FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2010 AND 2009

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FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)
Management's Discussion and Analysis
UNAUDITED

Introduction
The following discussion and analysis are intended to provide an overview of the financial position and results of operations of Fitchburg State College (the "College") for the fiscal years ended June 30, 2010, 2009 and 2008. This discussion is provided by the management of the College and should be read in conjunction with the financial statements and notes thereto. The purpose of this document is to give some background to the financial statements, and foster an understanding of how these statements relate to the mission and activities of the College.

The College, located in North Central Massachusetts, is one of the nine comprehensive public colleges in the Commonwealth of Massachusetts (the "Commonwealth"). These institutions, along with the five-campus University of Massachusetts system and the fifteen community colleges (all reporting to the Department of Higher Education in varying degrees) comprise public higher education in Massachusetts. The College offers approximately 49 undergraduate degree programs in eighteen academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During fiscal 2010, there were approximately 3,800 full-time students and thousands of part-time students enrolled in degree programs, for a combined full-time equivalent enrollment of approximately 5,500. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education (DGCE). The College awarded approximately 1,200 graduate and undergraduate degrees in fiscal 2010. The College is accredited by the New England Association of Schools and Colleges (NEASC) and many of the College's programs are accredited by program-specific accrediting bodies.

Financial Highlights
The College experienced positive results from operations in fiscal 2010 and remains on firm financial ground. Despite turbulent economic times, the College maintained its focus on teaching, learning and service. The following are key financial highlights for the current period:

- General appropriations from the Commonwealth are approved by the legislature to help fund the day-to-day operations of the College. The College received $21.4 million in fiscal 2010, an 18.5% decrease from fiscal 2009 levels. This decrease was offset by $6.7 million received as a result of *The American Recovery and Reinvestment Act of 2009* (ARRA). ARRA funds were used primarily to support faculty payroll, scholarships and debt service. General appropriations were $26.3 million in fiscal 2009 and $27.5 million in fiscal 2008.

- Fees were increased to fund academic and capital initiatives. The mandatory per semester college fee was $2,722, $2,472, and $2,268 in fiscal 2010, 2009 and 2008, respectively. Fees were also increased for undergraduate continuing education students. Tuition, which is controlled by the Commonwealth, has not increased since the fall of 2001 and remains at $485 per semester for in-state students.

- The College expended $3.1 million from current funds for capital additions in fiscal 2010. Projects completed during the year included renovation and expansion of academic offices, construction of a new student health center and upgrades to the athletic fields. An additional $1.5 million was spent on the College's behalf by the Massachusetts Division of Capital Asset Management (DCAM) for the Science Center modernization project. Projects remaining in process at June 30, 2010 include construction of a new server room for Information Technology, renovations to the Dupont Building and the final phase of the Anthony Building renovations.

- Total assets at the end of fiscal 2010 were $92.8 million and exceeded liabilities of $25.9 million by $66.9 million (i.e. net assets). Unrestricted net assets available to support short-term operations totaled $17.3 million, of which $8.1 million has been designated for specific purposes.

- Total operating, non-operating, and gift revenue for fiscal 2010 was $78.9 million, while expenses totaled $68.2 million, resulting in an increase to net assets of $10.7 million. The increase in net assets includes a 6.1% increase in student tuition and fee revenues.

- The consolidated financial information of the Fitchburg State College Foundation, Inc. is included in the College's financial statements as a component unit of the College. It is important to reiterate that the Foundation is indeed a separate organization. Foundation funds are largely restricted, and unrestricted funds can only be expended by vote of the Board of Directors of the Foundation. In general, these funds are not available for operational costs of the College.

Using the Financial Statements

Fitchburg State College reports its activity as a business type activity using the full accrual basis of accounting. The accrual basis of accounting ensures that all amounts owed to the College and all pending obligations of the College are accounted for in the appropriate period, thus giving a clear picture of the College's financial position. The College is a department of the Commonwealth of Massachusetts. A summary of our financial statements is incorporated in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

The Massachusetts Department of Higher Education has instituted the use of certain core financial ratios as part of their performance measures for public colleges in the Commonwealth. Analysis using these ratios, as well as other commonly accepted ratios, has been incorporated throughout this document.

The College's financial statements include three major documents: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards.

Statement of Net Assets

The statement of net assets presents the financial position of the College at the end of the year and includes all assets and liabilities of the College, with the difference reported as net assets. Assets and liabilities are generally measured using current values, with a notable exception in capital assets, which are stated at historical cost less an allowance for depreciation. Net assets are one indicator of the financial condition of the College, while the change in net assets from one period to the next is an indicator of whether the financial condition has improved or worsened. The statement of net assets (condensed, in thousands) at June 30, 2010, 2009 and 2008, are as follows:

	2010	2009	2008
Assets			
Current assets	$ 20,743	$ 10,601	$ 13,258
Capital assets, net	55,386	53,816	48,496
Other	16,708	18,345	21,058
Total Assets	$ 92,837	$ 82,762	$82,812
Liabilities			
Current liabilities	$ 10,804	$ 10,100	$ 11,695
Long term liabilities	15,091	16,424	17,857
Total Liabilities	25,895	26,524	29,552
Net Assets			
Invested in capital assets, net of related debt	40,791	39,531	30,984
Restricted:			
Nonexpendable	470	437	511
Expendable	8,403	6,515	9,850
Unrestricted:			
Designated	8,135	6,239	5,406
Undesignated	9,143	3,516	6,509
Total net assets	66,942	56,238	53,260
Total Liabilities & Net Assets	$ 92,837	$ 82,762	$ 82,812

Current assets consist primarily of cash and cash equivalents (88.7%). Other assets include non current restricted cash and cash equivalents, investments in marketable securities and loans receivable. Capital assets are used to provide services to students, faculty and staff. These assets are not available for current or future spending. Current liabilities primarily include trade accounts and salaries payable, the current portion of compensated absences and accrued faculty payroll. In the normal course of events and based on a consistent past history in this regard, it is anticipated that obligations due to employees will be funded by state appropriations. The increase in net assets over the past three periods is indicative of the capital improvement initiatives undertaken during this time.

Ratio analysis measures certain elements of an institution's financial health. The analysis illustrates positive results of operations and remain indicators of the overall financial health of the institution.

- **Current Ratio:** The College's current assets of $20.7 million are sufficient to cover current liabilities of $10.8 million. An excess of current assets over current liabilities (the current ratio) is a measure of liquidity and provides a buffer against future uncertainties. The College's current ratio at June 30 is 1.9 to 1 for 2010, and 1.1 to 1 for both 2009 and 2008.

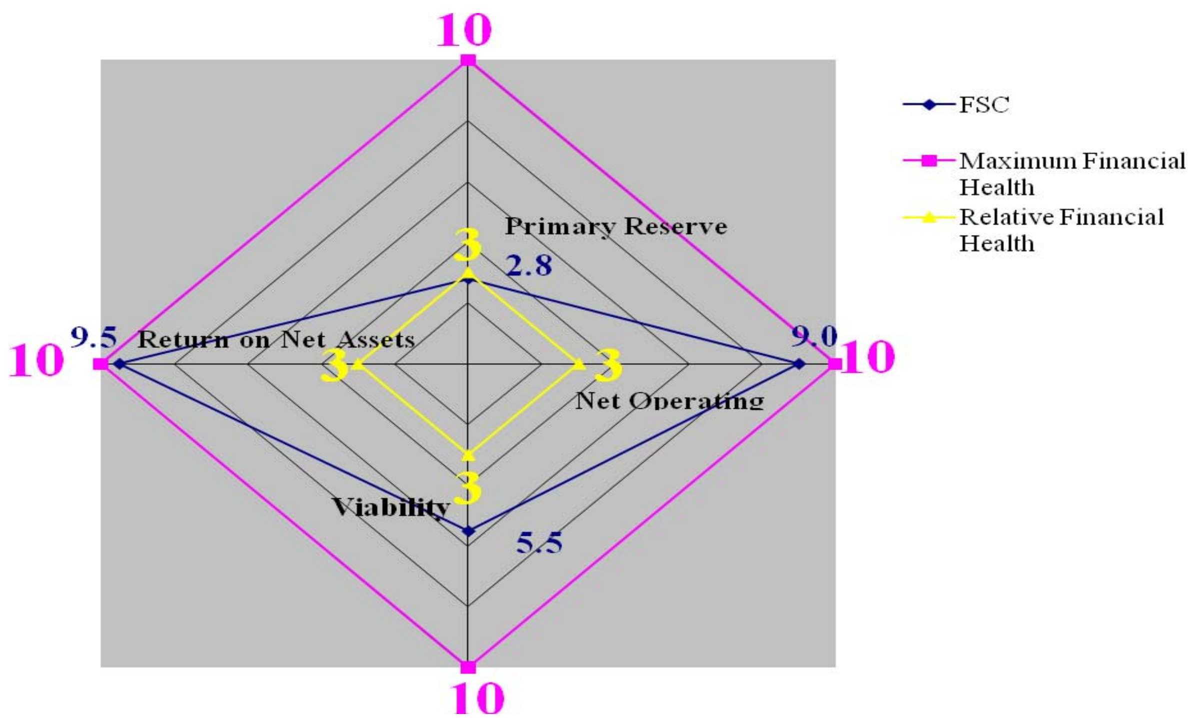
- **Return on Net Assets Ratio:** Net assets represent the residual interest in the College's assets after liabilities are deducted. Comparing the current change in total net assets to total net assets at the beginning of the period (return on net assets) is an economic measure that determines if the College is financially better off than in previous years. The College's return on net assets at June 30, 2010, 2009 and 2008 was 19.0%, 5.6% and 6.4%, respectively. The ratio remains well above industry benchmarks.

- **Primary Reserve Ratio:** This ratio indicates how long the College could function using its expendable reserves without relying on additional net assets generated by operations. The College's primary reserve ratio at June 30, 2010, 2009 and 2008 was 37.6%, 24.3% and 31.4% respectively. An improving trend indicates the College has been able to increase its expendable net assets in proportion to the rate of growth in total operating expenditures.

- **Secondary Reserve Ratio:** This ratio measures the significance of non expendable net assets in relation to an institution's operating size. An improving trend shows an improved capital base and the higher the ratio value, the better the long term financial condition. The College's secondary reserve ratio at June 30, 2010, 2009 and 2008 was 60.5%, 59.8% and 45.4%, respectively.

