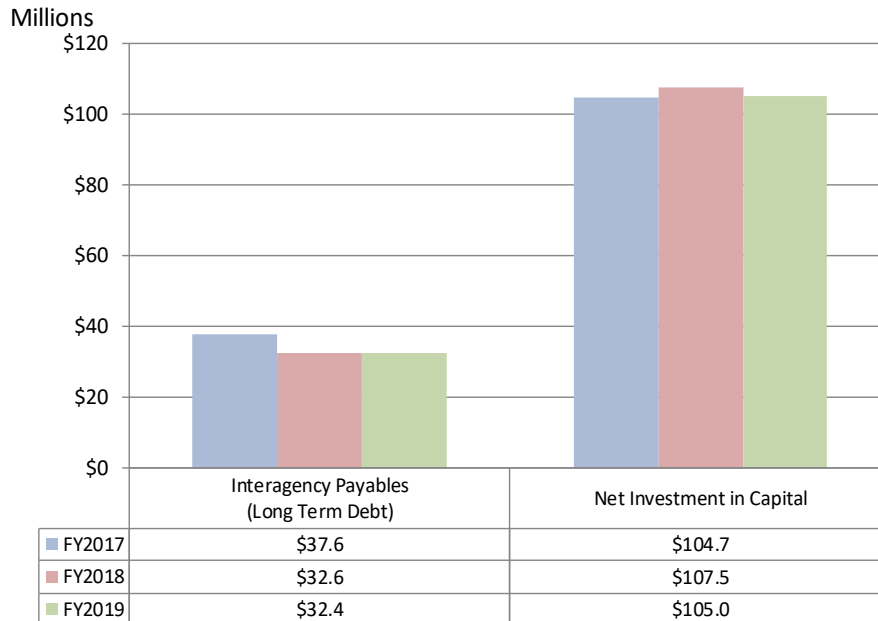
Millions



## 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. **The University has \$32.4 million in aggregate interagency payables (predominantly long-term capital debt) as of the close of FY2019 (a decrease of \$0.3 million over FY2018). Net Investment in Capital Assets was \$105.0 million at the end of FY2019.**

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



Major capital projects completed and capitalized during FY2019 (“Additions” to Net Investment in Capital) include:

➤ Utility Tunnel Project	\$2,127,624
➤ Power Plant Repairs	\$380,734
➤ McCarthy Center Student Services Area Renovation	\$168,122
➤ McCarthy Center Water Infiltration Remediation	\$65,885
➤ McCarthy Dining Project	\$3,519,767
➤ Dwight Hall Roof Replacement	<u>\$697,318</u>

Total Projects Capitalized \$6,959,450

*Note: Other projects - including Crocker Hall Renovations and Maple Athletic Fields - were undertaken during the FY2019 fiscal year but were not completed/capitalized in FY2019. Net Investment in Capital also reflects annual depreciation.*

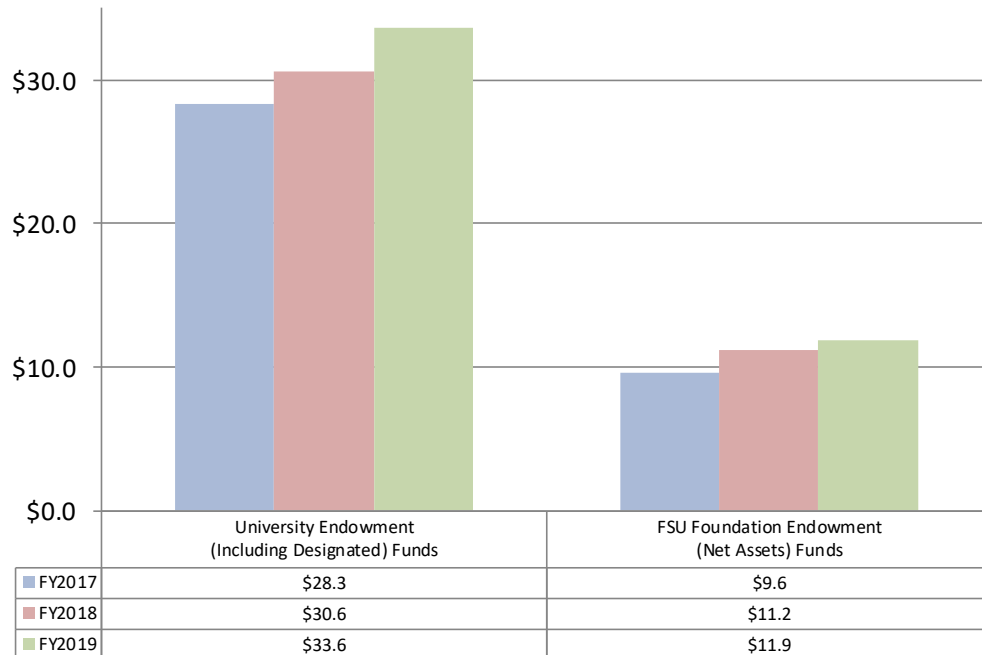
## Endowment Funds

A portion of the restricted net position includes endowment funds held by the University. The University itself has a very small designated endowment; \$2.1 million of non-expendable restricted funds. An additional \$2.2 million, at June 30, 2019, 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 FY2019 value of \$29.3 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 \$33.6 million (representing an increase of \$3.0 million or +9.8%% from FY2018).** The University invests these assets, along with other cash holdings, in the Massachusetts Municipal Depository Trust (MMDT), the Common Fund, Eaton Vance, Brown Advisory, and Boston Trust.

### Trend Analysis: Endowment (Including Designated) Funds

Millions



### 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, 2019, June 30, 2018, and June 30, 2017 is as follows:

<i>(In Thousands)</i>	<b><u>FY2019</u></b>	<b><u>FY2018</u></b>	<b><u>FY2017</u></b>
<b>Operating Revenues:</b>			
Tuition and Fees	\$45,695	\$44,796	\$43,927
Less Scholarships	(\$9,709)	(\$9,569)	(\$8,532)
<b>Net Student Tuition &amp; Fees</b>	<b>\$35,986</b>	<b>\$35,227</b>	<b>\$35,395</b>
Federal Grants and Contracts	\$7,840	\$7,390	\$6,515
State and Local Grants & Contracts	\$710	\$327	\$1,250
Private Grants	\$1,720	\$314	\$2,116
Sales and Services	\$1,766	\$1,243	\$923
Auxiliary Enterprises	\$15,897	\$16,001	\$15,630
Other Revenues	<u>\$1,863</u>	<u>\$2,418</u>	<u>\$2,194</u>
<b>Total Operating Revenues</b>	<b>\$65,782</b>	<b>\$62,920</b>	<b>\$64,023</b>

<b>Operating Expenses:</b>			
Instruction	(\$35,281)	(\$34,241)	(\$33,812)
Research	(\$108)	(\$112)	(\$1,732)
Academic Support	(\$15,602)	(\$13,870)	(\$12,836)
Student Services	(\$14,553)	(\$13,682)	(\$13,214)
Institutional Support	(\$12,101)	(\$11,690)	(\$10,555)
Operation/Maintenance of Plant	(\$14,737)	(\$12,791)	(\$12,352)
Depreciation	(\$7,495)	(\$7,328)	(\$5,892)
Auxiliary Enterprises	<u>(\$13,833)</u>	<u>(\$13,866)</u>	<u>(\$13,601)</u>
<b>Total Operating Expenses</b>	<b>(\$113,710)</b>	<b>(\$107,580)</b>	<b>(\$103,994)</b>
<b>Operating Loss</b>	<b><u>(\$47,928)</u></b>	<b><u>(\$44,660)</u></b>	<b><u>(\$39,971)</u></b>
<b>Net-Operating Revenues/(Expenses):</b>			
State Appropriations (net)	\$42,833	\$37,753	\$37,022
Gifts	\$745	\$871	\$324
Net Investment Income	\$4,564	\$3,815	\$4,170
State Capital Appropriation/Grants	\$4,277	\$173	\$12,189
Interest/Issuance Costs on Debt	(\$1,242)	(\$1,353)	(\$1,104)
Capital Grants	\$290	\$538	-
Transfers (to)/from State Agencies	(\$216)	(\$3,147)	\$200
<b>Net Non-Operating Revenues</b>	<b><u>\$51,251</u></b>	<b><u>\$38,650</u></b>	<b><u>\$52,801</u></b>
<b>Change in Net Position</b>	<b><u>\$3,323</u></b>	<b><u>(\$6,010)</u></b>	<b><u>\$12,830</u></b>

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, 2019, June 30, 2018, and June 30, 2017:

#### Schedule of Loss from Operations and Change in Net Position

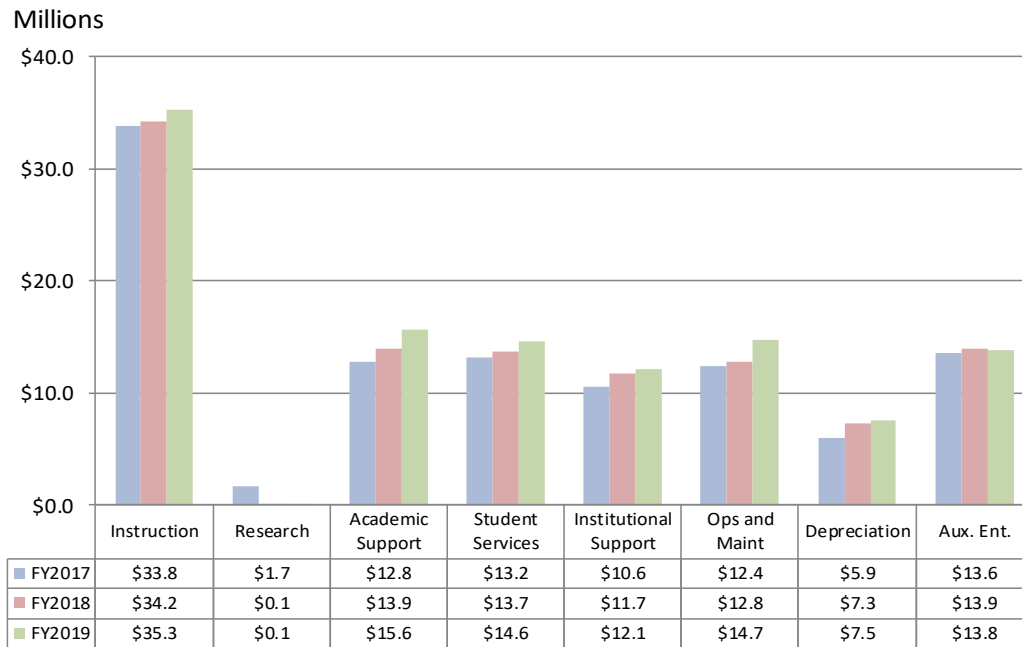
(In Thousands)	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
Tuition and Fees Revenue, Net	\$35,985	\$35,227	\$35,395
Other Operating Revenue	<u>\$29,797</u>	<u>\$27,693</u>	<u>\$28,628</u>
Total Operating Revenue	\$65,782	\$62,920	\$64,023
Operating Expenses	<u>(\$113,710)</u>	<u>(\$107,580)</u>	<u>(\$103,994)</u>
<b>Operating Loss</b>	<b><u>(\$47,928)</u></b>	<b><u>(\$44,660)</u></b>	<b><u>(\$39,971)</u></b>
Net State Appropriations	\$42,833	\$37,753	\$37,022
Net Other Revenue/(Expenses)	<u>\$8,418</u>	<u>\$897</u>	<u>\$15,779</u>
<b>Change in Net Position</b>	<b><u>\$3,323</u></b>	<b><u>(\$6,010)</u></b>	<b><u>\$12,830</u></b>
<b>Net Position End of Fiscal Year</b>	<b>\$126,132</b>	<b>\$122,809</b>	<b>\$124,890</b>

Net position at the beginning of Fiscal Year 2019 was \$122.8 million. Net position at the end of Fiscal Year 2019 was \$126.1 million; representing a \$3.3 million (2.7%) increase in net position.

#### Revenues and Expenditures

From FY2018 to FY2019, expenditures on Operations and Maintenance of Plant experienced the largest growth increasing \$1.9 million, or 15.2% (due predominantly to institutional matching of state critical repairs funding), followed by: Academic Support (including an adjustment for library materials) that increased \$1.7 million, or 12.5%; Instruction that increased \$1.0 million, or 3.0%; Student Services that increased \$0.9 million, or 6.4%; Depreciation that increased \$0.2 million, or 2.3%; and, Auxiliary Enterprises expenses that were essentially level.

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



From FY2018 to FY2019, net state appropriations (including retroactive funding for collective bargaining contracts as well as state support for fringe benefits) increased by \$5.1M (+13.5%), student net revenues increased by \$0.8M (+2.2%), and other net revenues increased a total of \$9.6M (+33.7%); changes in other net revenues reflect increases in state capital appropriations and investment earnings in FY2019 as well as the net impact on FY2018 revenues resulting from early payoff of a bond (transfer out) in FY2018.

### Trend Analysis: State Appropriations, Student and Other Revenues

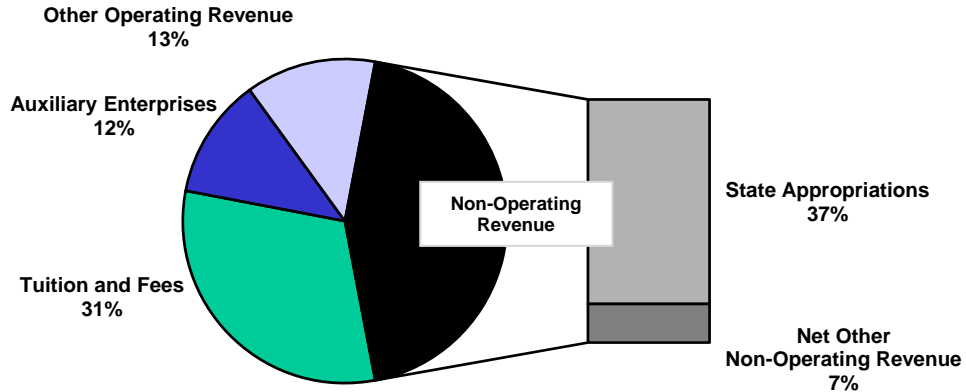


FY2018 Other Revenues reflects a significant reduction in state capital funding that fiscal year versus FY2017 and FY2019. FY2019 State Appropriations includes retroactive funding for collective bargaining agreements.

## 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, 2019.

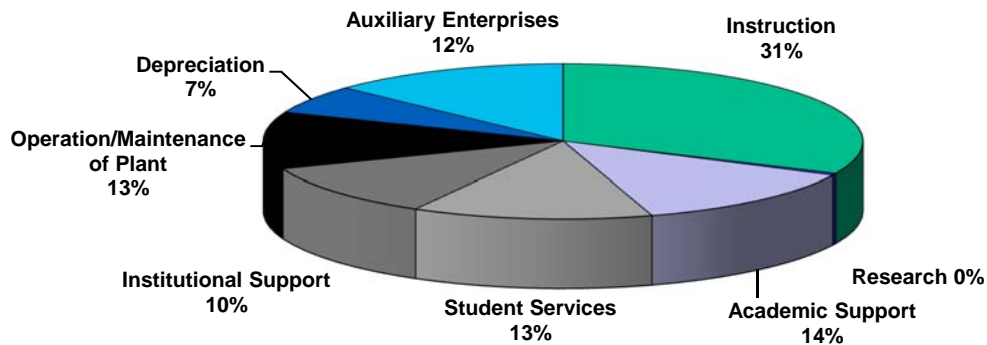
### Fiscal Year 2019 Revenues



State appropriations, along with student tuition and fees, are the primary sources of funding for the University. Fiscal Year 2019 net state appropriation support as a percent of total revenues (including fringe benefits support) was 37% while tuition and fees revenues represented 31% of total revenues and other revenue (including Auxiliary Enterprises) represented 32% of total revenues.