- In order to assess and evaluate the total financial health of an institution, core financial ratios are weighted and combined into a single factor called the Composite Financial Index (CFI). When calculated, a strength factor of three indicates a relatively healthy institution that can sustain moderate growth with expendable net assets exceeding debt levels, although not by excessive amounts. The College's CFI at June 30, 2010, 2009 and 2008 was 5.7, 2.5 and 3.0, respectively. The following graph illustrates the four core financial ratios after they have been weighted and strength factors calculated.

Composite Financial Index



Statement of Revenues, Expenses and Changes in Net Assets

The following Statements of Revenues, Expenses and Changes in Net Assets (condensed, in thousands) presents information showing the College's results of operations for the fiscal years ended June 30, 2010, 2009 and 2008. All changes in net assets are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. the accrual for compensated absences).

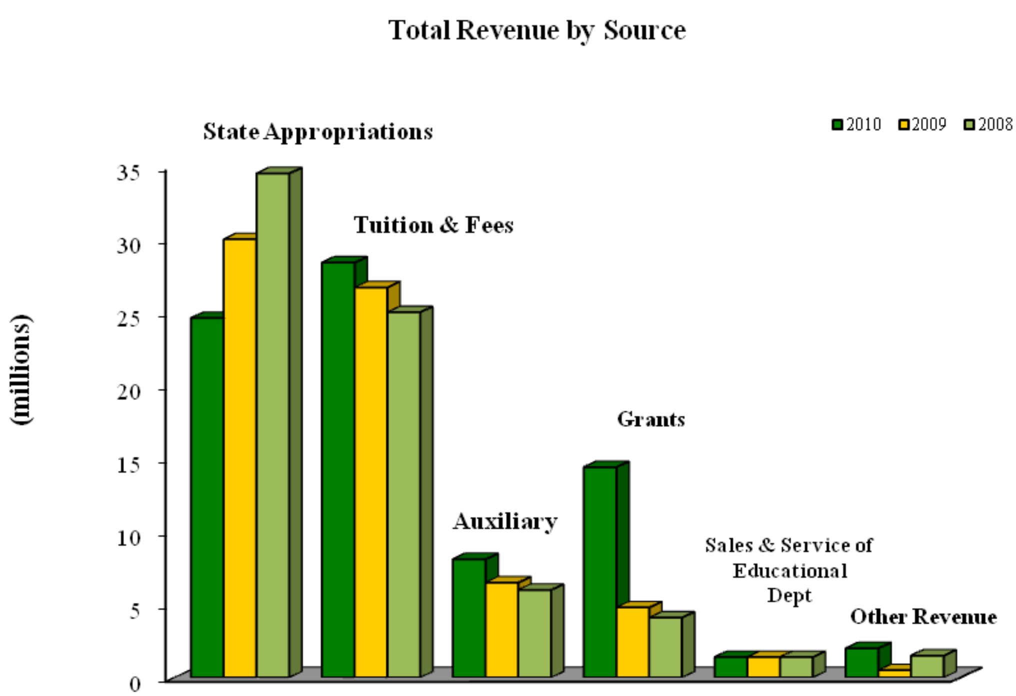
	2010	2009	2008
Operating revenues:			
Tuition & fees (net)	$ 28,372	$ 26,737	$ 25,033
Grants	12,780	4,483	3,951
Sales & service of educational department	1,416	1,421	1,357
Auxiliary	8,047	6,467	6,085
Other operating revenue	680	678	607
Total operating revenue	51,295	39,786	37,033
Operating expenses:			
Instruction	25,682	25,010	26,700
Research & public service	517	489	595
Academic support	4,361	4,539	5,344
Student services	7,445	7,299	7,479
Scholarships	1,609	1,457	1,281
Institutional support	5,988	6,464	7,228
Operations & maintenance	10,818	11,306	11,040
Depreciation	4,010	3,557	3,228
Auxiliary	7,412	6,201	5,810
Total operating expenses	67,842	66,322	68,705
Net operating loss	(16,547)	(26,536)	(31,672)
Non-operating revenue & expenses:			
State appropriations	24,622	29,416	34,064
Gifts	1	-	4
Investment income	1,329	(179)	816
Interest expense	(385)	(546)	(658)
State capital appropriations	-	498	475
Capital grants	1,684	325	178
Total non-operating revenue	27,251	29,514	34,879
Increase in net assets	10,704	2,978	3,207
Net assets, beginning of the year	56,238	53,260	50,053
Net assets, end of the year	$ 66,942	$ 56,238	$ 53,260

State appropriations are reported net of the amount of day school tuition collected by the College on behalf of the Commonwealth. The tuition collected (for state supported courses taught by state employees) is then remitted to the Commonwealth as required by Massachusetts General Law. The following schedule details the Commonwealth appropriations received by the College. Included in appropriations are the fringe benefit costs for College employees, which are paid by the Commonwealth. The Commonwealth appropriates general funds to cover the cost of fringe benefits for state employees, but these funds are not appropriated directly to the College. Non-state employees who are paid from trust funds, grants or other sources receive the same fringe benefits. The College reimburses the Commonwealth for the benefit costs associated with these employees. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2010, 2009 and 2008 was 26.4%, 24.5% and 38.3%, respectively. The current fringe benefit rate includes group medical insurance (19.4%); retirement (6.1%) and terminal leave (.9%).

The following schedule (condensed, in thousands) details the Commonwealth appropriations received by the College:

	2010	2009	2008
Commonwealth general appropriations	$ 21,429	$ 26,278	$ 27,464
Appropriations to cover fringe benefits provided to employees of the Commonwealth	5,581	6,334	9,647
	27,010	32,612	37,111
Tuition remitted back to the Commonwealth	(2,388)	(3,196)	(3,047)
Net appropriations	24,622	29,416	34,064
Additional state capital appropriations	-	498	475
Total appropriations	$ 24,622	$ 29,914	$ 34,539

The following is a graphic illustration of total revenue (operating, non-operating and capital) by source. Total revenue for the fiscal years ended June 30, 2010, 2009 and 2008 was $78.9, $69.9 and $72.6 million, respectively.



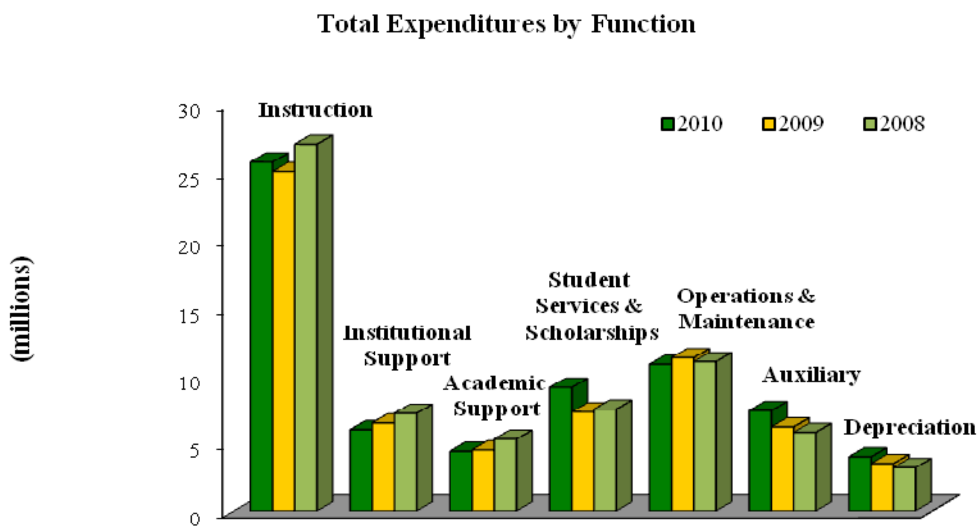
For the fiscal year ended June 30, 2010, total appropriations decreased by 18.5% due to the Commonwealth's fiscal crisis. In past years, state appropriations received by the College essentially funded payroll and benefit costs. Due to the recent cuts in state funding, the College has had to fund increasing amounts from its local Trust funds. All other operating costs incurred by the College are funded from other non state revenue sources. Tuition and fees are reported net of tuition waivers, exemptions, and scholarship allowances. The amount of tuition charged per student is controlled at the state level and remains unchanged. The increase in total tuition and fee revenue (6.1%) is due to an increase in student fees and an increase in enrollment. During fiscal year 2010, 2009 and 2008, in-state tuition and fees for full time resident students was $7,385, $6,880 and $6,412 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2010, 2009 and 2008 was $3,450, $3,200 and $2,996 per semester, respectively.

Auxiliary revenue represents revenue received from the operations of the College's residence halls. Auxiliary revenue increased 24.4% and does not include fees charged for the student housing facility owned and operated by the FSC Supporting Organization, Inc. (the "Supporting Organization"). The increase is the result of increased enrollment and the first full year's operation of a new residence hall in Mara Village. Overall Residence Hall occupancy is at 109% capacity.

Grant revenue is made up of federal, state and private grants. In fiscal 2010 the College received $6.7 million in ARRA stabilization funds to help offset the significant decrease in state appropriations. These funds were used to fund faculty payroll, scholarships and debt service. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs. Grant revenue also includes $1.5 million in capital grant funds used for the Science Center modernization project.

The increase in other revenue is primarily due to investment gains due to improving market conditions in fiscal 2010.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2010, 2009 and 2008 were $68.2, $66.9 and $69.4 million, respectively.



Total expenditures, exclusive of depreciation, increased nominally by 1.7%. The most significant area of expense remains Instruction, which represents 37.9% of total operating expenses. Faculty payroll ($16.6 million) and related benefits ($4.4 million) represent approximately 81.6% of instructional expenditures. Institutional Support consists of the day-to-day operational support of the institution, excluding physical plant operations. Increases in scholarships are the result of increases in Title V entitlement programs such as PELL and SEOG. Operations and Maintenance consists of expenditures related to physical plant. Expenditures in this functional area include general repair costs and deferred maintenance costs that are below the capitalization threshold of $50,000. Increases in Auxiliary expenditures relate to the opening of a new residence hall. The financial statements include $4.0, $3.6 and $3.2, million in depreciation expense for 2010, 2009 and 2008, respectively.

State appropriations are a significant source of funding for the College. According to the Governmental Accounting Standards Board (GASB), appropriations are considered non-operating revenue. As such, the College appears to experience a loss from operations. However, it should be noted that state appropriations *are* used to fund the operating activities of the College.

The following schedule (condensed, in thousands) illustrates the College's incurred losses from operations for the fiscal years ended June 30, 2010, 2009 and 2008.

	2010	2009	2008
Tuition & fees revenue, net	$ 28,372	$ 26,737	$ 25,033
Other operating revenue	22,923	13,049	12,000
Total operating revenue	51,295	39,786	37,033
Operating expenses	(67,842)	(66,322)	(68,705)
Operating loss	(16,547)	(26,536)	(31,672)
Total state appropriations	24,622	29,914	34,539
Other revenue (expense), net	2,629	(400)	340
Increase in net assets	$ 10,704	$ 2,978	$ 3,207

Net Operating Revenues Ratio: This ratio indicates whether total operating activities resulted in a surplus or deficit. A positive ratio indicates that the institution experienced an operating surplus and is indicative of efficient and effective operations. For the fiscal years ended June 30, 2010, 2009 and 2008, the College's net operating revenues ratio was 11.7%, 3.1% and 3.6%, respectively.

Statement of Cash Flows

The statement of cash flows provides pertinent information about the cash receipts and cash payments during a certain period of time. The statement provides an additional tool to assess the financial health of the institution. As required by GASB, the statement is reported using the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services).

The following are the College's statement of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2010, 2009 and 2008:

	2010	2009	2008
Cash received from operations	$ 50,918	$ 39,783	$ 37,272
Cash expended for operations	(57,112)	(57,550)	(54,552)
Net cash used by operations	(6,194)	(17,767)	(17,280)
Net cash provided by non-capital financing activities	19,043	23,082	24,421
Net cash used by capital and related financing activities	(5,895)	(9,955)	(9,322)
Net cash (used) provided by investing activities	1,563	279	(10,798)
Net increase (decrease) in cash and equivalents	8,517	(4,361)	(12,979)
Cash and equivalents, beginning of the year	13,373	17,734	30,713
Cash and equivalents, end of the year	$ 21,890	$ 13,373	$17,734

The College's cash and cash equivalents increased by approximately $8.5 million during fiscal 2010, resulting in the cash and cash equivalents balance of $21.9 million at fiscal year end. The increase is primarily due to the receipt of ARRA funds in fiscal 2010 and increased tuition and fee revenue. Non-capital financing activities, as defined by GASB, include state appropriations. These appropriations fund the operating activities of the College. Investing activities include interest and dividends received from portfolio investments, as well as, interest earned on College funds held in the Massachusetts Municipal Depository Trust (MMDT), a short-term money management vehicle provided by the Commonwealth.

Capital Assets

Capital assets consist of land, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2010, net capital assets increased to $55.4 million after depreciation expense of $4.0 million. During the current fiscal year there were $5.6 million in additions to capital assets. Major capital initiatives undertaken during 2010 include:

- Construction of Math Faculty offices in Edgerly Hall, $1.1 million
- Continued construction of new academic space on North Street, $1.1 million (to date)
- Study and design costs for the Science Center Modernization project, $1.7 million (to date)
- Completion of Phase II of the Anthony Building renovations, $647,000
- Construction of a new student Wellness Center, $359,000

Additional information on Fitchburg State College's capital assets can be found in footnote 5 to the accompanying financial statements.

Physical Asset Renewal Ratio: The extent to which capital renewal is occurring as compared to physical usage (depreciation) can be measured by the physical asset renewal ratio. A ratio above 1:1 indicates increasing investment in plant facilities. The College's physical asset renewal ratio for fiscal years ended June 30, 2010, 2009 and 2008 was 1.27, 2.52 and 2.47, respectively.

Long Term Debt

The College has long term debt obligations issued for various capital projects. The debt was issued through several financing agreements with the Massachusetts Health and Educational Facilities Authority (MHEFA) and the Massachusetts State College Building Authority (MSCBA). The interest rate on the MHEFA debt is a floating rate set every thirty five days based on market conditions. The interest rate on the MSCBA debt is based on an increasing coupon rate ranging from 3.50% to 5.00 % over the term of the debt as set by MSCBA. The debt is being repaid by the College through dedicated student fees (DSF). The following table summarizes the various debt vehicles, interest rates, debt service and debt outstanding at June 30, 2010 and is inclusive of any bond premiums or discounts.

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service	Debt Outstanding	Maturity
MHEFA	Recreation Center	1997	$6,000,000	DSF	1.32%	$212,599	$4,231,701	2023
MSCBA	Holmes Dining Hall Renovations	2005	$1,090,000	DSF	4.23%	$84,469	$890,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	$4,020,000	DSF	4.23%	$304,969	$3,275,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	$2,060,000	DSF	4.23%	$163,013	$1,869,036	2026
Total			$13,170,000			$765,050	$10,265,737	

The College has acquired equipment through capital lease agreements with various financing companies. The capital lease agreements allow for the acquisition of telephone, printing and computer equipment, software and implementation costs, and various other furniture and equipment costs. Capital lease agreements are generally paid from operating funds and have terms ranging from three to ten years. The following table summarizes the various capital lease agreements, interest rates, debt service and amounts outstanding at June 30, 2010.

Financing Agreement	Equipment Acquisition	Initial Lease Year	Original Amount Financed	Funding Source	Interest Rate	Debt Service	Debt Outstanding	Maturity
1	Student information system	2001	$5,000,000	Operating funds	5.85%	$616,332	$299,407	2010
2	Network system upgrade	2007	$1,870,144	Operating funds	5.13%	$1,227,677	-	2012
3	Residence Hall Furniture	2009	$499,938	Operating funds	2.85%	$81,340	$429,397	2014
all others	Telephone, computer and other	2005 to 2009	$538,455	Operating funds	3.27% - 6.29%	$159,250	$166,885	2010-2012
Total			$7,908,537			$2,084,599	$895,689	

For the fiscal years ended June 30, 2010, 2009 and 2008, the total debt (current and long term) attributable to interagency payments, capital leases and bond premiums amounted to $11.2, $13.1 and $15.6 million, respectively.

Additional information on Fitchburg State College's long term debt activity can be found in footnotes 11 and 12 to the accompanying financial statements.

Viability Ratio: The availability of expendable net assets to cover debt (the viability ratio) is a basic determinant of financial health. A viability ratio of 1.00 indicates that, as of the statement of net assets date, the College has sufficient net assets to satisfy its debt obligations. As of June 30, 2010, 2009 and 2008, the College's viability ratio was 2.30, 1.24 and 1.53, respectively.

Debt Burden: The debt burden ratio measures an institution's dependence on borrowed funds by comparing the level of debt service to total expenditures. In order to effectively manage resources, including debt, the Massachusetts Department of Higher Education recommends a debt burden ratio of no more than 5%. As of June 30, 2010, 2009 and 2008, the College's debt burden was 4.25, 3.05 and 2.95, respectively.

Looking Forward

Despite a volatile economic environment, the College has maintained its focus on its mission of teaching, learning and service. Although there has been some improvement in the economy, the outlook remains grim for fiscal 2011. Reduced appropriation levels have and will continue to present significant budget challenges. The College faces these challenges with an intensified effort to enhance current revenues, protect operating resources through cost containment strategies and continued investment in physical plant to ensure that the College remains a vital and dynamic resource to the local region.

The College continues its commitment to improving campus facilities. Construction of a new Science Center will begin in earnest in fiscal 2011. The $57 million project is the largest single project the campus has seen since the mid 1970s. The project includes the construction of a new 54,000 square foot building as well as the complete modernization of the existing Condike Science facility. When completed, the new facility will transform the teaching and learning experience in the natural sciences and allow the College to offer innumerable opportunities to students. The projected completion date is spring of 2014. Other projects scheduled for completion in fiscal

2011 include the final phase of the Anthony Building renovations. This project began in 2005 with the goal of creating a “One Stop Student Center”. The final phase will move the Registrar and Graduate and Continuing Education departments and the One Card Office to the Anthony Building. Construction continues on the new Exercise Science Faculty Offices located on North Street. An addition is being built and the first floor renovated to provide additional office space for the department. The second floor will be renovated to provide classroom laboratory space. The building features the first geothermal heating system on campus.

The College continues its efforts to improve and protect the technological environment. Over the past eighteen months, the College participated in a Payment Card Industry Data Security Standards (PCIDSS) audit to identify vulnerable areas that handle or store personal information. As a result of this exercise, the College revamped its entire policy catalog developing and documenting policies and procedures to ensure compliance with industry standards, and state and federal guidelines for protecting personally identifiable information. In December of 2009, the College completed an annual evaluation and is fully PCI compliant. Additional loss prevention systems are scheduled to be installed that will further restrict the sending of protected information in an unsecure manner. Other information technology initiatives include expanding classroom mediation, building a pilot for a virtual computer system for the library and expanding fiber and cable systems to new and existing facilities.

The College has begun the NEASC accreditation process. NEASC is the regional accrediting body that provides public assurance about educational quality. Institutions seeking accreditation must demonstrate adherence to eleven Standards of Accreditation which establish the criteria for institutional quality. The process begins with a lengthy self study meant to demonstrate that the institution has effective means to ensure institutional improvement and is completed prior to a formal peer evaluation. The College’s self study will be completed by June 2011 to ensure ample time for submission to NEASC. The peer evaluation is scheduled for April 2012. The College’s goal is to receive another 10 year accreditation.

In July 2010, the Massachusetts State Legislature passed legislation creating the Massachusetts State University system. As a result, Fitchburg State College will officially be renamed Fitchburg State University on October 26, 2010. The name change recognizes the Institution’s long standing mission as a teaching university. The significant number of graduate degrees awarded by Fitchburg State helped qualify it for the name change. The university designation will allow the institution to remain competitive nationally where 45 other states have already transitioned to university systems. University status will also help students compete in an increasingly competitive job market and opens up opportunities for additional funding from Foundations, corporations and alumni.

The student learning experience lies at the core of the University’s mission. As captured in the newly crafted mission statement, Fitchburg State University will continue to “prepare students to lead, serve and succeed by fostering lifelong learning and civic and global responsibility”. The University is committed to maintaining a standard of excellence in teaching and learning regardless of the financial challenges that may lie ahead. This commitment to education and community will insure a viable, progressive and successful future.

Requests for Information
This financial report is designed to provide a general overview of the finances of Fitchburg State College for anyone interested in this information. Questions concerning any of the data provided in this report or requests for additional financial information should be addressed to Robert V. Antonucci, President, Fitchburg State College, 160 Pearl Street, Fitchburg, Massachusetts, 01420.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fitchburg State College
Fitchburg, Massachusetts

We have audited the accompanying financial statements of the business-type activities of Fitchburg State College (a department of the Commonwealth of Massachusetts) as of and for the years ended June 30, 2010 and 2009, and the discretely presented component unit as of and for the years ended June 30, 2010 and 2009, which collectively comprise Fitchburg State College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fitchburg State College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Fitchburg State College and its discretely presented component unit are intended to present the respective financial position, results of operations and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Fitchburg State College and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2010 and 2009, the change in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Fitchburg State College as of June 30, 2010 and 2009, and the respective results of operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 19, 2010 on our consideration of Fitchburg State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2010. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2010 audit.