## Expenditures Illustration

A graphic of the University's functional expenditures for FY2019 is as follows:



**Expenditures on Instruction and Academic Support made up approximately 45% of total expenditures in FY2019.**

## 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 2019, 2018, and 2017 is as follows:

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### Statement of Cash Flows

<i>(In Thousands)</i>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Operations	\$63,699	\$64,259	\$63,265
Cash Expended for Operations	<u>(\$89,448)</u>	<u>(\$86,966)</u>	<u>(\$85,217)</u>
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b><u>(\$25,749)</u></b>	<b><u>(\$22,707)</u></b>	<b><u>(\$21,952)</u></b>
<i>Cash Flows from Non-Capital Financing Activities:</i>			
State Appropriations	\$31,028	\$28,224	\$25,417
Tuition Remitted to the Commonwealth	(\$151)	(\$386)	(\$341)
Gifts and Endowment	<u>\$745</u>	<u>\$899</u>	<u>\$529</u>
<b>Net Cash Provided/(Used) by Non-Capital Financing Activities</b>	<b><u>\$31,622</u></b>	<b><u>\$28,737</u></b>	<b><u>\$25,605</u></b>
<i>Cash Flows from Capital &amp; Related Financing Activities:</i>			
State Capital Appropriations	\$0	\$173	\$4,523
Perkins Loan Program Net Funds Received	\$16	\$9	\$13
Payments for Capital Assets	(\$1,207)	(\$2,977)	(\$3,352)
Interagency Payable Proceeds Received	\$1,300	\$0	\$0
Interagency Principal Payments	(\$1,523)	(\$4,812)	(\$1,772)
Interest Paid on Interagency Payables	(\$1,246)	(\$1,494)	(\$1,403)
Transfers of Funds To/From State Agencies	<u>(\$215)</u>	<u>(\$3,147)</u>	<u>\$200</u>
<b>Net Cash Provided/(Used) by Capital and Related Activities</b>	<b><u>(\$2,875)</u></b>	<b><u>(\$12,248)</u></b>	<b><u>(\$1,791)</u></b>
<i>Cash Flows from Investing Activities:</i>			
Purchase/Sale (Net) of Marketable Securities	(\$280)	(\$2,298)	(\$1,934)
Earnings on Investments	<u>\$598</u>	<u>\$2,803</u>	<u>\$2,212</u>
<b>Net Cash Provided/(Used) by Investing Activities</b>	<b><u>\$318</u></b>	<b><u>\$505</u></b>	<b><u>\$278</u></b>
<b>Net Increase/(Decrease) in Cash and Equivalents</b>	<b><u>\$3,316</u></b>	<b><u>(\$5,713)</u></b>	<b><u>\$2,140</u></b>

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**Cash and equivalents at the beginning of Fiscal Year 2019 were \$27.6 million and at the end of the fiscal year were \$30.9 million; reflecting a \$3.3 million increase.**

### **FACTORS THAT MAY AFFECT THE FUTURE**

While Framingham State University's current financial condition is strong, the institution has entered into a transition period where – after a sustained period of substantial enrollment growth – the university has experienced decreases in new and aggregate student enrollment for the past four years.

As significant as future enrollment changes will be on University operations, so will be the level of future state appropriation support. When state funding increases do not cover the full costs associated with collective bargaining agreements, the University incurs additional local trust funds costs in order to cover incremental salary and additional fringe benefits costs.



Looking forward, progress in implementation of the University's strategic plan will require the prudent use of state support; recognition that increases in net student revenues will likely be minimal; and, further diversification of funding including private gifts and grant funding, as well as utilization of investment returns. These actions, in conjunction with continuing cost containment as well as continued expenditure reduction measures including the need to better align personnel levels with changes in enrollment, will be necessary as the University responds to this new operating environment.

### **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**  
**(AN AGENCY OF THE COMMONWEALTH OF MASSACHUSETTS)**

**Balance Sheets**

**June 30, 2019 and 2018**

**FRAMINGHAM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Net Position**

June 30,

**Assets and Deferred Outflows of Resources**

	<u>University</u>		<u>Component Unit Foundation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>				
Cash and equivalents	\$ 16,111,573	\$ 10,793,500	\$ 715,698	\$ 796,343
Restricted cash and equivalents	1,625,748	1,934,454	-	-
Investments in marketable securities	17,954,576	16,477,344	8,562,033	7,721,252
Accounts receivable, net	3,989,691	2,529,818	-	-
Contributions receivable, net	-	-	53,699	441,485
Loans receivable - current portion	1,686	2,011	-	-
Other current assets	<u>879,091</u>	<u>624,476</u>	<u>15,265</u>	<u>25,564</u>
<b>Total Current Assets</b>	<u>40,562,365</u>	<u>32,361,603</u>	<u>9,346,695</u>	<u>8,984,644</u>
<b>Noncurrent Assets:</b>				
Restricted cash and equivalents	13,190,489	14,883,520	-	-
Endowment investments	-	-	2,732,310	2,261,794
Investment in marketable securities	29,267,498	26,499,096	-	-
Contributions receivable, net	-	-	49,642	28,121
Loans receivable, net of current portion	1,757,704	2,105,117	-	-
Capital assets, net	135,156,642	137,878,836	-	-
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>12,400</u>	<u>20,667</u>
<b>Total Noncurrent Assets</b>	<u>179,372,333</u>	<u>181,366,569</u>	<u>2,794,352</u>	<u>2,310,582</u>
<b>Total Assets</b>	<u>219,934,698</u>	<u>213,728,172</u>	<u>12,141,047</u>	<u>11,295,226</u>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows for pensions	5,140,050	5,494,852	-	-
Deferred outflows for OPEB	<u>8,637,410</u>	<u>5,572,017</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<u>13,777,460</u>	<u>11,066,869</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 233,712,158</u>	<u>\$ 224,795,041</u>	<u>\$ 12,141,047</u>	<u>\$ 11,295,226</u>

See Notes to the Financial Statements.

**Liabilities, Deferred Outflows of Resources, and Net Position**

	<u>University</u>		<u>Component Unit Foundation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Current Liabilities:</b>				
Interagency payables - current portion	\$ 1,683,860	\$ 1,579,472	\$ -	\$ -
Accounts payable and accrued liabilities	3,327,558	3,425,024	202,484	82,054
Accrued workers' compensation - current portion	163,464	95,126	-	-
Compensated absences - current portion	3,838,899	3,567,363	-	-
Faculty payroll accrual	4,190,350	3,311,241	-	-
Revenue received in advance	1,131,779	1,992,847	-	-
Deposits	467,279	463,993	-	-
Other current liabilities	<u>1,051,321</u>	<u>1,081,758</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>15,854,510</u>	<u>15,516,824</u>	<u>202,484</u>	<u>82,054</u>
<b>Noncurrent Liabilities:</b>				
Interagency payables, net of current portion	30,674,300	31,061,909	-	-
Accrued workers' compensation, net of current portion	331,371	353,583	-	-
Compensated absences, net of current portion	2,120,361	2,217,325	-	-
Loan payable - federal financial assistance programs	1,920,240	1,903,986	-	-
Net pension liability	16,139,945	14,961,538	-	-
Net OPEB liability	<u>28,349,260</u>	<u>29,100,266</u>	<u>-</u>	<u>-</u>
<b>Total Noncurrent Liabilities</b>	<u>79,535,477</u>	<u>79,598,607</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>95,389,987</u>	<u>95,115,431</u>	<u>202,484</u>	<u>82,054</u>
<b>Deferred Inflows of Resources:</b>				
Service concession arrangement	2,172,000	2,462,000	-	-
Deferred inflows for pensions	1,176,878	992,813	-	-
Deferred inflows for OPEB	<u>8,841,409</u>	<u>3,415,904</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>12,190,287</u>	<u>6,870,717</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	105,089,533	107,501,952	-	-
Restricted for:				
Non-expendable:				
Scholarships and academic purposes	2,200,614	2,158,255	2,732,309	2,261,794
Expendable:				
Scholarships	2,125,556	1,969,445	1,993,740	1,952,342
Academic purposes	-	-	487,969	743,233
Research	409,120	478,808	-	-
Loans	399,271	372,365	-	-
Unrestricted	<u>15,907,790</u>	<u>10,328,068</u>	<u>6,724,545</u>	<u>6,255,803</u>
<b>Total Net Position</b>	<u>126,131,884</u>	<u>122,808,893</u>	<u>11,938,563</u>	<u>11,213,172</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 233,712,158</u>	<u>\$ 224,795,041</u>	<u>\$ 12,141,047</u>	<u>\$ 11,295,226</u>

**FRAMINGHAM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Revenues, Expenses and Changes in Net Position**

**For the Years Ended June 30,**

	<u>University</u>		<u>Component Unit Foundation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Operating Revenues:</b>				
Student tuition and fees	\$ 45,694,570	\$ 44,796,259	\$ -	\$ -
Less: Scholarship allowances	<u>(9,709,072)</u>	<u>(9,568,815)</u>	<u>-</u>	<u>-</u>
Net Student Tuition and Fees	<b>35,985,498</b>	35,227,444	-	-
Federal grants and contracts	<b>7,840,194</b>	7,389,989	-	-
State and local grants and contracts	<b>710,409</b>	327,193	-	-
Private grants	<b>1,719,749</b>	313,378	-	-
Sales and services of educational departments	<b>1,766,159</b>	1,243,159	-	-
Gifts and contributions	-	-	<b>265,534</b>	1,070,190
Auxiliary enterprises				
Residential life	<b>15,897,282</b>	16,001,360	-	-
Other operating revenues	<u><b>1,863,200</b></u>	<u>2,417,870</u>	<u><b>51,673</b></u>	<u>49,918</u>
<b>Total Operating Revenues</b>	<u><b>65,782,491</b></u>	<u>62,920,393</u>	<u><b>317,207</b></u>	<u>1,120,108</u>
<b>Operating Expenses:</b>				
Educational and general:				
Instruction	<b>35,281,056</b>	34,241,502	-	-
Research	<b>108,001</b>	112,467	-	-
Academic support	<b>15,602,079</b>	13,869,676	-	-
Student services	<b>14,553,219</b>	13,682,206	-	-
Institutional support	<b>12,101,210</b>	11,690,341	<b>278,256</b>	220,435
Operations and maintenance of plant	<b>14,737,047</b>	12,790,568	-	-
Depreciation	<b>7,494,865</b>	7,327,512	-	-
Scholarships	-	-	<b>820,098</b>	628,517
Auxiliary enterprises:				
Residential life	<u><b>13,833,181</b></u>	<u>13,866,466</u>	<u>-</u>	<u>-</u>
<b>Total Operating Expenses</b>	<u><b>113,710,658</b></u>	<u>107,580,738</u>	<u><b>1,098,354</b></u>	<u>848,952</u>
<b>Operating Income (Loss)</b>	<u><b>\$ (47,928,167)</b></u>	<u>\$ (44,660,345)</u>	<u><b>\$ (781,147)</b></u>	<u>\$ 271,156</u>

**FRAMINGHAM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Revenues, Expenses and Changes in Net Position - Continued**

**For the Years Ended June 30,**

	<u>University</u>		<u>Component Unit Foundation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Nonoperating Revenues (Expenses):</b>				
State appropriations, net	\$ 42,832,614	\$ 37,753,236	\$ -	\$ -
Gifts	744,881	871,103	-	-
Investment income, net of investment expense	4,563,668	3,815,056	906,990	851,394
Interest expense on interagency payables and capital asset related debt	<u>(1,242,129)</u>	<u>(1,352,733)</u>	<u>-</u>	<u>-</u>
Net Nonoperating Revenues before Capital and Endowment Additions	<u>46,899,034</u>	<u>41,086,662</u>	<u>906,990</u>	<u>851,394</u>
<b>Increase (Decrease) in Net Position before Capital and Endowment Additions</b>	<u>(1,029,133)</u>	<u>(3,573,683)</u>	<u>125,843</u>	<u>1,122,550</u>
State capital appropriations	4,277,532	173,013	-	-
Transfers (to)/from state agencies	(215,408)	(3,147,249)	-	-
Capital grants	290,000	538,000	-	-
Private gifts for endowment purposes	<u>-</u>	<u>-</u>	<u>599,548</u>	<u>489,160</u>
<b>Total Capital and Endowment Additions</b>	<u>4,352,124</u>	<u>(2,436,236)</u>	<u>599,548</u>	<u>489,160</u>
<b>Increase (Decrease) in Net Position</b>	<b>3,322,991</b>	<b>(6,009,919)</b>	<b>725,391</b>	<b>1,611,710</b>
Net Position, Beginning of Year	<u>122,808,893</u>	<u>128,818,812</u>	<u>11,213,172</u>	<u>9,601,462</u>
<b>Net Position, End of Year</b>	<b><u>\$ 126,131,884</u></b>	<b><u>\$ 122,808,893</u></b>	<b><u>\$ 11,938,563</u></b>	<b><u>\$ 11,213,172</u></b>

See Notes to the Financial Statements.

**FRAMINGHAM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Cash Flows**

**For the Years Ended June 30,**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 33,554,507	\$ 35,060,557
Research grants and contracts	8,550,603	8,334,180
Private grants	1,719,749	282,410
Payments to suppliers	(28,967,625)	(28,036,819)
Payments to utilities	(3,715,567)	(3,834,308)
Payments to employees	(52,948,412)	(50,728,071)
Payments for benefits	(3,816,341)	(4,102,557)
Loans issued to students	-	(264,405)
Collection of loans to students	347,738	370,603
Auxiliary enterprise receipts - residential life	15,897,282	16,001,360
Receipts from sales and services of educational departments	1,766,159	1,235,058
Other receipts	<u>1,863,200</u>	<u>2,974,520</u>
Net Cash Applied to Operating Activities	<u>(25,748,707)</u>	<u>(22,707,472)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
State appropriations	31,028,386	28,224,323
Tuition remitted to the Commonwealth of Massachusetts	(151,166)	(385,692)
Gifts from grants for other than capital purposes	<u>744,881</u>	<u>898,759</u>
Net Cash Provided by Noncapital Financing Activities	<u>31,622,101</u>	<u>28,737,390</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
State capital appropriations	-	173,013
Perkins Loan Program net funds received	16,254	9,124
Proceeds from interagency payable	1,300,000	-
Payments for capital assets	(1,206,534)	(2,976,750)
Interagency principal payments	(1,523,527)	(4,812,250)
Interest paid on interagency payables	(1,245,879)	(1,494,095)
Net transfers of funds (to)/from state agencies	<u>(215,408)</u>	<u>(3,147,249)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(2,875,094)</u>	<u>(12,248,207)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of marketable securities	6,201,833	15,120,264
Purchase of marketable securities	(6,481,991)	(17,418,585)
Earnings on investments	<u>598,194</u>	<u>2,803,143</u>
Net Cash Provided by Investing Activities	<u>318,036</u>	<u>504,822</u>
<b>Net (Decrease) Increase in Cash and Equivalents</b>	<b>3,316,336</b>	<b>(5,713,467)</b>
Cash and Equivalents, Beginning of Year	<u>27,611,474</u>	<u>33,324,941</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 30,927,810</u></b>	<b><u>\$ 27,611,474</u></b>

**FRAMINGHAM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Cash Flows - Continued**

**For the Years Ended June 30,**

	<u>2019</u>	<u>2018</u>
<b>Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:</b>		
Operating loss	\$ (47,928,167)	\$ (44,660,345)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	7,494,865	7,327,512
Amortization of bond premiums	(55,944)	(55,944)
Write-off of aged library materials	1,445,080	-
Bad debt expense	113,335	346,647
Fringe benefits paid by the Commonwealth of Massachusetts	11,221,707	10,075,869
Change in net pension liability and deferred inflows and outflows for pensions	1,717,274	1,373,202
Change in net OPEB liability and deferred inflows and outflows for OPEB	1,609,106	1,109,767
Changes in assets and liabilities:		
Accounts receivable, net	(1,573,208)	(54,893)
Loans to students	347,738	106,198
Other current assets	(254,615)	105,029
Accounts payable and accrued liabilities	(97,466)	777,158
Accrued workers' compensation	46,126	(163,415)
Compensated absences	174,572	172,312
Faculty payroll accrual	879,109	101,549
Revenue received in advance	(861,068)	125,428
Deposits	3,286	142,015
Other current liabilities	<u>(30,437)</u>	<u>464,439</u>
 Net Cash Applied to Operating Activities	 <u>\$ (25,748,707)</u>	 <u>\$ (22,707,472)</u>
<b>Reconciliation of Cash and Equivalent Balances:</b>		
Current assets:		
Cash and equivalents	\$ 16,111,573	\$ 10,793,500
Restricted cash and equivalents	1,625,748	1,934,454
Noncurrent assets:		
Restricted cash and equivalents	<u>13,190,489</u>	<u>14,883,520</u>
 <b>Total Cash and Equivalents</b>	 <u><b>\$ 30,927,810</b></u>	 <u><b>\$ 27,611,474</b></u>
<b>Schedule of Noncash Investing, Capital and Financing Activities:</b>		
Acquisition of capital assets	\$ 6,217,751	\$ 5,621,750
Payments made by DCAMM	(3,049,773)	-
Payments made by MSCBA	(1,961,444)	-
Investment contributions related to service concession arrangement	<u>-</u>	<u>(2,645,000)</u>
 Payments for Capital Assets	 <u>\$ 1,206,534</u>	 <u>\$ 2,976,750</u>
Unrealized Gain on Marketable Securities	<u>\$ 3,339,710</u>	<u>\$ 2,004,396</u>
Fringe Benefits paid by the Commonwealth of Massachusetts	<u>\$ 11,221,707</u>	<u>\$ 10,075,869</u>
Capital Grants - Authorization of Deferred Inflows of Resources - Service Concession Arrangement	<u>\$ 290,000</u>	<u>\$ 538,000</u>

See Notes to the Financial Statements.