The Management's Discussion and Analysis (MD&A) on pages i to xi is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The residence hall fund and residence hall damage fund activity (shown on pages 57 and 58), and the statistical section (shown on pages 59 to 63) are presented for purposes of additional analysis and are not a required part of the basic 2010 financial statements. The residence hall fund and residence hall damage fund activity have been subjected to the auditing procedures applied in the audit of the basic 2010 financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 2010 financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic 2010 financial statements and accordingly, we express no opinion on it.

Ercolini & Company LLP

October 19, 2010

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF NET ASSETS

JUNE 30, 2010 AND 2009

ASSETS

	2010	**Component Unit Fitchburg State College Foundation, Inc. 2010**	2009	Component Unit Fitchburg State College Foundation, Inc. 2009
Current Assets				
Cash and cash equivalents	**$ 16,750,963**	**$ 1,536,405**	$ 6,521,130	$ 810,871
Restricted cash and cash equivalents	**1,646,828**	**151,614**	2,139,376	9,828
Investments	**-**	**2,129,552**	-	1,847,180
Accounts receivable, net	**2,074,949**	**58,826**	1,653,475	72,130
Contributions receivable, net	**-**	**1,258,756**	-	360,710
Loans receivable - current portion	**2,570**	**-**	2,199	-
Other current assets	**267,810**	**18,445**	284,619	42,418
Total current assets	**20,743,120**	**5,153,598**	10,600,799	3,143,137
Noncurrent Assets				
Restricted cash and cash equivalents	**3,492,599**	**-**	4,712,233	-
Investments	**10,410,255**	**-**	10,630,913	-
Endowment investments	**671,693**	**6,996,347**	680,676	7,016,713
Contributions receivable, net	**-**	**252,097**	-	363,185
Loans receivable, net of current portion	**1,921,386**	**-**	1,897,454	-
Capital assets, net	**55,386,250**	**5,002,205**	53,815,646	4,669,205
Other noncurrent assets	**211,803**	**150,299**	424,508	148,954
Total noncurrent assets	**72,093,986**	**12,400,948**	72,161,430	12,198,057
TOTAL ASSETS	**$ 92,837,106**	**$ 17,554,546**	$ 82,762,229	$ 15,341,194

See notes to financial statements.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF NET ASSETS - CONTINUED

JUNE 30, 2010 AND 2009

LIABILITIES AND NET ASSETS

LIABILITIES	**2010**	**Component Unit Fitchburg State College Foundation, Inc. 2010**	2009	Component Unit Fitchburg State College Foundation, Inc. 2009
Current Liabilities				
Interagency payables - current portion	**$ 479,731**	**$ -**	$ 459,315	$ -
Accounts payable and accrued liabilities	**2,496,144**	**90,904**	1,639,045	24,608
Accounts payable - construction	**516,138**	**-**	39,816	-
Accrued workers' compensation - current portion	**130,238**	**-**	99,242	-
Compensated absences - current portion	**2,341,896**	**-**	2,322,244	-
Faculty payroll accrual	**2,488,554**	**-**	2,519,394	-
Deferred revenue - current portion	**1,348,111**	**42,005**	1,484,414	41,609
Capital leases - current portion	**497,437**	**-**	1,098,416	-
Long-term debt - current portion	**-**	**138,416**	-	101,833
Deposits	**319,850**	**-**	271,075	-
Bank line of credit	**-**	**125,000**	-	-
Other current liabilities	**186,021**	**-**	167,558	-
Total current liabilities	**10,804,120**	**396,325**	10,100,519	168,050
Noncurrent Liabilities				
Interagency payables, net of current portion	**9,786,006**	**-**	10,286,319	-
Accrued workers' compensation, net of current portion	**530,867**	**-**	404,526	-
Compensated absences, net of current portion	**1,673,143**	**-**	1,631,606	-
Deferred revenue, net of current portion	**833,476**	**-**	978,385	-
Rebate payable	**17,965**	**-**	17,875	-
Capital leases, net of current portion	**398,252**	**-**	1,271,149	-
Long-term debt, net of current portion	**-**	**3,803,481**	-	3,575,871
Loan payable - federal financial assistance programs	**1,851,713**	**-**	1,833,747	-
Total noncurrent liabilities	**15,091,422**	**3,803,481**	16,423,607	3,575,871
Total liabilities	**25,895,542**	**4,199,806**	26,524,126	3,743,921

LIABILITIES AND NET ASSETS - CONTINUED

	2010	**Component Unit Fitchburg State College Foundation, Inc. 2010**	2009	Component Unit Fitchburg State College Foundation, Inc. 2009
NET ASSETS				
Invested in capital assets, net of related debt	**$ 40,791,020**	**$ 983,397**	$ 39,530,560	$ 1,043,057
Restricted for:				
Non-expendable				
Scholarships and fellowships	**470,158**	**4,161,886**	437,045	4,101,655
Cultural programs	**-**	**2,329,756**	-	1,351,356
Centennial endowments	**-**	**1,592,974**	-	1,592,974
Other	**-**	**73,186**	-	68,371
Expendable				
Scholarships and fellowships	**372,040**	**988,453**	326,819	1,044,923
Cultural programs	**-**	**810,625**	-	512,721
Loans	**252,226**	**-**	250,214	-
Capital projects	**3,589,443**	**-**	1,140,903	-
Debt service	**4,188,550**	**-**	4,796,560	-
Other	**930**	**294,447**	930	231,351
Unrestricted	**17,277,197**	**2,120,016**	9,755,072	1,650,865
Total net assets	**66,941,564**	**13,354,740**	56,238,103	11,597,273
LIABILITIES AND NET ASSETS	**$ 92,837,106**	**$ 17,554,546**	$ 82,762,229	$ 15,341,194

See notes to financial statements.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2010 AND 2009

OPERATING REVENUES	**2010**	**Component Unit Fitchburg State College Foundation, Inc. 2010**	2009	Component Unit Fitchburg State College Foundation, Inc. 2009
Student tuition and fees	**$ 32,449,385**	**$ -**	$ 29,331,629	$ -
Student fees restricted for repayment of				
Interagency payables	**1,479,837**	**-**	1,383,389	-
Less: Scholarship allowances	**(5,557,180)**	**-**	(3,977,729)	-
Net student tuition and fees	**28,372,042**	**-**	26,737,289	-
Federal grants and contracts	**5,603,958**	**-**	4,057,702	-
State and local grants and contracts	**196,606**	**20,880**	238,498	37,284
Stimulus grants	**6,666,991**	**-**	-	-
Nongovernmental grants and contracts	**312,022**	**-**	187,092	-
Sales and services of educational departments	**1,416,538**	**544,370**	1,420,784	550,853
Gifts and contributions	**-**	**456,229**	-	345,395
Auxiliary enterprises:				
Residential life	**8,014,002**	**185,873**	6,437,644	178,825
Alcohol awareness and other programs	**32,780**	**-**	29,540	-
Other operating revenues	**680,069**	**4,816**	677,574	4,724
Total operating revenues	**51,295,008**	**1,212,168**	39,786,123	1,117,081
OPERATING EXPENSES				
Educational and general:				
Instruction	**25,682,331**	**62,204**	25,010,246	55,905
Research	**106,458**	**-**	99,265	-
Public service	**409,901**	**173,430**	390,127	210,298
Academic support	**4,361,103**	**14,407**	4,538,538	111,509
Student services	**7,445,019**	**175,969**	7,299,258	186,503
Institutional support	**5,988,283**	**201,371**	6,464,395	176,770
Operations and maintenance of plant	**10,818,202**	**335,269**	11,306,190	39,336
Depreciation and amortization	**4,010,435**	**81,525**	3,556,875	72,020
Scholarships and awards	**1,608,419**	**204,587**	1,456,842	152,288
Auxiliary enterprises:				
Residential life	**7,386,831**	**46,605**	6,177,907	55,406
Alcohol awareness and other programs	**24,946**	**-**	22,632	-
Total operating expenses	**67,841,928**	**1,295,367**	66,322,275	1,060,035
Operating income (loss)	**(16,546,920)**	**(83,199)**	(26,536,152)	57,046

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

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

YEARS ENDED JUNE 30, 2010 AND 2009

NONOPERATING REVENUES (EXPENSES)	2010	Component Unit Fitchburg State College Foundation, Inc. 2010	2009	Component Unit Fitchburg State College Foundation, Inc. 2009
State appropriations	$ 24,622,349	$ -	$ 29,415,783	$ -
Gifts	1,271	-	200	-
Investment income (loss), net of investment expense	1,226,975	546,501	(377,632)	(1,833,419)
Investment income (loss) on restricted assets	100,845	453,484	198,317	(183,010)
Interest expense on Interagency payables and capital asset related debt	(384,861)	(222,608)	(545,680)	(186,310)
Net nonoperating revenues before capital and endowment additions	25,566,579	777,377	28,690,988	(2,202,739)
INCOME BEFORE CAPITAL AND ENDOWMENT ADDITIONS	9,019,659	694,178	2,154,836	(2,145,693)
State capital appropriations	-	-	497,822	-
Capital grants	1,683,802	-	325,351	-
Private gifts for endowment purposes	-	1,063,289	-	177,670
Total capital and endowment additions	1,683,802	1,063,289	823,173	177,670
INCREASE (DECREASE) IN NET ASSETS	10,703,461	1,757,467	2,978,009	(1,968,023)
NET ASSETS - BEGINNING OF YEAR	56,238,103	11,597,273	53,260,094	13,565,296
NET ASSETS - END OF YEAR	$ 66,941,564	$ 13,354,740	$ 56,238,103	$ 11,597,273

See notes to financial statements.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	**$ 27,937,671**	$ 26,213,276
Research grants and contracts	**6,347,705**	4,486,217
Stimulus funds	**6,290,586**	-
Payments to suppliers	**(15,317,369)**	(16,717,500)
Payments to utilities	**(3,587,306)**	(3,900,849)
Payments to employees	**(33,930,067)**	(33,853,279)
Payments for benefits	**(2,348,948)**	(1,265,293)
Payments for scholarships	**(1,640,584)**	(1,487,086)
Loans issued to students	**(287,794)**	(325,619)
Collection of loans to students	**239,731**	181,290
Auxiliary enterprise receipts:		
Residential life	**8,015,838**	6,455,304
Alcohol awareness program	**32,780**	29,540
Receipts from sales and services of educational departments	**1,309,268**	1,725,864
Other payments	**67,237**	17,180
Other receipts	**677,406**	674,149
Net cash used in operating activities	**(6,193,846)**	(17,766,806)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	**21,426,785**	26,256,570
Tuition remitted to State	**(2,385,290)**	(3,175,038)
Gifts from grants for other than capital purposes	**1,271**	200
Net cash provided by noncapital financing activities	**19,042,766**	23,081,732
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	**-**	497,822
Loan programs net funds received	**20,576**	29,206
Payments for capital assets	**(3,065,878)**	(8,484,396)
Principal paid on capital debt and leases	**(2,448,026)**	(1,430,546)
Interest paid on Interagency payables and capital leases	**(401,194)**	(567,711)
Net cash used in capital and related financing activities	**(5,894,522)**	(9,955,625)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(900,678)**	(1,208,906)
Proceeds from sale of investments	**2,087,113**	509,343
Earnings on investments	**376,818**	978,635
Net cash provided by (used in) investing activities	**1,563,253**	279,072
Net increase (decrease) in cash and cash equivalents	**8,517,651**	(4,361,627)
Cash and cash equivalents - beginning of year	**13,372,739**	17,734,366
Cash and cash equivalents - end of year	**$ 21,890,390**	$ 13,372,739

See notes to financial statements.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2010 AND 2009

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

	2010	2009
Operating loss	**($ 16,546,920)**	($ 26,536,152)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Bad debt expense	**122,582**	265,279
Depreciation and amortization	**4,010,435**	3,556,875
Fringe benefits paid by the Commonwealth of Massachusetts	**5,580,855**	6,334,250
Changes in assets and liabilities:		
Receivables	**(544,778)**	61,528
Other current and noncurrent assets	**229,514**	332,856
Accounts payable and accrued liabilities	**882,083**	(1,387,735)
Accrued workers' compensation	**157,337**	53,772
Compensated absences	**61,189**	114,994
Accrued faculty payroll	**(30,840)**	(175,448)
Deferred revenue	**(136,312)**	(259,876)
Other current liabilities	**18,463**	915
Deposits	**48,775**	16,265
Loans to students	**(46,229)**	(144,329)
Net cash used in operating activities	**($ 6,193,846)**	($ 17,766,806)

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

	2010	2009
Acquisition of capital assets	**$ 5,581,039**	$ 8,898,598
Accounts payable thereon:		
Beginning of year	**39,816**	98,826
End of year	**(516,138)**	(39,816)
Acquisition of assets from capital lease obligations	**(499,938)**	(292,862)
Capital grants from DCAM	**(1,538,901)**	(180,350)
Net interest earned and incurred, capitalized in construction in progress	**-**	-
Payments for capital assets	**$ 3,065,878**	$ 8,484,396
Unrealized gain (loss) on investments	**$ 1,097,274**	($ 1,166,000)
Fringe benefits paid by the Commonwealth of Massachusetts	**$ 5,580,855**	$ 6,334,250
Capital grants - amortization of deferred revenue	**$ 144,901**	$ 145,001

See notes to financial statements.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2010 AND 2009

RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:

	2010	2009
Current assets:		
Cash and cash equivalents	**$ 16,750,963**	$ 6,521,130
Restricted cash and cash equivalents	**1,646,828**	2,139,376
Noncurrent assets:		
Restricted cash and cash equivalents	**3,492,599**	4,712,233
Total cash and cash equivalents	**$ 21,890,390**	$ 13,372,739

See notes to financial statements.

1. Summary of significant accounting policies:

Organization:

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

The College is a department of the Commonwealth of Massachusetts (the "State" or the "Commonwealth"). The accompanying financial statements reflect only the transactions of the College 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 College had been operated independently of the State.

Fitchburg State College Foundation, Inc. (the "Foundation") is a component unit of Fitchburg State College. The Foundation is a legally separate, tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. It was organized on June 6, 1978, exclusively for the benefit of Fitchburg State College, to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the College; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the College as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the College; and to encourage other activities necessary for, or incidental to, any or all of the foregoing. The following programs are supported under the auspices of the Foundation: Center Stage, Alumni Association, Women in Today's Society, Amelia V. Gallucci - Cirio endowment and the College's Booster Clubs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College 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 College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The College provides, at no cost, certain administrative services to the Foundation.

FSC Foundation Supporting Organization, Inc. (the "Foundation Supporting Organization") was organized on October 29, 1999 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. The Foundation Supporting Organization's sole program activity, as of June 30, 2010, has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and the College. 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 FSC Foundation.

During the year ended June 30, 2010, FSC Foundation distributed a net amount of $284,021 to the College for both restricted and unrestricted purposes. During 2010, FSC Foundation distributed scholarships and awards in the amount of $204,587 directly to students and faculty of the College, and incurred an additional $1,029,367 in support of its mission in other ways. Complete financial statements for FSC Foundation can be obtained from the Office of the Vice President for Finance and Administration, Fitchburg State College, 160 Pearl Street, Fitchburg, MA 01420.

1. Summary of significant accounting policies - continued:

Organization - continued:

During the year ended June 30, 2009, FSC Foundation distributed a net amount of $303,946 to the College for both restricted and unrestricted purposes. During 2009, FSC Foundation distributed scholarships and awards in the amount of $152,288 directly to students and faculty of the College, and incurred an additional $790,111 in support of its mission in other ways.

Basis of presentation:

The College'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.

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

The College's policy for defining operating activities in the statements of revenues, expenses and changes in net assets 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 College'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 College's policy to use the restricted resources first, then unrestricted resources as they are needed.

The College has elected not to adopt the pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

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

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

1. Summary of significant accounting policies - continued:

Basis of presentation - continued:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**

  Nonexpendable - Net assets subject to externally-imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

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

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

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

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and cash equivalents and investments:

The College's cash and cash equivalents are considered to be cash on hand, cash and cash equivalents held by the Commonwealth's Treasurer and Receiver-General, MHEFA and MSCBA, and short term investments with original maturities of three months or less from the date of acquisition.

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

Investments include marketable debt and equity securities which are carried at their readily determinable fair values. Investments also include pooled investment funds with Commonfund which are valued at fair value based upon estimated net asset values provided by the management of Commonfund. These pooled investment

1. Summary of significant accounting policies - continued:

Cash and cash equivalents and investments - continued:

funds are primarily 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 Assets. Any net earnings not expended are included in net asset categories as follows:

(i) as increases in restricted - nonexpendable net assets 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 assets if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The College 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 assets in all other cases.

At June 30, 2010 and 2009, the College had $339,238 and $296,927, respectively, in endowment income available for authorization for expenditure, which is included in restricted-expendable net assets for scholarships and fellowships.

Massachusetts General Law, Chapter 15 grants authority to the College Boards of Trustees to administer the general business of the College. Inherent in this authority is the authority to invest funds of the College. Chapter 15 further grants the Trustees the authority to delegate, to the President, any said powers or responsibilities. The Board of Trustees of Fitchburg State College has delegated the authority to make specific investment decisions to the President of the College and the Finance Committee of the Board of Trustees. The College currently holds one publicly-traded equity security related to one of its endowments and it has invested in pooled investment funds with the Commonfund. The primary cash equivalent funds are the Massachusetts Municipal Depository Trust, an external investment pool for political subdivisions of the Commonwealth.

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

FSC Foundation's investments consist of pooled investment funds that invest in debt, marketable equity securities, real estate and other investments. Investments are valued at fair value based upon estimated net asset values provided by the management of Commonfund. Realized and unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net assets, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are determined based on the average cost method.

1. Summary of significant accounting policies - continued:

Cash and cash equivalents and investments - continued:

FSC 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 equivalents and investments. Earnings on cash and investments of the unrestricted net assets and temporarily restricted (expendable) net assets are reflected in the fund in which the assets are recorded.

The College's and FSC Foundation's investment income are presented net of investment expense in the statements of revenues, expenses and changes in net assets. The College's investment expense amounted to $32,392 and $8,515 for the years ended June 30, 2010 and 2009. The Foundation's investment expense amounted to $33,009 and $28,620 for the years ended June 30, 2010 and 2009, respectively.

Accounts receivable:

Accounts receivable are stated at the amount the College expects to collect from outstanding balances. The College 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 College has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Loans receivable and payable:

Loans receivable consist, primarily, of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Student Loan Program ("NSL"). The federal government provides the majority of the funds to support these programs. Loan payments received from students made under the Perkins and NSL programs may be re-loaned after collection. The portion of the Perkins and NSL Loan Programs provided by the federal government is refundable to the federal government upon the ending ("liquidation") of the College's participation in the programs. The amount due to the federal government upon liquidation by the College is $1,489,744 and $1,479,273 for Perkins and $361,969 and $354,474 for NSL at June 30, 2010 and 2009, respectively. These amounts are included as a noncurrent liability in the financial statements.

The prescribed practices for the Perkins and NSL programs 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 Department of Education and the Department of Health and Human Services. Management closely monitors outstanding balances and assigns loans to the Department of Education 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 College. The College 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, buildings, building improvements, equipment and other assets are reported in the statement of net assets at cost. Capital assets are defined by the College as assets with an initial, individual cost of more than $50,000 in

1. Summary of significant accounting policies - continued:

Capital assets - continued:

accordance with the Commonwealth's capitalization policy. Prior to July 1, 2001, the Commonwealth's capitalization policy was for items with a unit cost of more than $15,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The College does not hold collections of historical treasures, works of art, or other items not requiring capitalization or depreciation.

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

Capital assets, with the exception of land, are depreciated using the straight-line method over estimated useful lives of 40 years for buildings, 20 years for building 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 asset balance.

In addition, the land on which the residence halls stand is leased by the Massachusetts State College Building Authority (MSCBA) from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms which extend to the years 2012 and 2016. The leases can be extended at the end of the terms for additional 10-year periods.

The College, per a management and services agreement between the MSCBA and 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 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. Certain obligations are guaranteed by the Commonwealth. The revenue assessment amounts for the years ended June 30, 2010 and 2009 were $4,219,772 and $3,028,037, respectively. These amounts are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net assets. 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 College. The leases, therefore, are accounted for under the operating method for financial statement purposes.