# **FRAMINGHAM STATE UNIVERSITY**

**(an agency of the Commonwealth of Massachusetts)**

## **Notes to the Financial Statements**

**June 30, 2019 and 2018**

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 Commission of Higher Education ("NECHE") (formerly known as the New England Association of Schools and Colleges ("NEASC")).

The University is an agency 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**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Organization - continued*

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, 2019, 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, 2019, the FSU Foundation distributed scholarships in the amount of \$820,098 directly to students of the University, and incurred an additional \$278,256 in support of its mission in other ways. During the year ended June 30, 2018, the FSU Foundation distributed scholarships in the amount of \$628,517 directly to students of the University, and incurred an additional \$220,435 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.

*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.

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Basis of Presentation - continued*

FSU Foundation, as a not-for-profit 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.

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 those components of net position.

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Basis of Presentation - continued*

- 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.

- Unrestricted: All other categories of net position. Unrestricted net position may be designated for specific purposes by action of management or the University's Board of Trustees (the "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. The University's significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, net pension and OPEB liabilities, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

*Cash and Equivalents and Investments*

The University's cash and equivalents are considered to be cash on hand, cash and 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 and Maintenance ("DCAMM"), and short-term investments with original maturities of three months or less from the date of acquisition.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Cash and Equivalents and Investments - continued*

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 Commonwealth's 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.

At June 30, 2019 and 2018, the University had \$79,889 and \$91,123, respectively, in endowment income available by authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Cash and Equivalents and Investments - continued*

Massachusetts General Law, Chapter 15 grants authority to the University's 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 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 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. Investment income and gains are reported as increases in net assets without donor restriction, unless a donor or law 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 net assets without donor restriction net position are reflected in the fund in which the assets are recorded.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

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

*Capital Assets*

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

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Capital Assets - continued*

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, 2019 and 2018 were \$13,826,253 and \$11,043,860, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately \$755,454 at June 30, 2019.



**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Capital Assets - continued*

In accordance with generally accepted accounting principles, the Foundation has elected to not record its art collection as an asset on the statements of net position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept encumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collection.

*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.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Student Fees - continued*

Scholarship allowances for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Federal scholarships	\$ <b>6,694,842</b>	\$ 6,557,040
University scholarships	<b>2,614,457</b>	2,626,317
University scholarships (residential life)	<b>312,480</b>	287,949
Endowment scholarships	<u><b>87,293</b></u>	<u>97,509</u>
 Total	 <u><b>\$ 9,709,072</b></u>	 <u>\$ 9,568,815</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, 2019 and 2018.

*Bond Premiums*

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

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Interest Expense and Capitalization*

The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2019 and 2018, total interest costs incurred were accounted for as follows:

	<u>2019</u>	<u>2018</u>
Total interest costs incurred	\$ <b>1,301,917</b>	\$ 1,502,492
Less: Interest income on unused funds from tax exempt borrowings	-	(10,278)
Bond premium amortization	<u>(59,788)</u>	<u>(139,481)</u>
 Interest Expense	 <u>\$ <b>1,242,129</b></u>	 <u>\$ 1,352,733</u>

*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.

*OPEB Plan*

For purposes of measuring the net post-employment benefits other than pensions ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust Fund and additions to/deductions from the OPEB Trust Fund's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust Fund. Investments are reported at fair value.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*Fringe Benefits*

The University participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, and workers' compensation benefits. 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.

*New Governmental Accounting Pronouncements*

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

*New Governmental Accounting Pronouncements - Continued*

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt. Management has not completed its review of the requirements of this standard and its applicability.

*Reclassifications*

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments**

Cash and equivalents - unrestricted and restricted - include the following at June 30, 2019 and 2018:

	<b>2019</b>		
	<b><u>Current</u></b>	<b><u>Current</u></b>	<b><u>Noncurrent</u></b>
	<b><u>Unrestricted</u></b>	<b><u>Restricted</u></b>	<b><u>Restricted</u></b>
Cash and money market accounts*	\$ 12,779,303	\$ 1,625,748	\$ 7,772,035
Massachusetts State Treasurer**	3,332,270	-	2,904,369
Century Bancorp, Inc.	-	-	18,281
Cash and equivalents held by MSCBA****	<u>-</u>	<u>-</u>	<u>2,495,804</u>
Total	<b><u>\$ 16,111,573</u></b>	<b><u>\$ 1,625,748</u></b>	<b><u>\$ 13,190,489</u></b>
	<b>2018</b>		
	<b><u>Current</u></b>	<b><u>Current</u></b>	<b><u>Noncurrent</u></b>
	<b><u>Unrestricted</u></b>	<b><u>Restricted</u></b>	<b><u>Restricted</u></b>
Cash and money market accounts*	\$ 7,727,456	\$ 1,797,857	\$ 8,569,700
Massachusetts State Treasurer**	3,066,044	-	2,002,400
Century Bancorp, Inc.	-	-	18,244
Cash and equivalents held by MDFA***	-	136,597	-
Cash and equivalents held by MSCBA****	<u>-</u>	<u>-</u>	<u>4,293,176</u>
Total	<b><u>\$ 10,793,500</u></b>	<b><u>\$ 1,934,454</u></b>	<b><u>\$ 14,883,520</u></b>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

- \* This amount includes cash and equivalents held at MMDT in the amounts of \$7,603,174 and \$6,132,497 at June 30, 2019 and 2018, respectively.
- \*\* This amount is held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$4,358,277 and \$4,203,339 at June 30, 2019 and 2018, respectively, for University funds. In addition, the University has recorded cash held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$1,878,362 and \$865,105 at June 30, 2019 and 2018, respectively, to pay year-end liabilities. The latter balances represent amounts paid from State appropriations subsequent to the fiscal year-end.
- \*\*\* This amount consists of cash and 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. The MDFA bonds were repaid in full in fiscal year 2018 and the remaining funds held by MDFA were released to the University in fiscal year 2019. There are no funds held by MDFA at June 30, 2019.
- \*\*\*\* This amount consists of cash and 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.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

Investments held with the Commonwealth's State Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust ("MMDT") are reported at amortized cost. The MMDT is an investment pool for political subdivisions in the Commonwealth that 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 money market instruments. The MMDT, an instrumentality of the State Treasurer, is not a bank, savings institution, or financial institution, and is not subject to FDIC insurance. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on an amortized cost where the net asset value is \$1 per share.

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. The cash balances at each banking institution are insured by the FDIC up to \$250,000. At June 30, 2019 and 2018, the University had uninsured bank balances totaling approximately \$14,297,600 and \$14,344,300, respectively. As of June 30, 2019 and 2018, the University's uninsured bank balances of \$14,297,600 and \$14,344,300, respectively, are fully collateralized under an agreement with Bank of America.

The University does not have a formal policy with respect to 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.



**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Custodial Credit Risk - continued*

FSU Foundation's cash balances are insured by the FDIC up to \$250,000. At June 30, 2019 and 2018, FSU Foundation's uninsured cash and cash equivalent balances, amounted to approximately \$437,000 and \$546,300, respectively.

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.

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:

	<u>2019</u>	<u>2018</u>
U.S. Treasury notes and government securities	\$ 5,333,428	\$ 4,685,192
Corporate debt securities	1,656,980	1,557,530
Equity securities	17,484,267	15,983,216
Money market funds	885,836	558,458
Mutual funds	7,512,641	7,028,965
Commonfund (pooled investment funds)	<u>14,348,922</u>	<u>13,163,079</u>
	<u>47,222,074</u>	<u>42,976,440</u>
Less: insured amounts	<u>500,000</u>	<u>500,000</u>
 Total Subject to Custodial Credit Risk	 <u>\$ 46,722,074</u>	 <u>\$ 42,476,440</u>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*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, 2019 and 2018, the fair values of the University's deposits held at the MMDT were \$7,603,174 and \$6,132,497, respectively. At June 30, 2019, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 74% at 30 days or less; 18% at 31-90 days; 5% at 91-180 days; and 3% at 181 days or more. At June 30, 2019 and 2018, 100% of the MMDT's cash portfolio had a First-Tier credit quality rating.

The University's funds held at MDFA were invested in the Short-Term Asset Reserve ("STAR") Fund and had a fair value of \$136,597 at June 30, 2018. The STAR Fund invested primarily in U.S. Treasury bills, notes, and other obligations guaranteed by the U.S. Government or its agencies or instrumentalities. Additionally, the fund invested in repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper, notes, and both corporate floating rate and corporate fixed-rate securities. The STAR Fund maintained a net asset value ("NAV") of \$1 per share and had a fund credit quality rating of AAAM as of June 30, 2018. At June 30, 2018, the STAR Fund's investment securities maintained a weighted average maturity 31 days.

The University's funds held at MSCBA are invested in various cash account which are fully collateralized by securities in the name of MSCBA and various marketable securities. The University's MSCBA funds held were \$2,495,804 and \$4,293,176 at June 30, 2019 and 2018, respectively.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

The University's investments in marketable securities are represented by the following at June 30, 2019 and 2018:

	2019		2018	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Notes and Government Securities	\$ 5,217,001	\$ 5,333,428	\$ 4,841,163	\$ 4,685,192
Corporate debt securities	1,859,099	1,656,980	1,622,811	1,557,530
Equity securities	10,816,503	17,484,267	10,618,507	15,983,216
Money market funds	885,836	885,836	558,458	558,458
Mutual funds	6,530,126	7,512,641	6,508,505	7,028,965
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	1,094,751	1,161,497	1,052,516	1,082,485
Intermediate Term Fund	2,109,881	2,005,325	2,064,454	1,922,271
Equity Index Fund	<u>5,763,876</u>	<u>11,182,100</u>	<u>5,750,220</u>	<u>10,158,323</u>
 Total	 <u>\$ 34,277,073</u>	 <u>\$ 47,222,074</u>	 <u>\$ 33,016,634</u>	 <u>\$ 42,976,440</u>

The University's investment balances as of June 30, 2019 and 2018 include \$29,292,463 and \$26,499,096, respectively, which represent unrestricted net position designated by the Board of Trustees (see Note 16). These amounts consist of an original designated investment of \$13,500,000 plus accumulated investment income earned thereon. No additional investments were designated in fiscal years 2019 and 2018.

At June 30, 2019, 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:

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>
U.S. Treasury Notes and Government Securities					
0.125% to 5.450%	\$ 5,333,428	\$ 311,301	\$ 4,135,309	\$ 796,428	\$ 90,390
Corporate Debt Securities					
1.820% to 3.812%	30,781	-	30,781	-	-
Corporate Debt Securities					
3.250%	102,195	-	102,195	-	-
Corporate Debt Securities					
2.100% to 4.950%	10,245	-	-	10,245	-
Corporate Debt Securities					
1.700% to 3.850%	236,553	-	220,570	15,983	-
Corporate Debt Securities					
1.700% to 5.250%	558,373	9,965	275,464	272,944	-
Corporate Debt Securities					
2.650% to 3.900%	136,245	-	88,738	47,507	-
Corporate Debt Securities					
2.400% to 5.150%	201,887	15,000	159,505	10,473	16,909
Corporate Debt Securities					
3.125% to 5.000%	271,524	-	20,990	245,834	4,700
Corporate Debt Securities					
3.125% to 5.250%	86,807	-	26,374	50,877	9,556
Corporate Debt Securities					
2.080% to 6.250%	<u>22,370</u>	<u>-</u>	<u>22,370</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 6,990,408</u></b>	<b><u>\$ 336,266</u></b>	<b><u>\$ 5,082,296</u></b>	<b><u>\$ 1,450,291</u></b>	<b><u>\$ 121,555</u></b>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>										
		<u>AAA</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB</u>	<u>BBB-</u>	<u>NR</u>	
U.S. Treasury Notes and Government Securities	\$5,333,428	\$5,333,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Debt Securities	<u>1,656,980</u>	<u>30,781</u>	<u>102,195</u>	<u>10,245</u>	<u>236,553</u>	<u>558,373</u>	<u>136,245</u>	<u>201,887</u>	<u>271,524</u>	<u>86,807</u>	<u>22,370</u>	
<b>Total</b>	<b><u>\$6,990,408</u></b>	<b><u>\$5,364,209</u></b>	<b><u>\$102,195</u></b>	<b><u>\$ 10,245</u></b>	<b><u>\$ 236,553</u></b>	<b><u>\$ 558,373</u></b>	<b><u>\$136,245</u></b>	<b><u>\$ 201,887</u></b>	<b><u>\$271,524</u></b>	<b><u>\$86,807</u></b>	<b><u>\$22,370</u></b>	

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

At June 30, 2018, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>
U.S. Treasury Notes and Government Securities					
0.125% to 5.450%	\$ 4,685,192	\$ 93,753	\$ 2,050,493	\$ 2,501,768	\$ 39,178
Corporate Debt Securities					
1.820% to 3.812%	46,336	-	36,338	-	9,998
Corporate Debt Securities					
3.250%	101,772	-	101,772	-	-
Corporate Debt Securities					
2.100% to 4.950%	30,180	30,180	-	-	-
Corporate Debt Securities					
1.700% to 3.850%	246,954	-	246,954	-	-
Corporate Debt Securities					
1.700% to 5.250%	100,951	65,875	35,076	-	-
Corporate Debt Securities					
2.650% to 3.900%	354,396	-	69,649	284,747	-
Corporate Debt Securities					
2.400% to 5.150%	262,413	-	246,460	15,953	-
Corporate Debt Securities					
3.125% to 5.000%	241,056	-	10,102	215,807	15,147
Corporate Debt Securities					
3.125% to 5.250%	91,700	-	14,864	67,536	9,300
Corporate Debt Securities					
2.080% to 6.250%	<u>81,772</u>	<u>51,501</u>	<u>30,271</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 6,242,722</u></b>	<b><u>\$ 241,309</u></b>	<b><u>\$ 2,841,979</u></b>	<b><u>\$ 3,085,811</u></b>	<b><u>\$ 73,623</u></b>

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

Investment Type	Fair Value	Credit Rating										
		AAA	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	NR	
U.S. Treasury Notes and Government Securities	\$4,685,192	\$4,685,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Debt Securities	1,557,530	46,336	101,772	30,180	246,954	100,951	354,396	262,413	241,056	91,700	81,772	
Total	<u>\$6,242,722</u>	<u>\$4,731,528</u>	<u>\$101,772</u>	<u>\$ 30,180</u>	<u>\$ 246,954</u>	<u>\$ 100,951</u>	<u>\$354,396</u>	<u>\$ 262,413</u>	<u>\$241,056</u>	<u>\$91,700</u>	<u>\$81,772</u>	

Cash equivalents and money market funds include the State Street Institutional U.S. Government Money Market Fund in the aggregate amounts of \$136,891 and \$83,657 at June 30, 2019 and 2018, respectively. The State Street Institutional U.S. Government Money Market Fund invests in U.S. Government securities and securities issued by the Government National Mortgage Association ("GNMA"). The fund seeks maximum current income consistent with the preservation of capital and liquidity, and the maintenance of a stable \$1.00 per share net asset value. At June 30, 2019 and 2018, the fund's investment securities had a weighted average maturity of 33 and 22 days, respectively. The fund had an average credit quality rating of AAAM at both June 30, 2019 and 2018.