FSC Foundation's capital assets are recorded at cost, if purchased or constructed and, if donated, at fair value at the date of donation. Capital assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives of the assets of 40 years for buildings, 20 years for building and land improvements, 5 years for equipment and 3 years for computer software and equipment. FSC Foundation generally capitalizes all additions and improvements with an individual cost or, if donated, fair value in excess of $5,000.

1. Summary of significant accounting policies - continued:

Contributions and bequests:

FSC Foundation recognizes contributions revenue when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of FSC Foundation. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions in the form of property and equipment and other assets are recorded at the fair value on the date the donation is received. All contributions are considered to be available for unrestricted use by FSC Foundation unless specifically restricted by the donor. FSC Foundation provides for probable uncollectible amounts of unconditional promises to give through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual account balances.

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 College accrues sick leave to a level representing 20 percent of amounts earned by those College employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance. (See also Note 8).

Student fees:

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

Deferred revenue:

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

Agency funds:

Agency funds consist of resources held by the College 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, 2010 and 2009.

Bond related items:

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

1. Summary of significant accounting policies - continued:

Interest expense and capitalization:

The College follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2010 and 2009, total interest costs incurred were accounted for as follows:

	2010	2009
Total interest costs incurred	**$ 390,454**	$ 550,651
Less: Interest income on unused funds from tax exempt borrowings	**-**	-
Rebate payable increase (decrease)	**90**	712
Bond premium amortization	**(5,683)**	(5,683)
	384,861	545,680
Less: Capitalized portion of net interest earned and incurred	**-**	-
Interest expense	**$ 384,861**	$ 545,680

Fringe benefits:

The College 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 College. Workers' compensation and unemployment insurance costs are assessed separately based on the College's actual experience.

Tax status:

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

Reclassifications:

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

Recent accounting pronouncements:

In June, 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 59, *Financial Instruments Omnibus*. GASB Statement No. 59 updates and clarifies existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. GASB Statement No. 59, among other items, amends GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* to provide that interest rate risk information should be disclosed only for debt investment pools such as bond mutual funds and certain external bond investment pools and not for mutual funds and external investment pools that hold a mix of debt and equity investments. GASB Statement No. 59 is effective for periods beginning after June 15, 2010 with earlier application encouraged. The College has already implemented the provisions of GASB Statement No. 59 that are applicable to its financial statements.

2. Cash and cash equivalents, and investments:

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2010 and 2009:

	2010		
	Current Unrestricted	**Current Restricted**	**Noncurrent Restricted**
Cash and money market accounts	**$ 1,625,295**	**$ 204,743**	**$ 26,847**
Cash equivalents held by MHEFA *	**-**	**184,048**	**414,458**
Cash equivalents held by MSCBA ***	**-**	**-**	**835,566**
Massachusetts Municipal Depository Trust	**13,791,308**	**1,050,130**	**2,215,728**
Massachusetts State Treasurer **	**1,333,350**	**207,907**	**-**
Petty cash	**1,010**	**-**	**-**
	$ 16,750,963	**$ 1,646,828**	**$ 3,492,599**

	2009		
	Current Unrestricted	Current Restricted	Noncurrent Restricted
Cash and money market accounts	$ 356,113	$ 10,918	$ 28,068
Cash equivalents held by MHEFA *	-	173,630	438,219
Cash and cash equivalents held by MSCBA ***	-	14,245	820,785
Massachusetts Municipal Depository Trust	3,144,930	1,940,583	3,422,161
Massachusetts State Treasurer **	3,019,047	-	3,000
Petty cash	1,040	-	-
	$ 6,521,130	$ 2,139,376	$ 4,712,233

* This amount consists of cash equivalents which are restricted by the Massachusetts Health and Educational Facilities Authority (MHEFA) for the funding of payments to retire the bonds (See Note 12). The College does not have access to these funds except by the authorization of MHEFA.

** The College has recorded cash held for the benefit of the College by the State Treasurer in the amount of $1,333,350 and $3,019,047 at June 30, 2010 and 2009, respectively, for College funds and $207,907 and $3,000 at June 30, 2010 and 2009, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year end.

*** This amount consists of cash and cash equivalents which are restricted by the Massachusetts State College Building Authority (MSCBA) for the funding of certain construction projects at the College and payments to retire bonds (See Note 12). The College does not have access to these funds except by authorization of MSCBA.

2. Cash and cash equivalents, and investments - continued:

On September 29, 2008, the Commonfund notified its investors that due to developments in the credit markets, Wachovia Bank, N.A., as trustee of the Commonfund Short Term Fund, was commencing the formal termination of the fund, resigning as trustee, and was no longer accepting new deposits. Law Debenture Trust Company of New York became the successor Trustee and administered an orderly liquidation of the fund which was completed during fiscal 2010. Money market funds included the Commonfund Short Term Fund in the aggregate amount of $27,205 at June 30, 2009.

Money market funds include the JPMorgan Prime Money Market Fund in the aggregate amount of $708,969 at June 30, 2010. The JPMorgan Prime Money Market Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, repurchase agreements and reverse repurchase agreements, taxable municipal obligations and funding agreements issued by banks and highly rated U.S. insurance companies. The fund aims to provide the highest possible level of current income while still maintaining liquidity and preserving capital. At June 30, 2010, the fund's investment securities had a weighted average maturity of 36 days. The fund had an average credit quality rating of AAAm at June 30, 2010.

Money market funds include the State Street Institutional Liquid Reserves Fund in the aggregate amount of $708,969 at June 30, 2010. The State Street Institutional Liquid Reserves Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, variable and floating rate notes and repurchase agreements. The fund seeks to maximize current income to the extent consistent with preservation of capital and liquidity and the maintenance of a stable $1.00 per share net asset value, by investing in U.S. dollar-denominated money market securities. At June 30, 2010, the fund's investment securities had a weighted average maturity of 29 days. The fund had an average credit quality rating of AAAm at June 30, 2010.

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

The College 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.

<u>Custodial credit risk</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College’s deposits may not be returned to it. The College’s deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. As of June 30, 2010 and 2009, all of the College’s bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits are fully collateralized under an agreement with Sovereign Bank.

2. Cash and cash equivalents, and investments - continued:

Credit risk

The College 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 College 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 College's investment policy generally limits the maturities of investments to not more than one year. However, the College may invest in securities with maturities in excess of one year if it is determined to be in the best interest of the College as described in the College's investment policy. The College 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, 2010 and 2009, the fair values of the Colleges' deposits held at the Massachusetts Municipal Depository Trust were $17,057,166 and $8,507,674, respectively. At June 30, 2010, the approximate percentage of the Colleges' deposits held at the MMDT and the respective investment maturities in days were as follows: 68% at 30 days or less; 27% at 31-90 days; and 5% at 91-180 days. At June 30, 2010, approximately 99% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 1% had a credit quality rating of P2.

The College's funds held at MHEFA are invested in the Short Term Asset Reserve (STAR) Fund and had a fair value of $598,506 and $611,849 at June 30, 2010 and 2009, respectively. The STAR Fund invests primarily in U.S. Treasury bills, notes, and other obligations guaranteed by the U.S. government or its agencies or instrumentalities. Additionally, the fund may invest in repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper, notes, and both corporate floating rate and corporate fixed-rate securities. The STAR Fund maintains a net asset value of $1 per share and had a fund credit quality rating of AAAm as of June 30, 2010 and 2009, respectively. The Fund's investment securities maintain a weighted average maturity of less than 60 days.

At June 30, 2010, certain of the College's funds are held at MSCBA. Of the total, $302,390 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $533,176 is invested in various funds as listed below:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**Credit Rating**
Federal Home Loan Mortgage Corp. discount note	**$ 388,335**	**$ 388,335**	**$ -**	**$ -**	**AAA**
Federal Home Loan Banks discount note	**144,841**	**144,841**	**-**	**-**	**AAA**
Total	**$ 533,176**	**$ 533,176**	**$ -**	**$ -**	

2. Cash and cash equivalents, and investments - continued:

At June 30, 2009, certain of the College's funds are held at MSCBA. Of the total, $301,854 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $533,176 is invested in various funds as listed below:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**Credit Rating**
Federal Home Loan Mortgage Corporation discount note	$ 388,335	$ 388,335	$ -	$ -	AAA
Fannie Mae Corporation discount note	144,841	144,841	-	-	AAA
Total	$ 533,176	$ 533,176	$ -	$ -	

The College's investments are represented by the following at June 30, 2010 and 2009:

	2010		2009	
	Cost	**Fair Value**	Cost	Fair Value
Noncurrent:				
Commonfund (pooled investment funds):				
Intermediate Term Fund - Tranche 1	**$ -**	**$ -**	$ 752,107	$ 618,790
Intermediate Term Fund (formerly Tranche 2)	**1,275,648**	**1,206,259**	641,550	521,032
Multi-Strategy Equity Fund	**3,000,000**	**2,443,695**	3,000,000	2,167,918
High Quality Bond Fund	**7,200,000**	**7,380,779**	7,200,000	6,757,403
Government Securities Fund	**-**	**-**	1,208,906	1,199,401
Bank of America Corporation common stock (3,564 shares)	**7,257**	**51,215**	7,257	47,045
	$ 11,482,905	**$ 11,081,948**	$ 12,809,820	$ 11,311,589

The College's investments at fair value are presented in the accompanying statements of net assets as follows:

	2010	2009
Investments	**$ 10,410,255**	$ 10,630,913
Endowment investments	**671,693**	680,676
	$ 11,081,948	$ 11,311,589

2. Cash and cash equivalents, and investments - continued:

FSC Foundation's cash and cash equivalents consist of the following at June 30, 2010 and 2009:

	2010	2009
Cash and other demand deposits	**$ 1,212,355**	$ 733,724
Money Market Funds	**475,664**	86,975
	$ 1,688,019	$ 820,699

Money market funds include the JP Morgan Prime Money Market Fund and the State Street Institutional Liquid Reserve Fund in the amounts of $237,829 and $237,835 at June 30, 2010, respectively.

Money market funds include the Commonfund Short Term Fund in the aggregate amount of $60,201 at June 30, 2009.

The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Included in cash and equivalents at June 30, 2010 are overnight repurchase agreements in the amounts of $674,304 and $21,167 each at an interest rate of .15% per annum. Included in cash and equivalents at June 30, 2009 are overnight repurchase agreements in the amounts of $519,529 and $125,003 at interest rates of .15% and .05% per annum, respectively. At June 30, 2010 and 2009, overnight repurchase agreements were fully collateralized under an agreement between Sovereign Bank and the College. At June 30, 2010 and 2009, FSC Foundation's uninsured cash and equivalent balances, including the JPMorgan Prime Money Market Fund, State Street Institutional Liquid Reserves Fund and Commonfund Short Term Fund, amounted to $578,701 and $61,181, respectively.

FSC Foundation's investment policy consists of an asset allocation range of 50% to 60% equity, 30% to 50% fixed income securities and up to 10% in cash and cash equivalents.

FSC Foundation's investments are represented by the following at June 30:

	2010		2009	
	Cost	**Fair Value**	Cost	Fair Value
Commonfund (pooled investment funds):				
Intermediate Term Fund - Tranche 1	**$ -**	**$ -**	$ 20,604	$ 18,844
Intermediate Term Fund (formerly Tranche 2)	**41,050**	**36,734**	32,742	25,901
Multi-Strategy Equity Fund	**5,128,882**	**5,712,167**	5,163,448	5,109,775
Multi-Strategy Bond Fund	**3,091,150**	**3,376,998**	2,863,815	2,842,367
Government Securities Fund	**-**	**-**	696,975	696,385
Commonfund Realty Investors, LLC	**-**	**-**	485,000	170,621
	$ 8,261,082	**$ 9,125,899**	$ 9,262,584	$ 8,863,893

2. Cash and cash equivalents, and investments - continued:

FSC Foundation's investments at fair value are presented in the accompanying statements of net assets as follows:

	2010	2009
Current assets:		
Investments	**$ 2,129,552**	$ 1,847,180
Noncurrent assets:		
Investments	**-**	-
Endowment investments	**6,996,347**	7,016,713
	$ 9,125,899	$ 8,863,893

At June 30, 2010, net unrealized gains in FSC Foundation's investment portfolio amounted to $864,817. At June 30, 2009, net unrealized losses in FSC Foundation's investment portfolio amounted to ($398,691).

On September 30, 2008, the Commonfund notified its investors that, effective September 29, 2008, the Commonfund was imposing a redemption restriction on its Intermediate Term Fund. This redemption restriction was in response to market conditions for the sale of shorter-term fixed income securities. The Commonfund divided the fund into two accounts, Tranche 1 consisting of liquid holdings available for daily redemption as in the normal circumstances, and Tranche 2 consisting of the remaining assets of the fund for which redemption was being deferred. Each investor's holdings in the fund were apportioned between the two accounts. During fiscal 2010, Tranche I was fully liquidated, the fund was renamed the Intermediate Term Fund and all holdings in the fund are available for redemption. As of June 30, 2009, 35% of the shares in Tranche 2 were restricted.

The Intermediate Term Fund Tranche 1 invested in high-quality fixed income securities with maturities generally ranging from 1-3 years. The fund could, 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, 2009, the fund's investment securities had both a weighted average life and an effective duration of 1.6 years. The fund was not rated for average credit quality at June 30, 2009.

The Intermediate Term Fund (formerly the Intermediate Term Fund - Tranche 2) 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, 2010 and 2009, the fund's investment securities had a weighted average life of 2.9 and 3.2 years, respectively, and an effective duration of 1.5 and 1.3 years, respectively. The fund had an average credit quality rating of AA as of June 30, 2010 and 2009, respectively.

2. Cash and cash equivalents, and investments - continued:

The Multi-Strategy Equity 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 add value over long time periods, above the return of the U.S. equity market as measured by the Standard & Poor's 500 Index. Investment units in this fund with an aggregate equivalent dollar value of $1,287,000 collateralize certain debt agreements (see Notes 13 and 14).

The Multi-Strategy Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The majority of the fund's assets are invested in traditional core strategies with diversification achieved through exposures to global bonds, inflation-indexed bonds, high yield bonds, private debt and other credit-oriented strategies and relative value/absolute return strategies. The fund's objective is to exceed the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index. At June 30, 2010 and 2009, the fund's investment securities had a weighted average life of 6.6 and 6.8 years, respectively, and an effective duration of 3.5 and 3.9 years, respectively. The fund had an average credit quality rating of AA as of both June 30, 2010 and 2009.

The High Quality Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The fund's assets are primarily invested in U.S. government agency securities, mortgages, corporate bonds and commercial mortgage backed securities. 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. As of June 30, 2010 and 2009, the fund's investment securities had a weighted average life of 8.5 and 9.3 years, respectively, and an effective duration of 4.1 and 4.4 years, respectively. The fund had an average credit quality rating of AA and AA- as of June 30, 2010 and 2009, respectively.

The Government Securities Fund invested in United States Treasury and government agency securities and cash instruments including repurchase agreements backed by government securities. At June 30, 2009, the fund was totally invested in United States Treasury Bills. The fund's objective is to exceed the performance of the Merrill Lynch 0-3 Month Treasury Bill Index. At June 30, 2009, the fund's investment securities had both a weighted average life and an effective duration of 0.1 years. The fund was not rated for average credit quality at June 30, 2009.

Commonfund Realty Investors, LLC (the Fund) is a commingled, open-end real estate investment fund specifically designed to meet the needs of endowments, foundations and other tax-exempt investors. The Fund is composed of income oriented, value-add and development properties that are combined to create a value-added portfolio with a strong focus on distributable income. The Fund's investment objective is to earn an average annual net return of 11-15% over long periods of time by following a disciplined investment strategy and actively managing all investments. The Fund seeks to mitigate risk through diversification by property type and geographic area. The Fund expects to reinvest proceeds from the sale of investments unless such proceeds are needed to satisfy redemptions. The Fund seeks to periodically make distributions of operating cash flow if funds are available.

The FSC Foundation made a capital commitment to the Commonfund Realty Investors, LLC totaling $485,000, of which $246,623 was funded as of June 30, 2007. The remaining commitment of $238,377 was funded in August, 2007. Investment units in the Fund are not deemed to be readily marketable as investors may only elect, once each year during September, to have the Fund redeem up to 20% of the units they have owned for at least five years. Redemptions are processed at the Fund's net asset value at the date the redemption is paid.

2. Cash and cash equivalents, and investments - continued:

At June 30, 2010, FSC Foundation wrote down its investment in Commonfund Realty Investors, LLC to zero representing its fair value based upon the latest available information (March 31, 2010) provided by its professional investment manager. The gross write-down amounted to a realized loss of $485,000 in fiscal 2010, and a related decrease in unrealized losses in fiscal 2010 of $314,379 representing the previously recorded unrealized losses as of June 30, 2009. These amounts are included in investment income in FSC Foundation's 2010 statement of revenues, expenses and changes in net assets. The decline in the fair value of this investment resulted from the continuing disruptions in the global capital, credit and real estate markets. These disruptions, which have been significant, have led to, among other things, a significant decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital and declines in liquidity and prices of real estate, and real estate investments have had a significant adverse impact on this portfolio investment. Although the capital markets have shown signs of stabilizing in fiscal 2010, the investment fund's real estate investments continue to be adversely affected as the market value of commercial real estate has not recovered, and liquidity and capital sources remain unavailable to the investment fund at sensible pricing. The investment fund is experiencing negative operating results, an adverse liquidity position, major debt defaults, and uncertainty regarding the outcome of ongoing debt restructuring negotiations with certain of its lenders. Currently, the investment fund has no redemptions scheduled for payment to its investors. Due to these factors, in the opinion of management, the decline in fair value of this investment is considered to be other-than-temporary.

Investment securities and real estate investments are exposed to various risks, such as interest rate, market, and credit risks. Real estate investments are exposed to additional risks based on investment concentrations by specific property type and geographic area. 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 such changes could materially affect the College's and FSC Foundation's investment account balances.

3. Accounts and contributions receivable:

The College's accounts receivable include the following at June 30, 2010 and 2009:

	2010	2009
Student accounts receivable	**$ 1,592,074**	$ 1,474,443
Parking and other fines receivable	**149,955**	137,820
Commissions receivable	**88,008**	105,342
Grants receivable (see Note 24)	**498,744**	86,654
Interest receivable	**77**	4,489
Miscellaneous other receivable	**12,636**	35,000
	2,341,494	1,843,748
Less allowance for doubtful accounts	**(266,545)**	(190,273)
	$ 2,074,949	$ 1,653,475

3. Accounts and contributions receivable - continued:

FSC Foundation's contributions receivable consist of the following at June 30, 2010 and 2009:

	2010	2009
Receivable in less than one year	**$ 1,272,718**	$ 374,177
Receivable in one to five years	**259,900**	390,185
	1,532,618	764,362
Discount on pledges	**(21,765)**	(40,467)
	$ 1,510,853	$ 723,895

Contributions which are to be received in more than one year are reflected net of a discount determined at the time of contribution ranging from 2% to 4%.

Contributions receivable measured at fair value and net realizable value consist of the following at June 30:

	2010	2009
Measured at fair value	**$ 530,970**	$ 690,201
Measured at net realizable value	**979,883**	33,694
	$ 1,510,853	$ 723,895

4. Loans receivable:

Loans receivable include the following at June 30, 2010 and 2009:

	2010	2009
Perkins loans receivable	**$ 1,560,043**	$ 1,530,533
Nursing loans receivable	**361,343**	366,921
Emergency student loans receivable	**4,058**	20,286
	1,925,444	1,917,740
Less allowance for doubtful accounts	**(1,488)**	(18,087)
	$ 1,923,956	$ 1,899,653

5. Capital assets:

Capital assets activity of the College for the year ended June 30, 2010 is as follows:

Capital assets:	Totals June 30, 2009	Additions	Reclassifications* and Reductions	Totals June 30, 2010
Non-depreciable capital assets				
Land	$ 4,597,544	$ -	$ -	$ 4,597,544
Construction in progress	1,137,902	2,391,041	(234,592)	3,294,351
Total non-depreciable assets	5,735,446	2,391,041	(234,592)	7,891,895
Depreciable capital assets				
Buildings	44,491,325	-	-	44,491,325
Building improvements	39,130,645	2,315,093	147,931	41,593,669
Equipment	13,769,419	294,529	71,662	14,135,610
Furniture	82,739	499,938	14,999	597,676
Library materials	310,405	80,438	(69,901)	320,942
Total depreciable assets	97,784,533	3,189,998	164,691	101,139,222
Total capital assets	103,519,979	5,581,039	(69,901)	109,031,117
Less: accumulated depreciation				
Buildings	33,303,426	928,672	-	34,232,098
Building improvements	6,793,276	1,985,737	-	8,779,013
Equipment	9,607,631	901,891	-	10,509,522
Furniture	-	124,234	-	124,234
Library materials	-	69,901	(69,901)	-
Total accumulated depreciation	49,704,333	4,010,435	(69,901)	53,644,867
Capital assets, net	$ 53,815,646	$ 1,570,604	$ -	$ 55,386,250

As of June 30, 2010, capital assets of the College with a cost of approximately $12,745,000 were fully depreciated and still in service.