Cash equivalents and money market funds include the First American Government Obligation Fund in the aggregate amounts of \$613,670 and \$338,809 at June 30, 2019 and 2018, respectively. The First American Government Obligation Fund invests primarily in U.S. Government securities and repurchase agreements collateralized by such obligations. The fund seeks maximum current income and daily liquidity. At June 30, 2019 and 2018, the fund's investment securities had a weighted average maturity of 27 and 20 days, respectively. The fund had an average credit quality rating of AAAM at both June 30, 2019 and 2018.

Cash equivalents and money market funds included the ICT Treasury Portfolio Institutional Shares in the aggregate amount of \$135,992 at June 30, 2018. There were no shares held at June 30, 2019. The ICT Treasury Portfolio Institutional Shares invested primarily in U.S. Government securities and repurchase agreements collateralized by such obligations. The fund seeks maximum current income consistent with stability of capital. At June 30, 2018, the fund's investment securities had a weighted average maturity of 45 days. The fund had an average credit quality rating of AAAM at June 30, 2018.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

Mutual funds include \$2,186,629 and \$2,082,666 held at MMDT in the MMDT Short Term Bond Portfolio at June 30, 2019 and 2018, 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, 2019 and 2018, the fund's investment securities had a weighted average life of 2.8 years, and an effective duration of 2.6 years and 2.5 years, respectively. The fund had an average credit quality rating of AAA at both June 30, 2019 and 2018.

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, 2019 and 2018, the fund's investment securities had a weighted average life of 2.3 and 2.6 years, respectively, and an effective duration of 1.4 and 2.1 years, respectively. The fund had an average credit quality rating of AA at both June 30, 2019 and 2018, respectively.

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 exposure 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, 2019 and 2018, the fund's investment securities had an effective duration of 4.6 and 4.9 years, respectively. The fund had an average credit quality rating of A- and AA- as of June 30, 2019 and 2018, respectively.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

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.

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 equivalents based on market value. The FSU Foundation strives to make appropriations annually out of the various funds to the University in the form of scholarships and work studies at a 5% spending rate based upon the previous year's net asset balances that have funds available for expenditure.

FSU Foundation's investments are included at their fair values and consist of the following at June 30, 2019 and 2018:

	<b>2019</b>		<b>2018</b>	
	<u><b>Cost</b></u>	<u><b>Fair Value</b></u>	<u><b>Cost</b></u>	<u><b>Fair Value</b></u>
U.S. Treasury Notes and Government Securities	\$ 1,344,650	\$ 1,370,063	\$ 1,282,226	\$ 1,352,324
Corporate debt securities	724,567	736,382	703,211	683,011
Municipal debt securities	45,567	40,808	51,145	49,686
Equity securities	3,032,408	5,137,589	2,991,133	4,751,615
Money market funds	744,181	744,181	373,307	262,012
Mutual funds	<u>2,860,162</u>	<u>3,265,320</u>	<u>2,467,969</u>	<u>2,884,398</u>
Total	<u>\$ 8,751,535</u>	<u>\$ 11,294,343</u>	<u>\$ 7,868,991</u>	<u>\$ 9,983,046</u>



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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

FSU Foundation's investments at fair value are presented in the accompanying Statements of Net Assets as follows:

	<u>2019</u>	<u>2018</u>
Current Assets:		
Investments	\$ 8,562,033	\$ 7,721,252
Noncurrent Assets:		
Endowment investments	<u>2,732,310</u>	<u>2,261,794</u>
Total	<u>\$ 11,294,343</u>	<u>\$ 9,983,046</u>

At June 30, 2019, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>	
U.S. Treasury Notes and Government Securities	\$ 1,370,064	\$ 74,770	\$ 1,006,848	\$ 277,862	\$ 10,584	AAA
Corporate Debt Securities	736,382	65,790	436,507	218,764	15,321	Varies
Municipal Debt Securities	<u>40,808</u>	<u>-</u>	<u>20,269</u>	<u>10,168</u>	<u>10,371</u>	Varies
Total	<u>\$ 2,147,254</u>	<u>\$ 140,560</u>	<u>\$ 1,463,624</u>	<u>\$ 506,794</u>	<u>\$ 36,276</u>	

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

At June 30, 2018, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>	
U.S. Treasury Notes and Government Securities	\$ 1,352,324	\$ 153,737	\$ 369,877	\$ 816,476	\$ 12,234	AAA
Corporate Debt Securities	683,011	33,576	472,371	172,413	4,651	Varies
Municipal Debt Securities	<u>49,686</u>	<u>5,000</u>	<u>-</u>	<u>33,808</u>	<u>10,878</u>	Varies
Total	<u>\$ 2,085,021</u>	<u>\$ 192,313</u>	<u>\$ 842,248</u>	<u>\$ 1,022,697</u>	<u>\$ 27,763</u>	

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

The University's investments have been categorized based upon the fair value hierarchy in accordance with GASB Statement No. 72 below. The Foundation follows similar guidance in accordance with FASB 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.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

- 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
U.S. Treasury Notes and Government Securities	\$ -	\$ 5,333,428	\$ -	\$ 5,333,428
Corporate Debt Securities	-	1,656,980	-	1,656,980
Equity Securities	17,484,267	-	-	17,484,267
Money Market Funds	885,836	-	-	885,836
Mutual Funds	<u>7,512,641</u>	<u>-</u>	<u>-</u>	<u>7,512,641</u>
	<u>\$ 25,882,744</u>	<u>\$ 6,990,408</u>	<u>\$ -</u>	<u>32,873,152</u>
Investments measured at the net asset value ("NAV"):				
Multi-Strategy Bond Fund				1,161,498
Intermediate Term Fund				2,005,325
Equity Index Fund				<u>11,182,099</u>
Total Investments Measured at the NAV				<u>14,348,922</u>
Total Investments Measured at Fair Value				<u>\$ 47,222,074</u>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

The University's investments at fair value measurement are as follows at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
U.S. Treasury Notes and				
Government Securities	\$ -	\$ 4,685,192	\$ -	\$ 4,685,192
Corporate Debt Securities	-	1,557,530	-	1,557,530
Equity Securities	15,983,216	-	-	15,983,216
Money Market Funds	558,458	-	-	558,458
Mutual Funds	<u>7,028,965</u>	<u>-</u>	<u>-</u>	<u>7,028,965</u>
	<u>\$ 23,570,639</u>	<u>\$ 6,242,722</u>	<u>\$ -</u>	<u>29,813,361</u>
Investments measured at the net				
asset value ("NAV"):				
Multi-Strategy Bond Fund				1,082,485
Intermediate Term Fund				1,922,271
Equity Index Fund				<u>10,158,323</u>
Total Investments Measured at the NAV				<u>13,163,079</u>
Total Investments Measured at Fair Value				<u>\$ 42,976,440</u>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

The University's investments measured at the net asset value ("NAV") are as follows at June 30, 2019:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible</u>	<u>Redemption Notice Period</u>
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	\$ 1,161,498	\$ -	Monthly	5 days
Intermediate Term Fund	2,005,325	-	N/A	N/A
Equity Index Fund	<u>11,182,099</u>	<u>-</u>	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 14,348,922</u>			

The University's investments measured at the net asset value ("NAV") are as follows at June 30, 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible</u>	<u>Redemption Notice Period</u>
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	\$ 1,082,485	\$ -	Monthly	5 days
Intermediate Term Fund	1,922,271	-	N/A	N/A
Equity Index Fund	<u>10,158,323</u>	<u>-</u>	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 13,163,079</u>			

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 2 - **Cash and Equivalents, and Investments - Continued**

*Credit Risk - continued*

FSU Foundation's investments at fair value measurement are as follows at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes and Government Securities	\$ -	\$ 1,370,063	\$ -	\$ 1,370,063
Corporate Debt Securities	-	736,382	-	736,382
Municipal Debt Securities	-	40,808	-	40,808
Equity Securities	5,137,589	-	-	5,137,589
Money Market Funds	744,181	-	-	744,181
Mutual Funds	<u>3,265,320</u>	<u>-</u>	<u>-</u>	<u>3,265,320</u>
 Total Investments Measured at Fair Value	 <u>\$ 9,147,090</u>	 <u>\$ 2,147,253</u>	 <u>\$ -</u>	 <u>\$ 11,294,343</u>

FSU Foundation's investments at fair value measurement are as follows at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes and Government Securities	\$ -	\$ 1,352,324	\$ -	\$ 1,352,324
Corporate Debt Securities	-	683,011	-	683,011
Municipal Debt Securities	-	49,686	-	49,686
Equity Securities	4,751,615	-	-	4,751,615
Money Market Funds	262,012	-	-	262,012
Mutual Funds	<u>2,884,398</u>	<u>-</u>	<u>-</u>	<u>2,884,398</u>
 Total Investments Measured at Fair Value	 <u>\$ 7,898,025</u>	 <u>\$ 2,085,021</u>	 <u>\$ -</u>	 <u>\$ 9,983,046</u>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 3 - **Accounts Receivable**

The University's accounts receivable includes the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Student accounts receivable	\$ 4,823,763	\$ 3,240,927
Grants receivable	211,091	211,099
Parking fines receivable	317,816	319,441
Commissions receivable	54,327	52,168
Due from Warren Center	157,225	175,055
Due from the Foundation	186,852	58,484
Due from Bay State Reading	-	41,906
Miscellaneous other receivables	-	50,499
	<u>5,751,074</u>	<u>4,149,579</u>
Less: allowance for doubtful accounts	<u>(1,761,383)</u>	<u>(1,619,761)</u>
 Total	 <u>\$ 3,989,691</u>	 <u>\$ 2,529,818</u>

Note 4 - **Loans Receivable and Payable**

Loans receivable include the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Perkins loans receivable	\$ 1,757,704	\$ 2,105,117
Emergency student loans receivable	<u>1,686</u>	<u>2,011</u>
	<u>\$ 1,759,390</u>	<u>\$ 2,107,128</u>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 4 - **Loans Receivable and Payable - Continued**

Loans receivable and payable consist entirely of the Federal Perkins Loan Program (“Perkins”). The Federal Government originally provided the majority of the funds to support these programs. The portion of the Perkins Programs provided by the Federal Government is refundable to the Federal Government upon the ending (“liquidation”) of the University’s participation in the programs. The amounts due to the federal government upon liquidation by the University are \$1,920,240 and \$1,903,986 at June 30, 2019 and 2018, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

The federal law authorizing the disbursement of Perkins loans expired on September 30, 2017. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to undergraduate students. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to graduate students who received them prior to October 1, 2016.



**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 5 - **Capital Assets**

Capital assets activity of the University for the year ended June 30, 2019 is as follows:

	<u>Totals</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reclassification*</u> <u>and</u> <u>Reductions</u>	<u>Totals</u> <u>June 30, 2019</u>
Capital Assets:				
Non-Depreciable Capital Assets:				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	<u>4,818,305</u>	<u>6,181,049</u>	<u>(6,959,446)</u>	<u>4,039,908</u>
Total Non-Depreciable Assets	<u>8,019,520</u>	<u>6,181,049</u>	<u>(6,959,446)</u>	<u>7,241,123</u>
Depreciable Capital Assets:				
Land improvements	9,948,517	-	-	9,948,517
Buildings	112,006,448	-	-	112,006,448
Building improvements	73,527,974	-	6,959,446	80,487,420
Equipment	7,097,177	-	-	7,097,177
Library materials	<u>2,021,944</u>	<u>36,702</u>	<u>(1,828,546)</u>	<u>230,100</u>
Total Depreciable Assets	<u>204,602,060</u>	<u>36,702</u>	<u>5,130,900</u>	<u>209,769,662</u>
Total Capital Assets	<u>212,621,580</u>	<u>6,217,751</u>	<u>(1,828,546)</u>	<u>217,010,785</u>
Less: accumulated depreciation				
Land improvements	4,153,649	480,633		4,634,282
Buildings	33,131,686	2,182,975		35,314,661
Building improvements	32,072,529	3,882,641		35,955,170
Equipment	5,384,880	565,150		5,950,030
Library materials	<u>-</u>	<u>383,466</u>	<u>(383,466)</u>	<u>-</u>
Total Accumulated Depreciation	<u>74,742,744</u>	<u>7,494,865</u>	<u>(383,466)</u>	<u>81,854,143</u>
Capital Assets, Net	<u>\$ 137,878,836</u>	<u>\$ (1,277,114)</u>	<u>\$ (1,445,080)</u>	<u>\$ 135,156,642</u>

\* At June 30, 2019, the University wrote off \$1,445,080 of aged library materials. Also, construction costs incurred for the University's McCarthy Dining Hall improvements, the Utility Tunnel improvements, 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, 2019.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 5 - **Capital Assets - Continued**

Capital assets activity of the University for the year ended June 30, 2018 is as follows:

	<u>Totals</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reclassification</u> <u>and</u> <u>Reductions</u>	<u>Totals</u> <u>June 30, 2018</u>
Capital Assets:				
Non-Depreciable Capital Assets:				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	<u>6,020,924</u>	<u>5,131,690</u>	<u>(6,334,309)</u>	<u>4,818,305</u>
 Total Non-Depreciable Assets	 <u>9,222,139</u>	 <u>5,131,690</u>	 <u>(6,334,309)</u>	 <u>8,019,520</u>
Depreciable Capital Assets:				
Land improvements	9,602,736	-	345,781	9,948,517
Buildings	112,006,448	-	-	112,006,448
Building improvements	67,539,446	-	5,988,528	73,527,974
Equipment	7,035,273	61,904	-	7,097,177
Library materials	<u>1,965,943</u>	<u>428,156</u>	<u>(372,155)</u>	<u>2,021,944</u>
 Total Depreciable Assets	 <u>198,149,846</u>	 <u>490,060</u>	 <u>5,962,154</u>	 <u>204,602,060</u>
 Total Capital Assets	 <u>207,371,985</u>	 <u>5,621,750</u>	 <u>(372,155)</u>	 <u>212,621,580</u>
Less: accumulated depreciation				
Land improvements	3,666,136	487,513	-	4,153,649
Buildings	30,948,711	2,182,975	-	33,131,686
Building improvements	28,344,497	3,728,032	-	32,072,529
Equipment	4,828,043	556,837	-	5,384,880
Library materials	<u>-</u>	<u>372,155</u>	<u>(372,155)</u>	<u>-</u>
 Total Accumulated Depreciation	 <u>67,787,387</u>	 <u>7,327,512</u>	 <u>(372,155)</u>	 <u>74,742,744</u>
 Capital Assets, Net	 <u>\$ 139,584,598</u>	 <u>\$ (1,705,762)</u>	 <u>\$ -</u>	 <u>\$ 137,878,836</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 5 - **Capital Assets - Continued**

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, 2019 and 2018.

Note 6 - **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities include the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accounts payable - trade	\$ 1,123,556	\$ 1,158,218
Salaries and fringe benefits payable	<u>2,204,002</u>	<u>2,266,806</u>
	<u>\$ 3,327,558</u>	<u>\$ 3,425,024</u>

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, 2019 and 2018. Based upon the Commonwealth's analyses, \$494,835 and \$448,709 of accrued workers' compensation has been recorded as a liability at June 30, 2019 and 2018, respectively.

Note 8 - **Accrued Compensated Absences**

Accrued compensated absences are comprised of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Vacation time payable	\$ 3,236,863	\$ 3,103,716
Sick time payable	<u>2,722,397</u>	<u>2,680,972</u>
	<u>\$ 5,959,260</u>	<u>\$ 5,784,688</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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, 2019 of \$4,190,350 will be paid from the University's fiscal 2020 State appropriations. The total amount due at June 30, 2018 of \$3,311,241 was paid from the University's fiscal 2019 State appropriations.

Note 10 - **Deferred Inflows of Resources from Service Concession Arrangement**

In September 2017, the University entered into a service concession arrangement with Sodexo, effective July 1, 2017 for a term of five years through June 30, 2022 with an option to extend the arrangement for five additional one-year periods upon mutual agreement of the parties. The new arrangement supersedes the previous arrangement, and has been amended several times thereafter to modify its terms and the additional payments to the University for investments in improvements in or at the University as mutually agreed upon by the properties. Commencing on June 30, 2019, provided that the agreement remains in effect, the arrangement provides for payments to the University totaling \$280,000. These payments shall be made to the University by Sodexo in four installments of \$70,000 per year for fiscal years 2019 through 2022. The University received the first payment during the year ended June 30, 2019. If the agreement is extended in FY22, there will be additional payments due to the University. In addition, Sodexo paid the University a Partnership bonus of \$300,000 in October 2017 that is to be used at the discretion of the University. Sodexo agreed to pay the University specified percentages of 2.75% to 10% of specified sales receipts from the food services operation and various other contributions totaling \$41,500 per year as more fully described in the arrangement.

As a part of the arrangement, Sodexo provided an investment in two installments in the total amount of \$2,880,000 for improvements to the dining services facility, including the purchase of equipment. The University received the first installment of \$500,000 to the University in October 2017. The University received the second installment of \$2,380,000, which was comprised of \$2,025,000 received in February 2018, and equipment purchased directly by Sodexo in the amount of \$355,000. Sodexo will amortize the investment over a period defined in the arrangement. All improvements and equipment purchased with the payments received from Sodexo shall remain the property of the University. The arrangement may be terminated by either party at any time, without cause, in accordance with the terms of the arrangement and per the Commonwealth of Massachusetts Standard Terms and

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 10 - **Deferred Inflows of Resources from Service Concession Arrangement - Continued**

Conditions. The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of any payments made to the University by Sodexo. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by Sodexo. The amortization schedules assume that all funds will be received from Sodexo. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

Deferred inflows of resources from the service concession arrangement amounted to \$2,172,000 and \$2,462,000 at June 30, 2019 and 2018, respectively, which consists of the unamortized balances of the service concession arrangement with Sodexo. The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amount of \$290,000 and \$538,000 has been recognized in capital grant revenue in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2019 and 2018, respectively.

The University reports the carrying value of the capital assets relating to the service concession arrangements of approximately \$2,880,000 and \$1,635,210 at June 30, 2019 and 2018, respectively.

Note 11 - **Interagency Payables**

The University, in association with the Massachusetts State College Building Authority ("MSCBA"), the Massachusetts Development Finance Agency ("MDFA"), and the Commonwealth of Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM"), has entered into financing and construction agreements for various campus projects.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

The following table summarizes the University's Interagency payables as of June 30, 2019:

	<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rates (%)</u>	<u>Due Date</u>	<u>Effective Interest Rates (%)*</u>	<u>Interagency Payable Balance</u>	<u>Unamortized Bond Premiums</u>	<u>Total Interagency Payable</u>
MSCBA Series 2003A	3/1/2003	2,275,000	2.00-5.25	5/1/2033	3.97	\$ 1,560,000	\$ -	\$ 1,560,000
MSCBA Series 2005A	3/1/2005	7,835,000	3.50-5.00	5/1/2026	3.99	3,470,000	-	3,470,000
MSCBA Series 2006A	3/1/2006	1,545,000	3.50-5.00	5/1/2026	4.44	700,000	28,948	728,948
MSCBA Series 2008A	3/1/2008	870,000	3.00-5.00	5/1/2028	4.19	490,000	15,802	505,802
MSCBA Series 2009A	1/1/2009	5,899,009	3.00-5.30	5/1/2029	4.84	3,595,368	41,932	3,637,300
MSCBA Series 2009 Land	10/1/2009	685,000	3.00-5.30	5/1/2029	5.04	425,000	10,386	435,386
MDFA Series 2010A-5	6/1/2010	177,705	3.50	5/1/2027	3.61	83,626	-	83,626
MSCBA Series 2010B	12/1/2010	11,095,000	5.79-6.54	5/1/2035	3.64	11,095,000	-	11,095,000
DCAMM CEIP Funds-Phase I	7/1/2011	373,537	4.50	1/1/2032	4.54	278,054	-	278,054
DCAMM CEIP Funds-Phase I	7/1/2011	3,711,166	4.00	1/1/2027	4.06	2,247,301	-	2,247,301
MSCBA Series 2012C	12/1/2012	4,155,000	2.00-5.00	5/1/2032	3.27	3,180,000	243,906	3,423,906
MSCBA Series 2014A	1/1/2014	3,185,000	2.00-5.00	5/1/2033	4.83	2,640,000	268,929	2,908,929
MSCBA Series 2014C	12/1/2014	680,000	3.00-5.00	5/1/2034	4.92	595,000	92,658	687,658
MSCBA Series 2019A	1/23/2019	<u>1,225,000</u>	3.00-5.00	5/1/2039	3.61	<u>1,225,000</u>	<u>71,250</u>	<u>1,296,250</u>
		<u>\$ 43,711,417</u>				<u>\$ 31,584,349</u>	<u>\$ 773,811</u>	<u>\$ 32,358,160</u>

\*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

The following table summarizes the University's Interagency payables as of June 30, 2018:

	<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rates (%)</u>	<u>Due Date</u>	<u>Effective Interest Rates (%)*</u>	<u>Interagency Payable Balance</u>	<u>Unamortized Bond Premiums</u>	<u>Total Interagency Payable</u>
MSCBA Series 2003A	3/1/2003	\$ 2,275,000	2.00-5.25	5/1/2033	3.97	\$ 1,630,000	\$ -	\$ 1,630,000
MSCBA Series 2005A	3/1/2005	7,835,000	3.50-5.00	5/1/2026	3.99	3,885,000	-	3,885,000
MSCBA Series 2006A	3/1/2006	1,545,000	3.50-5.00	5/1/2026	4.44	785,000	33,179	818,179
MSCBA Series 2008A	3/1/2008	870,000	3.00-5.00	5/1/2028	4.19	530,000	17,591	547,591
MSCBA Series 2009A	1/1/2009	5,899,009	3.00-5.30	5/1/2029	4.84	3,873,424	46,197	3,919,621
MSCBA Series 2009 Land	10/1/2009	685,000	3.00-5.30	5/1/2029	5.04	455,000	11,400	466,400
MDFA Series 2010A-5	6/1/2010	177,705	3.50	5/1/2027	3.61	94,079	-	94,079
MSCBA Series 2010B	12/1/2010	11,095,000	5.79-6.54	5/1/2035	3.64	11,095,000	-	11,095,000
DCAMM CEIP Funds-Phase I	7/1/2011	373,537	4.50	1/1/2032	4.54	293,560	-	293,560
DCAMM CEIP Funds-Phase I	7/1/2011	3,711,166	4.00	1/1/2027	4.06	2,481,814	-	2,481,814
MSCBA Series 2012C	12/1/2012	4,155,000	2.00-5.00	5/1/2032	3.27	3,370,000	262,858	3,632,858
MSCBA Series 2014A	1/1/2014	3,185,000	2.00-5.00	5/1/2033	4.83	2,770,000	288,374	3,058,374
MSCBA Series 2014C	12/1/2014	<u>680,000</u>	3.00-5.00	5/1/2034	4.92	<u>620,000</u>	<u>98,905</u>	<u>718,905</u>
		<u>\$ 42,486,417</u>				<u>\$ 31,882,877</u>	<u>\$ 758,504</u>	<u>\$ 32,641,381</u>

\*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

**MSCBA Series 2003A Bond Issuance**

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. This obligation will be repaid solely by the University.

As of June 30, 2019 and 2018, MSCBA held debt service funds in the amount of \$160,187 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents. 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.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

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. The effective interest rate at June 30, 2019 and 2018, respectively, reflects interest savings as a result of a bond refunding. The effects of the bond refunding are immaterial to the financial statements as a whole.

**MSCBA Series 2005A Bond Issuance**

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 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. The effective interest rate at June 30, 2019 and 2018, respectively, reflects interest savings as a result of a bond refunding. The effects of the bond refunding are immaterial to the financial statements as a whole.

**MSCBA Series 2006A Bond Issuance**

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.

As of June 30, 2019 and 2018, 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, 2019 and 2018, as noncurrent restricted cash and equivalents. 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.



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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

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. The effective interest rate at June 30, 2019 and 2018, respectively, reflects interest savings as a result of a bond refunding. The effects of the bond refunding are immaterial to the financial statements as a whole.

**MSCBA Series 2008A Bond Issuance**

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.

As of June 30, 2019 and 2018, 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, 2019 and 2018 as noncurrent restricted cash and equivalents. 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 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.

**MSCBA Series 2009A Bond Issuance**

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.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

As of June 30, 2019 and 2018, MSCBA held debt service reserve funds in the amount of \$212,056 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018, as noncurrent restricted cash and equivalents. 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 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. The effective interest rate at June 30, 2019 and 2018, respectively, reflects interest savings as a result of a bond refunding. The effects of the bond refunding are immaterial to the financial statements as a whole.

**MSCBA Series 2009A Bond Issuance**

During October 2009, the MSCBA transferred land (the "Project") acquired with bond proceeds and the associated debt in the amount of \$685,000 to the University pursuant to a financing agreement. This obligation will be repaid solely by the University through University operations.

As of June 30, 2019 and 2018, MSCBA held debt service reserve funds in the amount of \$9,526 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and equivalents. 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 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. The effective interest rate at June 30, 2019 and 2018, respectively, reflects interest savings as a result of a bond refunding. The effects of the bond refunding are immaterial to the financial statements as a whole.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

**MDFA CREBS Bond Issuance**

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, 2019 and 2018, unexpended debt proceeds held by Century Bancorp, Inc. related to the debt issue and the Project are \$18,281 and \$18,244, respectively, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and 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 3.50% interest rate over the term of the debt to maturity.

**MSCBA Series 2010B Bond Issuance**

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.

As of June 30, 2019 and 2018, MSCBA held debt service reserve funds in the amount of \$965,564 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and equivalents. 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.

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.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

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. MSCBA is receiving a federal interest subsidy associated with this bond issue and is billing the University for interest net of the subsidy.

**DCAMM 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 and Maintenance ("DCAMM") 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 DCAMM 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 was \$451,537, including capitalized interest of \$12,551. Phase 1 was funded with Clean Energy Investment Program Funds ("CEIP Funds") in the amount of \$373,537, which are being 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 total project cost for Phase 2 was approximately \$6,650,000. The cost of the Project was funded from 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 being 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.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

**MSCBA 2012C Bond Issuance**

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.

As of June 30, 2019 and 2018, MSCBA held debt service reserve funds related to the 2012C bond in the amount of \$69,848 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018, as noncurrent restricted cash and equivalents. 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.

In accordance with an amended funding agreement among MSCBA, DCAMM and the University, the University transferred \$270,000 to DCAMM in July 2013 in association with the Hemenway Science Center project. As of June 30, 2018, DCAMM had expended the remaining funds.

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.

**MSCBA 2014A Bond Issuance**

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 provided management services to the University for the Project.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

As of June 30, 2019 and 2018, the MSCBA held debt service reserve funds in the amount of \$194,330 each year. The final principal payment is due on May 1, 2039. 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.

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and equivalents. 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.

**MSCBA 2014C Bond Issuance**

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.

As of June 30, 2019 and 2018, the MSCBA held debt service reserve funds in the amount of \$44,781 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and equivalents. 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 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.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

**MSCBA 2019A Bond Issuance**

During December 2018, the University signed a financing agreement to receive \$1,225,000. These bonds net of a bond issue premium, bond issue costs, and a debt service reserve fund, are being used for improvements to the University's Athletic fields and McCarthy Center. 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.

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

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Amortization of bond premium</u>	<u>Total principal</u>	<u>Estimated Interest</u>	<u>Total</u>
2020	\$ 1,624,166	\$ 59,694	\$ 1,683,860	\$ 1,310,522	\$ 2,994,382
2021	1,691,970	59,694	1,751,664	1,228,057	2,979,721
2022	1,783,717	59,694	1,843,411	1,146,712	2,990,123
2023	2,284,143	59,694	2,343,837	1,069,623	3,413,460
2024	2,496,787	59,694	2,556,481	962,242	3,518,723
2025-2029	13,414,626	282,252	13,696,878	3,166,510	16,863,388
2030-2034	7,418,940	178,089	7,597,029	910,090	8,507,119
2035-2039	<u>870,000</u>	<u>15,000</u>	<u>885,000</u>	<u>59,675</u>	<u>944,675</u>
Total	<u>\$ 31,584,349</u>	<u>\$ 773,811</u>	<u>\$ 32,358,160</u>	<u>\$ 9,853,431</u>	<u>\$ 42,211,591</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, 2019 and 2018, amounts held by MSCBA representing the unexpended portion of the University's contributions, totaled \$641,594 and \$2,438,968, respectively, all of which is included in noncurrent restricted cash and equivalents in the accompanying 2019 and 2018 statements of net position.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 11 - **Interagency Payables - Continued**

**Other Interagency Activity - Continued**

As of June 30, 2019 and 2018, construction costs funded during the year by the University's equity contributions and bond issuance funds amounted to \$819,700 and \$2,631,892, respectively.

<u>Project Number</u>	<u>Project Name</u>	<u>Amount Paid in</u> <u>2019</u>	<u>Amount Paid in</u> <u>2018</u>
CO1953	Athletic Fields	\$ 339,950	\$ -
CO1951	Dwight Hall	171,035	-
FRC1957	Crocker Hall	112,961	-
FRA0802-17	Chiller Plant	144,056	1,657,835
FRA0803-17	Power Plant	-	234,186
FRA0819-17	Dining Services	-	739,871
Various Miscellaneous Projects		<u>51,698</u>	<u>-</u>
		<u>\$ 819,700</u>	<u>\$ 2,631,892</u>

Note 12 - **Line of Credit**

On May 1, 2018, the University entered into a unsecured revolving line of credit agreement with MutualOne Bank which permits the University to borrow up to \$150,000 for a term of five years. The line of credit provides for interest at the floating rate of the Wall Street Journal Prime Rate plus 0.25% (25 basis points) for the life of the loan. At June 30, 2019 and 2018 the interest rates were 5.75% and 5.00%, respectively. Payments of interest only are required on any line of credit balances outstanding. As of June 30, 2019, no amounts have been drawn on the line of credit.



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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 13 - **Long-Term Liabilities**

Long-term liabilities activity for the year ended June 30, 2019 included the following:

	<b>Totals</b>			<b>Totals June 30, 2019</b>	
	<b><u>June 30, 2018</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending</u></b>	<b><u>Current</u></b>
				<b><u>Balance</u></b>	<b><u>Portion</u></b>
Interagency payables	\$ 32,641,381	\$ 1,300,000	\$ 1,583,221	\$ 32,358,160	\$ 1,683,860
Other Liabilities:					
Compensated absences	5,784,688	174,572	-	5,959,260	3,838,899
Workers' compensation	448,709	46,126	-	494,835	163,464
Loan payable - federal financial assistance	1,903,986	42,412	26,158	1,920,240	-
Net pension liability	14,961,538	1,178,407	-	16,139,945	-
Net OPEB liability	<u>29,100,266</u>	<u>-</u>	<u>751,006</u>	<u>28,349,260</u>	<u>-</u>
Total Other Liabilities	<u>52,199,187</u>	<u>1,441,517</u>	<u>777,164</u>	<u>52,863,540</u>	<u>4,002,363</u>
Long-Term Obligations	<u>\$ 84,840,568</u>	<u>\$ 2,741,517</u>	<u>\$ 2,360,385</u>	<u>\$ 85,221,700</u>	<u>\$ 5,686,223</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

Long-term liabilities activity for the year ended June 30, 2018 included the following:

	Totals			Totals June 30, 2018	
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Interagency payables	\$ 37,593,112	\$ -	\$ 4,951,731	\$ 32,641,381	\$ 1,579,472 (A)
Other Liabilities:					
Compensated absences	5,612,376	172,312	-	5,784,688	3,567,363
Workers' compensation	612,124	-	163,415	448,709	95,126
Loan payable - federal financial assistance	1,894,862	265,200	256,076	1,903,986	-
Net pension liability	14,519,987	441,551	-	14,961,538	-
Net OPEB liability	<u>25,834,386</u>	<u>3,265,880</u>	<u>-</u>	<u>29,100,266</u>	<u>-</u>
Total Other Liabilities	<u>48,473,735</u>	<u>4,144,943</u>	<u>419,491</u>	<u>52,199,187</u>	<u>3,662,489</u>
Long-Term Obligations	<u>\$ 86,066,847</u>	<u>\$ 4,144,943</u>	<u>\$ 5,371,222</u>	<u>\$ 84,840,568</u>	<u>\$ 5,241,961</u>

(A) The MDFA debt issuance totaling \$3,350,727 at June 30, 2017, was due in 2023. Required annual funding payments were due each June 15 and were 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). During May 2018, the University repaid the remaining principal balance in full. Funding payments held by the trustee at June 30, 2019 and 2018 are included in restricted cash and equivalents - current.

The MSCBA debt issuances, including unamortized premiums, totaling \$29,749,179 and \$29,771,928 at June 30, 2019 and 2018, respectively, are due in various years (see Note 12). Required annual principal payments are due each May 1.

The MDFA debt issuance in the amounts of \$83,626 and \$94,079 at June 30, 2019 and 2018, respectively, is due in 2027. Required annual principal payments are due each May 1.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

The DCAMM CEIP debt issuances in the total amount of \$2,525,355 and \$2,775,374 at June 30, 2019 and 2018, respectively, are due in 2032 (see Note 12). Required annual principal payments are expected to be paid each January 1.

Note 14 - **Operating Lease Commitments**

Pursuant to a management and service agreement (the "Agreement") between the University and MSCBA, the University is leasing a parcel of land from MSCBA for student parking and is obligated to make payments for the portion of a debt issuance attributable to the cost of the land. Lease payments are payable May 1 and November 1 each year and continue through May 1, 2019. Rent expense during 2019 and 2018, related to this lease amounted to \$5,016 and \$242,396, respectively. The University received \$164,825 and \$162,885 in parking fees from students during 2019 and 2018, 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.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 14 - **Operating Lease Commitments - Continued**

On July 2, 2012, the Commonwealth of Massachusetts, acting by and through its Division of Capital Asset Management and Maintenance ("DCAMM") 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 provided 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 Corporation. On September 1, 2015, the lease was extended with the Danforth Museum Corporation effective September 15, 2015 for a term of three years, expiring in September 2018, pursuant to mutually agreed upon provisions by the landlord and the University. The lease provided 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.

On December 22, 2017, the Danforth Museum Corporation sold the property to MSCBA as part of an agreement to create the Danforth Art Center at Framingham State University (see Note 25). In connection with the sale of the property, the lease with the Danforth Museum Corporation was terminated.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 15 - **Net Position**

Unrestricted net position is comprised of net assets that are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the 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 was \$15,240,977 and \$11,668,343 at June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, of the total designated unrestricted net position, \$29,292,463 and \$26,499,096, respectively, was designated by a vote of the Trustees during fiscal 2006 as a quasi-endowment and the remainder have been designated by action of management for the purposes described above (see Note 2). Undesignated unrestricted net position (deficiency) were \$666,813 and \$(1,340,275) at June 30, 2019 and 2018, respectively.

The University's net investment in capital assets consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Non-depreciable capital assets	\$ 7,241,123	\$ 8,019,520
Depreciable capital assets	<u>127,915,519</u>	<u>129,859,316</u>
Total capital assets, net	<b>135,156,642</b>	137,878,836
Long-term debt related to capital assets		
Interagency payables	<b>(30,674,300)</b>	(31,061,909)
Current debt related to capital assets		
Interagency payables	<b>(1,683,860)</b>	(1,579,472)
Other:		
Unspent proceeds on debt related to capital assets	<b>49,173</b>	-
Debt service reserve	<b>1,854,208</b>	1,873,927
Debt used to pay bond issuance costs	<u><b>387,670</b></u>	<u>390,570</u>
Total Investment in Capital Assets	<u><b>\$ 105,089,533</b></u>	<u><b>\$ 107,501,952</b></u>

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 16 - **Net Assets Restricted by donor**

Framingham State University Foundation, Inc.'s statements of net position as of June 30, 2019 and 2018, reflect a net position with donor restrictions of \$5,214,018 and \$4,957,369, respectively. Of these amounts, \$487,969 and \$743,233 in fiscal years 2019 and 2018 are restricted by enabling legislation for the State Matching Funds Program.

Note 17 - **Operating Expenses**

The University's operating expenses for the years ended June 30, 2019 and 2018, on a natural classification basis, are comprised of the following:

	<u>2019</u>	<u>2018</u>
Salaries:		
Faculty	\$ 23,634,429	\$ 22,776,533
Exempt wages	21,326,489	20,525,145
Non-exempt wages	8,866,603	8,294,557
Benefits	18,585,126	16,767,562
Utilities	3,717,210	3,834,308
Supplies and other services	30,085,936	28,055,121
Depreciation	<u>7,494,865</u>	<u>7,327,512</u>
Total Operating Expenses	<u>\$ 113,710,658</u>	<u>\$ 107,580,738</u>

Note 18 - **State Controlled Accounts**

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled, and reported by the Commonwealth through non-University line items in the Commonwealth's budget. Under generally accepted accounting principles, such transactions must be recorded in the financial statements of the University. These transactions include payments by the Commonwealth for the employer's share of funding the Massachusetts State Employees' Retirement System (see Note 20) and for the employer's share of health care premiums.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan**

*Defined Benefit Plan Description*

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

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

*Benefit Provisions*

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

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

*Contributions*

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

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan - Continued**

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

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

The Commonwealth does not require the University to contribute funding from its local trust funds for employee paid by State appropriations. Pension funding for employees paid from State appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$3,878,870, \$3,404,869 and \$3,042,698, for the years ended June 30, 2019, 2018 and 2017, respectively.

For employees covered by SERS but not paid from State appropriations, the University is required to contribute at an actuarially determined rate. The rate was 12.06%, 11.78% and 9.95% of annual covered payroll for the fiscal years ended June 30, 2019, 2018, and 2017, respectively. The University contributed \$1,000,513, \$1,115,600, and \$912,072 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2019 and 2018, the University reported a liability of \$16,139,945 and \$14,961,538, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.



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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan - Continued**

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

The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal years 2019 and 2018. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the University's proportion was 0.12%.

For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$2,714,975 and \$2,490,804, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 1,000,513	\$ 1,115,600
Differences between expected and actual experience	511,822	578,474
Changes in proportion from Commonwealth	43,529	51,244
Changes in plan actuarial assumptions	1,635,683	1,559,787
Changes in proportion due to internal allocation	<u>1,948,503</u>	<u>2,189,747</u>
Total deferred outflows related to pension	<u>\$ 5,140,050</u>	<u>\$ 5,494,852</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan - Continued**

	<b>2019</b>	<b>2018</b>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between projected and actual investments earnings	<b>\$ 561,008</b>	\$ 178,267
Differences between expected and actual experience	<b>328,933</b>	407,066
Changes in proportion from Commonwealth	<b>3,068</b>	5,333
Changes in proportion due to internal allocation	<b>283,869</b>	402,147
Total deferred inflows related to pension	<b>\$ 1,176,878</b>	\$ 992,813

The University's contributions of \$1,000,513 and \$1,115,600 made during the fiscal years ending 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ended	
<u>June 30,</u>	
2020	\$ 1,392,476
2021	843,464
2022	146,639
2023	411,126
2024	168,954
	<b>\$ 2,962,659</b>

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan - Continued**

*Actuarial Assumptions*

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

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
Inflation on the first \$13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.35%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2018 and 2017, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability - reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 2018 and rolled forward to June 30, 2018. The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 2017 and rolled forward to June 30, 2017.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan - Continued**

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

<b>2019</b>		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%
Core Fixed Income	12.0%	0.9%
Private Equity	12.0%	6.6%
Real Estate	10.0%	3.8%
Value Added Fixed Income	10.0%	3.8%
Timberland/Natural Resources	4.0%	3.4%
	100.0%	

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan - Continued**

<b>2018</b>		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	5.0%
Portfolio Completion Strategies	13.0%	3.6%
Core Fixed Income	12.0%	1.1%
Private Equity	11.0%	6.6%
Real Estate	10.0%	3.6%
Value Added Fixed Income	10.0%	3.8%
Timberland/Natural Resources	4.0%	3.2%
Hedge Funds	0.0%	3.6%
	100.0%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.35% and 7.50% at June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 19 - **Retirement Plan - Continued**

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

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30,:

	<u>2019</u>	<u>Current</u>	<u>2019</u>
	<u>1.00% Decrease</u>	<u>Discount Rate</u>	<u>1.00% Increase</u>
	<u>6.35%</u>	<u>7.35%</u>	<u>8.35%</u>
Net Pension liability	\$ 21,753,948	\$ 16,139,945	\$ 11,342,996

	<u>2018</u>	<u>Current</u>	<u>2018</u>
	<u>1.00% Decrease</u>	<u>Discount Rate</u>	<u>1.00% Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension liability	\$ 20,376,992	\$ 14,961,538	\$ 10,599,260

Note 20 - **Other Post-Employment Benefits ("OPEB")**

*Plan Description*

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

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

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

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

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

**Benefits Provided**

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

**Contributions**

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2019 and 2018, and as of the valuation date (January 1, 2018 and 2017), participants contributed 0% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

Effective beginning in fiscal year 2014, by statute, the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal years 2018 and 2017, 30% and 10%, respectively, of tobacco settlement proceeds or approximately \$73 million and \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal years 2018 and 2017 was set at 30% and 10%, respectively, overriding the existing statute.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 8.79% and 8.92% of annual covered payroll for the fiscal years ended June 30, 2019 and 2018, respectively. The University contributed \$729,569 and \$844,642 for the fiscal years ended June 30, 2019 and 2018, respectively, equal to 100% of the required contribution for each year.

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

At June 30, 2019 and 2018, the University reported a liability of \$28,349,260 and \$29,100,266, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 and 2017, respectively. The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal years 2018 and 2017. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2018 and 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the University's proportion was 0.190% and 0.166%, respectively.



**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of \$2,524,205 and \$2,732,598, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<b>2019</b>	2018
<b><u>Deferred Outflows of Resources Related to OPEB</u></b>		
Contributions subsequent to the measurement date	<b>\$ 729,569</b>	\$ 844,642
Differences between expected and actual experience	<b>344,327</b>	-
Changes in proportion from Commonwealth	<b>91,106</b>	60,904
Changes in proportion due to internal allocation	<b><u>7,472,408</u></b>	<u>4,666,471</u>
Total deferred outflows related to OPEB	<b><u>\$ 8,637,410</u></b>	<b><u>\$ 5,572,017</u></b>
	<b>2019</b>	2018
<b><u>Deferred Inflows of Resources Related to OPEB</u></b>		
Differences between projected and actual earnings on OPEB plan investments	<b>\$ 70,789</b>	\$ 53,092
Differences between expected and actual experience	<b>60,510</b>	66,907
Changes in OPEB plan actuarial assumptions	<b><u>8,710,110</u></b>	<u>3,295,905</u>
Total deferred inflows related to OPEB	<b><u>\$ 8,841,409</u></b>	<b><u>\$ 3,415,904</u></b>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

The University's contributions of \$729,569 and \$844,642 made during the fiscal year 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ended	
<u>June 30,</u>	
2020	\$ (189,135)
2021	(189,135)
2022	(189,135)
2023	(5,488)
2024	<u>(360,675)</u>
	<u>\$ (933,568)</u>

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

*Actuarial Assumptions*

The total OPEB liability for 2019 and 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

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

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2016 and 2015 through December 31, 2017 and 2016, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 and 2016 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2019 and 2018, are the same as discussed in the pension footnote.

**Discount Rate**

The discount rate used to measure the total OPEB liability for 2019 and 2018 was 3.95% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.87% and 3.58%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025 and 2023 for the fiscal years 2019 and 2018, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.35% and 7.50%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

*Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate*

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

	<b>2019</b>		
	<b>1.00% Decrease</b>	<b>Current Discount Rate</b>	<b>1.00% Increase</b>
	<u>2.95%</u>	<u>3.95%</u>	<u>4.95%</u>
Net OPEB liability	\$ 33,475,612	\$ 28,349,260	\$ 24,250,818
	<b>2018</b>		
	<b>1.00% Decrease</b>	<b>Current Discount Rate</b>	<b>1.00% Increase</b>
	<u>2.63%</u>	<u>3.63%</u>	<u>4.63%</u>
Net OPEB liability	\$ 24,076,769	\$ 29,100,266	\$ 35,710,884

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 20 - **Other Post-Employment Benefits ("OPEB") - Continued**

*Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates*

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

<b>2019</b>		
<b>1.00% Decrease (B)</b>	<b>Current Healthcare Cost Trend Rate (A)</b>	<b>1.00% Increase (C)</b>
<b>\$ 23,553,342</b>	<b>\$ 28,349,260</b>	<b>\$ 34,610,115</b>
<b>2018</b>		
<b>1.00% Decrease (B)</b>	<b>Current Healthcare Cost Trend Rate (A)</b>	<b>1.00% Increase (C)</b>
<b>\$ 24,076,769</b>	<b>\$ 29,100,266</b>	<b>\$ 35,710,884</b>

- (A) - Current healthcare cost trend rate, as disclosed on page 86
- (B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 86
- (C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 86

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

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

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

*State Appropriations*

The University's State appropriations are comprised of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Gross State appropriations	\$ <b>36,039,605</b>	\$ 28,236,072
Add: Fringe benefits for benefited employees on the Commonwealth payroll	<b>11,221,707</b>	10,075,869
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	<u>(151,166)</u>	<u>(385,692)</u>
Net State Appropriations	<u><b>\$ 47,110,146</b></u>	<u>\$ 37,926,249</u>

\$42,832,614 and \$37,753,236 represent appropriations for maintenance and payroll during 2019 and 2018, respectively. \$4,277,532 and \$173,013 represent appropriations for capital improvements during 2019 and 2018, 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, 2019 and 2018.



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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 22 - **Risk Management, Commitments and Contingencies**

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

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.

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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 22 - **Risk Management, Commitments and Contingencies - Continued**

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 DCAMM. The projects consist of renovations and improvements and have been recorded in the respective accounts.

Note 23 - **Pledge Agreements**

In fiscal year 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 year ended June 30, 2018, the University received \$41,621, respectively, in accordance with this agreement.

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 24 - **Danforth Art Center**

On September 25, 2017, the University, the Foundation, and the Danforth Museum Corporation entered into a Founding Agreement, as amended on October 13, 2017, to create the Danforth Art Center at Framingham State University (the "Art Center"). Under the terms of the agreement, the Foundation acquired the Danforth art collection in the form of a contribution. In exchange, the Foundation, together with the University, have assumed responsibility for the collection, including but not limited to its care, maintenance, storage, protection, preservation, display, management, cataloging, and insurance. The Collection includes approximately 3,000 paintings, sculptures, prints, multimedia, and other works of art. The Danforth Museum building completed its renovations in April 2019. The University began operations in April 2019 and is using the building as a space for art classes, space for museum galleries for display of the art collection or special exhibitions, and space for administrative and support offices for the Art Center.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FRAMINGHAM STATE UNIVERSITY**  
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**Schedule of Proportionate Share of Net Pension Liability (Unaudited)**

**Massachusetts State Employees' Retirement System**

Year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.122%	0.117%	0.105%	0.112%	0.084%
Proportionate share of the collective net pension liability	16,139,945	14,961,538	\$ 14,519,987	\$ 12,702,384	\$ 6,196,704
University's covered payroll	\$ 9,470,289	\$ 9,166,553	\$ 8,001,513	\$ 6,724,042	\$ 6,191,363
University's proportionate share of the net pension liability as a percentage of its covered payroll	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%

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

*See accompanying notes to the required supplementary information.*

**FRAMINGHAM STATE UNIVERSITY**  
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**Schedule of Contributions - Pension (Unaudited)**

**Massachusetts State Employees' Retirement System**

**For the Years Ended June 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,000,513	\$ 1,115,600	\$ 912,072	\$ 756,143	\$ 698,628
Contributions in relation to the statutorily required contribution	<u>(1,000,513)</u>	<u>(1,115,600)</u>	<u>(912,072)</u>	<u>(756,143)</u>	<u>(698,628)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,296,128	\$ 9,470,289	\$ 9,166,553	\$ 8,001,513	\$ 6,724,042
Contribution as a percentage of covered payroll	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

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**Notes to Required Supplementary Pension Information**

**June 30, 2019**

Note 1 - **Changes in Pension Plan Benefit Terms and Assumptions**

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement date – June 30, 2016

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

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

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to Required Supplementary Pension Information - Continued**

**June 30, 2019**

Note 1 - **Changes in Pension Plan Benefit Terms and Assumptions - Continued**

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

Note 2 - **Other Information**

This schedule is intended to present 10 years of data. Additional years will be presented when available.



**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Proportionate Share of Net OPEB Liability (Unaudited)**

**Massachusetts State Retirees' Benefit Trust**

Year ended	June 30, 2019	June 30, 2018
Measurement date	June 30, 2018	June 30, 2017
Valuation date	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.190%	0.166%
Proportionate share of the collective net OPEB liability	\$ 28,349,260	\$ 29,100,266
College's covered payroll	\$ 9,470,289	\$ 9,166,553
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	299.35%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%

Notes:

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

*See accompanying notes to the required supplementary information.*

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Contributions - OPEB (Unaudited)**

**Massachusetts State Retirees' Benefit Trust**

**For the Year Ended June 30,**

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 729,569	\$ 844,642
Contributions in relation to the statutorily required contribution	<u>(729,569)</u>	<u>(844,642)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,296,128	\$ 9,470,289
Contribution as a percentage of covered payroll	8.79%	8.92%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

**FRAMINGHAM STATE UNIVERSITY**  
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**Notes to Required Supplementary OPEB Information**

**June 30, 2019**

Note 1 - **Changes in OPEB Plan Benefit Terms and Assumptions**

Measurement date – June 30, 2018

*Change in Trend on Future Costs*

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

*Change in Mortality Rates*

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

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

*Change in Discount Rate*

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

Measurement date – June 30, 2017

*Change in Discount Rate*

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

Note 2 - **Other Information**

This schedule is intended to present 10 years of data. Additional years will be presented when available.

Detained information about the OPEB plan's changes in net OPEB liability and changes in the plan's fiduciary net position are not available to the University and, accordingly, are not presented in the schedule. This information is available in the Commonwealth of Massachusetts' financial statements.

## **SUPPLEMENTAL INFORMATION**

**FRAMINGHAM STATE UNIVERSITY**  
 (an agency of the Commonwealth of Massachusetts)

**Residence Hall Fund and Residence Hall Damage Fund (Unaudited)**

**Schedules of Net Position**

**June 30, 2019**

	<b>Assets</b>	
	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
<b>Assets:</b>		
Cash	\$ 3,908,276	\$ 473,024
Accounts Receivable	<u>377,948</u>	<u>59,486</u>
<b>Total Assets</b>	<u><u>\$ 4,286,224</u></u>	<u><u>\$ 532,510</u></u>
	<b>Liabilities and Net Position</b>	
<b>Liabilities:</b>		
Accounts payable	\$ 5,570	\$ -
Salaries and fringe benefits	80,776	-
Compensated absences	315,574	-
Deposits	<u>305,199</u>	<u>-</u>
<b>Total Liabilities</b>	<u>707,119</u>	<u>-</u>
<b>Net Position</b>	<u>3,579,105</u>	<u>532,510</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 4,286,224</u></u>	<u><u>\$ 532,510</u></u>

*See Independent Auditors' Report*

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Residence Hall Fund and Residence Hall Damage Fund (Unaudited)**

**Schedules of Revenues, Expenses and Changes in Net Position**

**For the year ended June 30, 2019**

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
<b>Revenue:</b>		
Student tuition and fees	\$ 15,606,724	\$ 80,518
Less: Scholarship allowances	<u>(312,480)</u>	<u>-</u>
Net Student Tuition and Fees	15,294,244	80,518
Interest	6,898	-
Commissions	54,027	-
Rentals	122,625	-
Auxiliary service fees and other revenue	<u>20,393</u>	<u>-</u>
<b>Total Revenues</b>	<u>15,498,187</u>	<u>80,518</u>
Transfer in (external)	<u>15,960</u>	<u>-</u>
<b>Expenses:</b>		
Regular employee compensation	1,477,750	-
Regular employee related expenses	6,334	-
Special employee/contract services	1,158,939	-
Pension and insurance	521,804	-
Administrative expenses	204,507	-
Facility operating supplies and related expenses	150,254	-
Consultant services	4,829	-
Operational services	27,440	-
Equipment purchases	1,217	-
Equipment lease - purchase, lease, rent, repair	217,041	21,239
Purchased client service and programs	3,258	-
Buildings improvements	248,475	-
Information technology	89,062	-
Loans and special payments	<u>9,701,925</u>	<u>-</u>
<b>Total Expenses</b>	<u>\$ 13,812,835</u>	<u>\$ 21,239</u>

*See Independent Auditors' Report*

**FRAMINGHAM STATE UNIVERSITY**  
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**Residence Hall Fund and Residence Hall Damage Fund (Unaudited)**

**Schedules of Revenues, Expenses and Changes in Net Position - Continued**

**For the year ended June 30, 2019**

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Transfer Out (External)		
Electricity	\$ 1,615,370	\$ -
Health services reimbursement	70,000	-
Laundry and cleaning	50,000	-
General expenses	<u>400</u>	<u>-</u>
Total Transfer Out (External)	<u>1,735,770</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	(34,458)	59,279
Net Position, Beginning of Year	<u>3,613,563</u>	<u>473,231</u>
<b>Net Position, End of Year</b>	<u>\$ 3,579,105</u>	<u>\$ 532,510</u>

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

*See Independent Auditors' Report*

**FRAMINGHAM STATE UNIVERSITY**  
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**Supplemental Statistical Information (Unaudited)**

**Schedule of Net Position by Category**

	<u>2013 (2)</u>	<u>2014 (3)</u>	<u>2015</u>	<u>2016</u>	<u>2017(4)</u>	<u>2018</u>	<u>2019</u>
Net investment in capital assets	\$ 41,448,701	\$ 52,034,054	\$ 84,138,157	\$ 97,567,357	\$ 104,693,789	\$ 107,501,952	\$ 105,089,533
Restricted - expendable	3,805,464	3,905,599	2,516,075	2,562,269	3,118,277	2,820,618	2,933,947
Restricted - nonexpendable	1,925,721	1,970,057	1,996,750	2,045,582	2,088,572	2,158,255	2,200,614
Unrestricted	<u>31,978,129</u>	<u>36,838,098</u>	<u>37,341,806</u>	<u>39,648,488</u>	<u>44,752,560</u>	<u>10,328,068</u>	<u>15,907,790</u>
<b>Total Net Position</b>	<b><u>\$ 79,158,015</u></b>	<b><u>\$ 94,747,808</u></b>	<b><u>\$ 125,992,788</u></b>	<b><u>\$ 141,823,696</u></b>	<b><u>\$ 154,653,198</u></b>	<b><u>\$ 122,808,893</u></b>	<b><u>\$ 126,131,884</u></b>

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

**Sources and Uses of Funds**

	<u>2013 (2)</u>	<u>2014 (3)</u>	<u>2015</u>	<u>2016</u>	<u>2017(4)</u>	<u>2018</u>	<u>2019</u>
<b>Source of Revenue:</b>							
Student charges (net of scholarships) (3)	\$ 33,283,040	\$ 33,486,009	\$ 33,644,723	\$ 34,315,628	\$ 35,394,918	\$ 35,227,444	\$ 35,985,498
Grants and contracts	6,706,251	7,480,144	9,933,830	12,284,096	9,882,318	8,030,560	10,270,352
Auxiliary enterprises	13,106,652	13,739,521	14,208,692	14,706,516	15,630,123	16,001,360	15,897,282
Other operating revenue	<u>2,224,319</u>	<u>2,087,533</u>	<u>1,689,136</u>	<u>2,038,867</u>	<u>3,116,759</u>	<u>3,661,029</u>	<u>3,629,359</u>
<b>Total Operating Revenue</b>	<b><u>55,320,262</u></b>	<b><u>56,793,207</u></b>	<b><u>59,476,381</u></b>	<b><u>63,345,107</u></b>	<b><u>64,024,118</u></b>	<b><u>62,920,393</u></b>	<b><u>65,782,491</u></b>
State support	27,584,390	30,676,068	32,664,050	35,477,537	37,022,123	37,753,236	42,832,614
Other non-operating revenue	<u>4,296,226</u>	<u>12,202,066</u>	<u>36,483,195</u>	<u>21,925,262</u>	<u>16,882,314</u>	<u>5,397,172</u>	<u>9,876,081</u>
<b>Total Non-operating Revenue</b>	<b><u>31,880,616</u></b>	<b><u>42,878,134</u></b>	<b><u>69,147,245</u></b>	<b><u>57,402,799</u></b>	<b><u>53,904,437</u></b>	<b><u>43,150,408</u></b>	<b><u>52,708,695</u></b>
<b>Total Revenue</b>	<b><u>\$ 87,200,878</u></b>	<b><u>\$ 99,671,341</u></b>	<b><u>\$ 128,623,626</u></b>	<b><u>\$ 120,747,906</u></b>	<b><u>\$ 117,928,555</u></b>	<b><u>\$ 106,070,801</u></b>	<b><u>\$ 118,491,186</u></b>

**Functional Expense:**

Instruction	\$ 26,225,721	\$ 27,347,169	\$ 29,049,792	\$ 31,336,705	\$ 33,811,638	\$ 32,241,502	\$ 35,281,056
Research	18,537	90,386	1,508,571	1,630,714	1,732,248	112,467	108,001
Academic support	9,343,322	9,974,585	9,998,548	11,852,251	12,835,835	13,869,676	15,602,079
Student services	9,516,596	10,513,003	11,158,061	11,911,904	13,214,323	13,682,206	14,553,219
Institutional support	7,828,181	7,858,572	9,009,850	10,815,126	10,555,230	11,690,341	12,101,210
Operations and maintenance of plant	11,149,462	11,087,924	11,167,239	11,440,601	12,352,552	12,790,568	14,737,047
Scholarships (3)	-	-	-	-	-	-	-
<b>Sub-total</b>	<b><u>64,081,819</u></b>	<b><u>66,871,639</u></b>	<b><u>71,892,061</u></b>	<b><u>78,987,301</u></b>	<b><u>84,501,826</u></b>	<b><u>86,386,760</u></b>	<b><u>92,382,612</u></b>
Auxiliary enterprises	<u>10,982,802</u>	<u>11,907,599</u>	<u>12,099,652</u>	<u>10,395,641</u>	<u>13,601,357</u>	<u>13,866,466</u>	<u>13,833,181</u>
<b>Total Operating Expense</b>	<b><u>75,064,621</u></b>	<b><u>78,779,238</u></b>	<b><u>83,991,713</u></b>	<b><u>89,382,942</u></b>	<b><u>98,103,183</u></b>	<b><u>100,253,226</u></b>	<b><u>106,215,793</u></b>
Other Non-operating Expense	<u>778,700</u>	<u>1,315,343</u>	<u>2,072,255</u>	<u>10,798,765</u>	<u>36,759,135</u>	<u>11,827,494</u>	<u>8,952,402</u>
<b>Total Non-operating Expense</b>	<b><u>778,700</u></b>	<b><u>1,315,343</u></b>	<b><u>2,072,255</u></b>	<b><u>10,798,765</u></b>	<b><u>36,759,135</u></b>	<b><u>11,827,494</u></b>	<b><u>8,952,402</u></b>
<b>Total Expense</b>	<b><u>\$ 75,843,321</u></b>	<b><u>\$ 80,094,581</u></b>	<b><u>\$ 86,063,968</u></b>	<b><u>\$ 100,181,707</u></b>	<b><u>\$ 134,862,318</u></b>	<b><u>\$ 112,080,720</u></b>	<b><u>\$ 115,168,195</u></b>

(1) These schedules do not include the component unit, Framingham State University Foundation, Inc.; total operating expense does not include depreciation.

(2) FY14 has been restated based upon the new IPEDS allocation methodology deployed for FYE15.

(3) In FY18, endowment scholarship expenses were reclassified and included in the Net Student Charges Revenue line; FY14-FY17 amounts have been restated above but will not agree with the published financial statement for these years.

(4) FY17 has been restated to reflect the incorporation of GASB 75 post-employment benefits (OPEB).



**FRAMINGHAM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Supplemental Statistical Information (Unaudited)**

**Schedule of Capital Asset Information**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Land (acreage) (1)(7)	51.28	53.00	54.00	143.18	143.18	145.16	145.16
<b>Buildings (square feet):</b>							
100 Instruction classroom (6)	49,482	49,482	49,482	49,482	53,467	53,467	53,467
200 Labs (4)(7)	69,875	69,875	69,875	124,875	124,875	132,875	132,875
300 Administrative (6)	83,857	83,857	94,325	94,325	119,262	119,262	119,262
400 Study facilities (6)	54,565	54,565	54,565	54,565	58,862	58,862	58,862
52x Athletic	49,709	49,709	53,449	53,449	53,449	53,449	53,449
5xx Other Special Use (1)(6)(7)	8,852	31,706	31,706	114,106	122,506	138,506	138,506
600 General Use (6)	56,311	56,311	56,311	56,311	76,023	76,023	76,023
700 Support facilities (2)(6)	138,165	138,165	138,165	154,425	156,785	156,785	156,785
000 Unclassified	-	-	-	-	-	-	-
Unassigned/unassignable (6)	154,688	154,688	154,688	154,688	164,397	164,397	164,397
<b>Total Square Feet</b>	<b>665,504</b>	<b>688,358</b>	<b>702,566</b>	<b>856,226</b>	<b>929,626</b>	<b>953,626</b>	<b>953,626</b>
Residence Halls (3)(5)	469,645	539,045	539,045	545,795	562,728	562,728	562,728
Rental space	6,613	6,613	6,613	6,613	-	-	-
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Dormitories - # of residents (1)	1,946	1,940	1,890	1,876	1,875	1,838	1,803

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

- (1) FY16 Added the Warren Conference Center
- (2) FY16 Added 2 Perini Buildings
- (3) Residence Hall # of residents is based upon the average of the Spring and Fall occupancy the calendar year, e.g. 2017 = Spring 2017 + Fall 2017.
- (4) FY16 Added Hemenway Labs
- (5) FY17 Add West Hall/move O'Connor
- (6) FY17 Add O'Connor
- (7) FY18 Add Maynard Building, 14 Vernon Street

See Independent Auditors' Report

**FRAMINGHAM STATE UNIVERSITY**  
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**Supplemental Statistical Information (Unaudited)**

**Schedule of Tuition and Mandatory Fees**

	Academic Year										
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	
<b>Resident Undergraduate</b>											
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	5,570	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	9,550	
<b>Total</b>	<b>\$ 6,540</b>	<b>\$ 7,065</b>	<b>\$ 7,580</b>	<b>\$ 8,080</b>	<b>\$ 8,080</b>	<b>\$ 8,320</b>	<b>\$ 8,700</b>	<b>\$ 9,340</b>	<b>\$ 9,920</b>	<b>\$ 10,520</b>	
<b>Non-Resident Undergraduate</b>											
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	
Mandatory Fees	5,570	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	9,550	
<b>Total</b>	<b>\$ 12,620</b>	<b>\$ 13,145</b>	<b>\$ 13,660</b>	<b>\$ 14,160</b>	<b>\$ 14,160</b>	<b>\$ 14,400</b>	<b>\$ 14,780</b>	<b>\$ 15,420</b>	<b>\$ 16,000</b>	<b>\$ 16,600</b>	
<b>Resident Graduate</b>											
Tuition	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	
Mandatory Fees	5,570	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	9,550	
<b>Total</b>	<b>\$ 7,245</b>	<b>\$ 7,770</b>	<b>\$ 8,285</b>	<b>\$ 8,785</b>	<b>\$ 8,785</b>	<b>\$ 9,025</b>	<b>\$ 9,405</b>	<b>\$ 10,045</b>	<b>\$ 10,625</b>	<b>\$ 11,225</b>	

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

See Independent Auditors' Report

**FRAMINGHAM STATE UNIVERSITY**  
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**Supplemental Statistical Information (Unaudited)**

**Schedule of Admissions, Enrollment, and Degrees**

<b>Admissions-Freshman (1):</b>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Applications	4,108	4,542	6,254	6,985	6,902	6,665	6,189	7,525	7,438	6,879
Applications accepted	2,744	3,016	3,668	3,733	3,903	4,110	4,239	4,866	4,946	4,874
Accepted as a percentage of applications	67%	66%	59%	53%	57%	62%	68%	65%	66%	71%
Students enrolled (2)	1,147	1,237	1,442	1,407	1,341	1,338	1,358	1,242	1,289	1,137
Enrolled as a percentage of accepted	42%	41%	39%	38%	34%	33%	32%	26%	26%	23%

(1) Includes all undergraduate admissions including transfer students.

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

<b>Enrollment:</b>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Full-time equivalent	4,213	4,288	4,710	4,909	4,942	4,996	4,881	4,732	4,537	4,405
Unduplicated credit headcount	5,989	5,953	6,415	6,506	6,429	6,499	6,398	5,977	5,691	5,565
Percent undergraduate (3)	64%	65%	67%	69%	71%	71%	70%	73%	73%	71%
Percent graduate	36%	35%	33%	31%	29%	29%	30%	27%	27%	29%

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

<b>Student Population Demographics (4):</b>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Percentage of men	28%	30%	31%	32%	32%	32%	33%	35%	35%	36%
Percentage of women	72%	70%	69%	68%	68%	68%	67%	65%	65%	64%
Percentage of African-American	4%	5%	6%	6%	6%	6%	7%	8%	9%	9%
Percentage of White	89%	86%	84%	82%	83%	82%	77%	74%	71%	69%
Percentage of Latino	4%	5%	6%	8%	8%	9%	10%	10%	12%	14%
Percentage of Other (5)	3%	4%	4%	4%	3%	3%	7%	8%	8%	8%
<20	19%	20%	22%	21%	21%	20%	24%	25%	24%	24%
20 to 30	51%	51%	50%	53%	54%	55%	51%	52%	53%	52%
31 to 40	12%	13%	12%	12%	11%	12%	12%	11%	11%	12%
41 & Over	18%	16%	16%	14%	14%	14%	13%	12%	12%	12%

(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.

<b>Degrees Granted:</b>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Bachelor's	722	728	703	735	795	908	968	1,012	914	850
Master's	545	430	546	426	538	414	496	453	469	445

See Independent Auditors' Report

**FRAMINGHAM STATE UNIVERSITY**  
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**Supplemental Statistical Information (Unaudited)**

**Schedule of Employment**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Faculty - Primary Instruction</b> <sup>/1/2</sup>	<b>250</b>	<b>257</b>	<b>261</b>	<b>312</b>	<b>318</b>	<b>366</b>	<b>529</b>	<b>530</b>	<b>536</b>	<b>519</b>
Part-time	81	96	97	136	136	174	143	140	143	133
Part-time CE Instructors	-	-	-	-	-	-	182	185	187	177
Full-time	169	161	164	176	182	192	204	205	206	209
<b>Staff and Administrators</b>	<b>287</b>	<b>276</b>	<b>293</b>	<b>310</b>	<b>315</b>	<b>314</b>	<b>322</b>	<b>334</b>	<b>340</b>	<b>346</b>
Part-time	5	7	7	9	9	10	8	8	9	9
Full-time	282	269	286	301	306	304	314	326	331	337
<b>Total Employees</b>	<b>537</b>	<b>533</b>	<b>554</b>	<b>622</b>	<b>633</b>	<b>680</b>	<b>851</b>	<b>864</b>	<b>876</b>	<b>865</b>
Part-time	86	103	104	145	145	184	333	333	339	319
Full-time	451	430	450	477	488	496	518	531	537	546

<sup>/1</sup> Includes Instruction, Research and Public Service

<sup>/2</sup> As of 2015, Part-time Faculty also includes 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.**

*See Independent Auditors' Report*

# **FRAMINGHAM STATE UNIVERSITY**

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**(an agency of the Commonwealth of Massachusetts)**

**INDEPENDENT AUDITORS' REPORTS AS REQUIRED  
BY THE UNIFORM GUIDANCE AND *GOVERNMENT*  
*AUDITING STANDARDS* AND RELATED  
INFORMATION**

**JUNE 30, 2019**



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Commonwealth of Massachusetts  
Braintree, Massachusetts

### **Report on Compliance for Each Major Federal Program**

We have audited Framingham State University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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* (the "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 the 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 the University's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the 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, 2019.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of the 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 the 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 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 the 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.

We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2019-001 and 2019-002 that we consider to be significant deficiencies.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the University, as of and for the year ended June 30, 2019. We issued our report thereon dated October 9, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Certified Public Accountants  
Braintree, Massachusetts**

October 9, 2019





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

To the Board of Education  
Commonwealth of Massachusetts  
Braintree, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Framingham State University (the "University"), which comprise the statement of net position as of June 30, 2019, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 9, 2019.

### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Certified Public Accountants  
Braintree, Massachusetts**

October 9, 2019

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**FRAMINGHAM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2019**

	CFDA Number	University Internal Fund Number	Pass-through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>						
<b>U.S. Department of Education:</b>						
<b>Direct Awards:</b>						
Federal Supplemental Educational Opportunity Grant	84.007	S03003	N/A	N/A	\$ 150,233	\$ -
Federal Work-Study Program	84.033	S03004	N/A	N/A	92,928	-
Federal Direct Student Loans	84.268	Y05001	N/A	N/A	20,840,947	-
Federal Perkins Loan Program (beginning of year)	84.038	L01002	N/A	N/A	2,107,128	-
Federal Perkins Loan Program (current year expenditure)	84.038	L01002	N/A	N/A	35,328	-
Federal Pell Grant Program	84.063	S03000	N/A	N/A	6,544,609	-
<b>Total Student Financial Assistance Cluster</b>					<u>29,771,173</u>	<u>-</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>						
<b>U.S. Department of Agriculture:</b>						
<b>Pass-through Awards:</b>						
Agriculture Research - Basic and Applied Research (USDA Test/Phenolic Quorum Compounds)	10.001	G01518	USDA Agricultural Research Service	58-2030-8-033	29,245	-
<b>U.S. Department of Defense:</b>						
<b>Pass-through Awards:</b>						
Basic Scientific Research - Natick Labs Botanical Extraction	12.431	G01520	Natick Labs	W911QY1820004	45,650	-
<b>National Aeronautics and Space Administration</b>						
<b>Pass-through Awards:</b>						
Integrated Astrophysics STEM Learning & Literacy Program	43.001	G01515	Smithsonian Astrophysical Observatory Science	SV6-86013	14,471	-
<b>National Science Foundation</b>						
<b>Pass-through Awards:</b>						
Education and Human Resources - Massachusetts Exploring Computer Science Partnership	47.076	G01512	Education Development Center, Inc	CNS-133930	4,153	-
<b>Total Research and Development Cluster</b>					<u>93,519</u>	<u>-</u>
<b>NON-CLUSTER</b>						
<b>U.S. Department of Agriculture:</b>						
<b>Pass-through Awards:</b>						
State Administrative Expenses for Child Nutrition (John Stalker Institute of Food and Nutrition)	10.560	G01521	Massachusetts Department of Education	F1818N2533/F1919N2533	544,746	-
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools (John Stalker Institute - Train the Trainer)	93.981	G01522	Massachusetts Department of Education	F8DP006432	10,377	-
Subtotal - Pass-through Awards					<u>555,123</u>	<u>-</u>
<b>U.S. Department of Education:</b>						
<b>Direct Awards:</b>						
English Language Acquisition State Grants (PROPELL: Producing Reading and Oral proficiency in ELLs)	84.365Z	G01517	N/A	N/A	228,345	-
<b>Total Non-Cluster</b>					<u>783,468</u>	<u>-</u>
<b>Total Federal Funds</b>					<u>\$ 30,648,160</u>	<u>\$ -</u>

See accompanying notes to the Schedule of Expenditure of Federal awards.

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2019**

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the University under programs of the Federal Government for the year ended June 30, 2019. The information on this Schedule is prepared 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 assets, 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 the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - **Federal Student Loan Programs**

*Perkins Loan Program*

The Federal Perkins Loan Program (“Perkins”) is administered directly by the University and balances and transactions relating to this program are included in the University’s basic financial statements. During the year ended June 30, 2019, there were no loans were advanced under the Perkins program. During the year ended June 30, 2019, \$35,328 of administrative costs were incurred. As of June 30, 2019, gross loan balances receivable under Perkins were \$1,759,390.

There was no federal capital contribution or match by the University during the current year.

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2019**

Note 4 - **Federal Student Loan Programs - Continued**

*Direct Student Loan Program*

The University disbursed \$20,840,947 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the University under the program as of June 30, 2019. The University is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2019**

**Section I – Summary of Auditors’ Results:**

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Noncompliance material to the financial statements noted?  yes  no

***Federal Awards***

Type of auditors’ report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  yes  no

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2019**

*Identification of Major Programs*

<b>Name of Federal Program or Cluster</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	<b>84.007</b>
Federal Work-Study Program	<b>84.033</b>
Federal Direct Student Loans (Note 3)	<b>84.268</b>
Federal Perkins Loan Program	<b>84.038</b>
Federal Pell Grant Program	<b>84.063</b>
State Administrative Expenses for Child Nutrition	<b>10.560</b>

Dollar threshold used to distinguish between  
type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

  x   yes           no

There were no material or immaterial findings related to Pell grants and the Direct Loan program during award year 2019.



**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2019**

**Section II – Financial Statement Findings:**

None noted

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2019**

**Section III – Federal Award Findings and Questioned Costs:**

**Finding number:** 2019-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #:** 84.063 and 84.268  
**Award year:** 2019

***Criteria***

According to 34 CFR 685.309(b)(2):

Unless Framingham State University 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.

The Dear Colleague Letter GEN-12-6 issued by the U.S. Department of Education (“ED”) on March 30, 2012 states that in addition to student loan borrowers, Enrollment Reporting files will include two additional groups of students: Pell Grant and Perkins Loan recipients.

According to 2 CFR Part 200, Appendix XI Compliance Supplement updated June 2019:

Under the Pell Grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via the National Student Loan Data System (“NSLDS”). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2019**

***Condition***

The Federal Government requires the College to report student enrollment changes to the National Student Loan Data System (“NSLDS”) within 60 days. During our testing, we noted one student, out of a sample of forty, that had an incorrect effective date reported to NSLDS and noted a second student, out of the same sample of forty, whose status change was not reported to NSLDS.

***Cause***

The University did not have adequate procedures in place to ensure that students with status changes had their effective date correctly reported to NSLDS. Also, the University did not have adequate procedures in place to ensure that status changes were properly reported to NSLDS within the required timeframe.

***Effect***

The University did not report the correct effective date for one student's status change and did not report the status change of another student at all to NSLDS, which may impact the students' loan grace periods and enrollment reporting statistics collected by the Department of Education.

***Questioned Costs***

Not applicable

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, two students, or 5% of our sample, had issues with status change reporting to NSLDS, including one student with an incorrect effective date reported for the status change and another student whose status change was not reported to NSLDS.

***Identification as a Repeat Finding, if applicable***

Not applicable

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2019**

***Recommendation***

The University should provide training to employees responsible for processing information for the NSLDS and ensure that they have adequate knowledge in the related rules and regulations. This training should include an explanation of the effective date of a student's withdrawal, the importance of reporting the correct effective date and the consequences of incorrect reporting. This oversight should also ensure that the effective date reported to NSLDS is consistent with the date the student separated from the University.

***View of Responsible Officials***

The University agrees with the finding.

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2019**

**Finding number:** 2019-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Direct Student Loans  
**CFDA #:** 84.268  
**Award year:** 2019

***Criteria***

According to 34 CFR 690.83(b):

(1) An institution shall report to the Secretary any change for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

(2) An institution shall submit, in accordance with the deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

According to the Federal Register (Volume 83, Number 233):

An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan, and TEACH Grant disbursement records to COD, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement. In accordance with 34 CFR 668.164(a), title IV, Higher Education Act ("HEA") program funds are disbursed on the date that the institution:

- (a) Credits those funds to a student's account in the institution's general ledger or any subledger of the general ledger; or
- (b) pays those funds to a student directly.

Title IV, HEA program funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Department.

***Condition***

Federal regulations require the University to report Federal Direct Loan disbursements made to students to the Federal Government's Common Origination and Disbursement System ("COD") within 15 days of the funds being disbursed to the student. During our testing, we noted 36

**FRAMINGHAM STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2019**

students, out of a sample of forty, were not reported within the required timeframe. All 36 of these students were reported one day after the 15-day deadline.

***Cause***

The University has policies and procedures in place to report the disbursement records to the Department of Education through the COD system within the required fifteen calendar days, however, in this case the procedures were not completed properly.

During the spring 2019 semester, the disbursement file sent to COD was not updated after there was a change in the disbursement date. An updated disbursement file was sent to COD 16 days after the disbursement, one day after the requirement.

***Effect***

The University did not report Direct Student Loan disbursements to COD within the required time frame.

***Questioned Costs***

Not applicable

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, 36 students, or 90% of our sample, was determined to be reported late to the COD by one day.

***Identification as a Repeat Finding, if applicable***

Not applicable

***Recommendation***

We recommend that management of the University review, and if necessary, update the policies and procedures to ensure all Direct Student Loan funds are reported within the required timeframe.

***View of Responsible Officials***

The University agrees with the finding.



**Framingham**  
State University

**Management's Summary Schedule of Prior Audit Finding**  
**Year Ended June 30, 2019**

There were no audit findings noted in the prior year.



October 7, 2019

**Management's Views and Corrective Action Plans**

**2019-001**

**Student Financial Assistance Cluster (84.063 and 84.268)**

<b>Finding:</b>	The Federal Government requires the College to report student enrollment changes to the National Student Loan Data System ("NSLDS") within 60 days. During FY2019 NSLDS was 1) not notified within the 60 day requirement of the correct effective date for one student's status change and 2) not notified at all of another student's change in enrollment status.
<b>Questioned Costs:</b>	N/A
<b>Status:</b>	Corrective actions will be completed by November 1, 2019.
<b>Corrective Action:</b>	The following additional steps will be included in the Registrar's written policies and procedures where the Office of the Registrar will: 1) Have a second employee review the accuracy of all enrollment changes made on each preceding work day. 2) Run monthly reports for each month as well as each preceding month during the term in order to capture any changes that occurred on the same day as the monthly summary is run as well as any backdated withdrawals that were processed for the preceding month(s).
<b>Completion:</b>	Corrective action steps have been identified and will be implemented by November 1, 2019.
<b>Contact Persons:</b>	Dr. Dale M. Hamel, Executive Vice President, Administration, Finance, & Technology Dr. Angela Salas, Provost/Vice President of Academic Affairs Mark R. Powers, University Registrar/Executive Director of Student Record & Registration Services

Sincerely,

Mark R. Powers, University Registrar/Executive Director of Student Record & Registration Services

Dr. Angela Salas, Provost & Vice President, Academic Affairs

Dr. Dale M. Hamel, Executive Vice President, Administration, Finance, & Technology





October 7, 2019

**Management's Views and Corrective Action Plans**

**2019-002**

**Federal Direct Student Loans (84.268)**

<b>Finding:</b>	Federal regulations require the University to report Federal Direct Loan disbursements made to students as well as any related changes to these disbursement dates to the Federal Government's Common Origination and Disbursement System ("COD") within 15 days of the funds being disbursed to the student. During FY2019 student disbursement date changes were not reported within the required timeframe; COD was notified in 16 days, rather than the required 15 day requirement.
<b>Questioned Costs:</b>	N/A
<b>Status:</b>	Corrective actions will be implemented immediately.
<b>Corrective Action:</b>	The following additional step has been included in the Financial Aid Office's written policies and procedures: Financial Aid Office staff will run reports on a weekly basis to capture and correct any mismatches between FSU's financial aid system and the U.S. Department of Education's Common Origination and Disbursement ("COD") system to ensure that all direct loan disbursements and updates are reported within the required fifteen-day reporting timeframe.
<b>Completion:</b>	Corrective action steps were completed by October 7, 2019.
<b>Contact Persons:</b>	Dr. Dale M Hamel, Executive Vice President, Administration, Finance, & Technology Dr. Lorretta Holloway, Vice President of Enrollment Management and Student Development Carla Minchello, Director of Financial Aid

Sincerely,

Carla Minchello, Director of Financial Aid

Dr. Lorretta Holloway, Vice President of Enrollment Management and Student Development

Dr. Dale M. Hamel, Executive Vice President, Administration, Finance, & Technology