* Construction costs incurred for various capital projects were included in construction in progress and subsequently transferred to capital asset additions upon completion during the fiscal year ended June 30, 2010.

The College 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 College's financial statements for the years ended June 30, 2010 and 2009, respectively.

5. Capital assets - continued:

Capital assets activity of the College for the year ended June 30, 2009 is as follows:

Capital assets:	**Totals June 30, 2008**	**Additions**	**Reclassifications* and Reductions**	**Totals June 30, 2009**
Non-depreciable capital assets				
Land	$ 4,398,070	$ -	$ 199,474	$ 4,597,544
Construction in progress	3,123,954	551,620	(2,537,672)	1,137,902
Total non-depreciable assets	7,522,024	551,620	(2,338,198)	5,735,446
Depreciable capital assets				
Buildings	44,491,325	-	-	44,491,325
Building improvements	28,724,899	8,089,209	2,316,537	39,130,645
Equipment	13,704,419	65,000	-	13,769,419
Furniture	-	82,739	-	82,739
Library materials	243,963	110,030	(43,588)	310,405
Total depreciable assets	87,164,606	8,346,978	2,272,949	97,784,533
Total capital assets	94,686,630	8,898,598	(65,249)	103,519,979
Less: accumulated depreciation				
Buildings	32,374,754	928,672	-	33,303,426
Building improvements	5,090,810	1,702,466	-	6,793,276
Equipment	8,725,482	882,149	-	9,607,631
Furniture	-	-	-	-
Library materials	-	43,588	(43,588)	-
Total accumulated depreciation	46,191,046	3,556,875	(43,588)	49,704,333
Capital assets, net	$ 48,495,584	$ 5,341,723	($ 21,661)	$ 53,815,646

As of June 30, 2009, capital assets of the College with a cost of approximately $12,365,000 were fully depreciated and still in service.

* Construction costs incurred for various capital projects were included in construction in progress and subsequently transferred to capital asset additions upon completion during the fiscal year ended June 30, 2009.

5. Capital assets - continued:

Capital assets activity of FSC Foundation for the year ended June 30, 2010 is as follows:

Capital assets:	**Totals June 30, 2009**	**Additions**	**Reclassifications and Reductions**	**Totals June 30, 2010**
Real estate under lease to the College:				
Land	$ 402,663	$ -	$ -	$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	2,060,839	-	-	2,060,839
Real estate used for student housing:				
Land	253,555	-	-	253,555
Building	434,225	-	-	434,225
Building improvements	-	28,600	-	28,600
	687,780	28,600	-	716,380
Land	1,480,040	528,941	(275,670)	1,733,311
Land improvements	61,899	-	-	61,899
Buildings	556,478	-	-	556,478
Building improvements	8,966	30,603	-	39,569
Equipment	333,728	69,725	-	403,453
Furniture and fixtures	-	22,287	-	22,287
Library materials	-	6,570	-	6,570
Total capital assets	5,189,730	686,726	(275,670)	5,600,786
Less: accumulated depreciation				
Real estate under lease to the College:				
Land	-	-	-	-
Building	110,338	38,944	-	149,282
Building improvements	10,882	5,023	-	15,905
	121,220	43,967	-	165,187
Real estate used for student housing:				
Land	-	-	-	-
Building	22,615	10,856	-	33,471
Building improvements	-	1,191	-	1,191
	22,615	12,047	-	34,662

5. Capital assets - continued:

	Totals June 30, 2009	Additions	Reclassifications and Reductions	Totals June 30, 2010
Land	$ -	$ -	$ -	$ -
Land improvements	32,755	3,095	-	35,850
Buildings	12,465	13,912	-	26,377
Building improvements	529	1,514	-	2,043
Equipment	330,941	982	-	331,923
Furniture and fixtures	-	1,882	-	1,882
Library materials	-	657	-	657
Total accumulated depreciation	520,525	78,056	-	598,581
Capital assets, net	$ 4,669,205	$ 608,670	($ 275,670)	$ 5,002,205

Non-depreciable capital assets of FSC Foundation totaled $2,389,529 at June 30, 2010 and consisted of land.

In February, 2010, FSC Foundation acquired a property in close proximity to the Fitchburg State College campus consistent with FSC Foundation's mission and the College's strategic plan which includes campus expansion and additional green space. The property, which included land and a building, was purchased for an aggregate cost of $405,670. The College subsequently razed the building and created green space. The land is being held for future use and development to further enhance the resources available for the College and City communities.

In April, 2010, FSC Foundation obtained an appraisal of the property. As a result of the appraisal, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and wrote down the asset to its fair value of $130,000. The impairment charge (a noncash accounting charge) to operations in the amount of $275,670 had no impact on FSC Foundation's fiscal 2010 cash flow or its ability to generate cash flow in the future. The impairment charge is reflected in operations and maintenance of plant in FSC Foundation's accompanying 2010 statement of revenues, expenses and changes in net assets.

At June 30, 2010, capital assets of FSC Foundation with a cost of approximately $331,000 were fully depreciated and still in service.

5. Capital assets - continued:

Capital assets activity of FSC Foundation for the year ended June 30, 2009 is as follows:

Capital assets:	**Totals June 30, 2008**	**Additions**	**Reclassifications and Reductions**	**Totals June 30, 2009**
Real estate under lease to the College:				
Land	$ 402,663	$ -	$ -	$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	2,060,839	-	-	2,060,839
Real estate used for student housing:				
Land	253,555	-	-	253,555
Building	434,225	-	-	434,225
	687,780	-	-	687,780
Land	912,352	567,688	-	1,480,040
Land improvements	61,899	-	-	61,899
Buildings	427,374	129,104	-	556,478
Building improvements	8,966	-	-	8,966
Equipment	330,729	2,999	-	333,728
Total capital assets	4,489,939	699,791	-	5,189,730

5. Capital assets - continued:

	Totals June 30, 2008	Additions	Reclassifications and Reductions	Totals June 30, 2009
Less: accumulated depreciation				
Real estate under lease to the College:				
Land	$ -	$ -	$ -	$ -
Building	71,395	38,943	-	110,338
Building improvements	5,860	5,022	-	10,882
	77,255	43,965	-	121,220
Real estate used for student housing:				
Land	-	-	-	-
Building	11,759	10,856	-	22,615
	11,759	10,856	-	22,615
Land	-	-	-	-
Land improvements	29,660	3,095	-	32,755
Buildings	1,781	10,684	-	12,465
Building improvements	80	449	-	529
Equipment	330,729	212	-	330,941
Total accumulated depreciation	451,264	69,261	-	520,525
Capital assets, net	$ 4,038,675	$ 630,530	$ -	$ 4,669,205

Non-depreciable capital assets of FSC Foundation totaled $2,136,258 at June 30, 2009 and consisted of land.

As of June 30, 2009, capital assets of FSC Foundation with a cost of approximately $331,000 were fully depreciated and still in service.

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities include the following at June 30, 2010 and 2009:

	2010	2009
Accounts payable - trade	**$ 1,114,261**	$ 439,593
Salaries and fringe benefits payable	**1,179,028**	923,492
Accrued interest payable	**49,423**	60,163
Tuition due State	**153,432**	215,797
	$ 2,496,144	$ 1,639,045

7. Accrued workers' compensation:

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured workers' compensation program were conducted as of June 30, 2010 and 2009. Based upon the Commonwealth's analyses, $661,105 and $503,768 of accrued workers' compensation has been recorded as a liability at June 30, 2010 and 2009, respectively.

8. Accrued compensated absences:

Accrued compensated absences are comprised of the following at June 30, 2010 and 2009:

	2010	2009
Vacation time payable	**$ 2,004,822**	$ 1,992,366
Sick time payable	**2,010,217**	1,961,484
Total	**$ 4,015,039**	$ 3,953,850
Amount representing obligations due to employees funded through sources other than State appropriations	**$ 239,346**	$ 243,166
Amount representing obligations for employees compensated through State appropriations	**3,775,693**	3,710,684
Total	**$ 4,015,039**	$ 3,953,850

It is anticipated that the obligation due to employees funded through State appropriations will be discharged through future State appropriations and the balance is expected to be liquidated through trust funds. Had these amounts not been reflected as obligations of the College, the College’s unrestricted net asset balances would be $21,052,890 and $13,465,756 at June 30, 2010 and 2009, respectively. (See Note 1, Compensated absences).

9. Faculty payroll accrual:

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Fitchburg State College pay all faculty over the twelve month period from September through August. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's State appropriation. The total amount due at June 30, 2010 of $2,488,554 will be paid from the College’s fiscal 2011 State appropriations. The total amount due at June 30, 2009 of $2,519,394 was paid from the College's fiscal 2010 State appropriations.

10. Deferred revenue:

Deferred revenue includes tuition received in advance from students for summer courses commencing after June 30 and grant funds received in advance. Deferred revenue also consists of contributions made to the College as part of a management agreement with Compass Group, Inc. (Compass) to manage and operate the College's food services operation. This management agreement may be terminated by either party at any time, without cause, by giving no less than sixty days prior written notice.

As part of the management agreement with Compass executed in 1999, as amended thereafter, Compass has agreed to provide a total of $2,258,076 for improvements to the College's dining facilities and other improvement projects as mutually agreed. As of June 30, 2010, Compass has contributed a total of $2,238,347 for improvements, of which $50,000 was designated for a specific use, and the remainder has been used for improvements to the College's dining facilities. As of June 30, 2010, Compass has made improvements to the College's dining facilities and other improvements totaling $2,238,347. As of June 30, 2010, Compass has a remaining obligation for improvements at the College in the amount of $19,729. Management expects to receive these funds over the course of the remaining agreement. The management agreement contains provisions, whereby, in the event of termination of the agreement, the College would be required to repay a portion of the amounts contributed. The portion required to be repaid is determined by amortization schedules prepared by Compass. The schedules amortize the various contributed amounts over various periods through June 30, 2019 assuming that all funding will be received from Compass.

Deferred revenue includes the following at June 30, 2010 and 2009:

	2010	2009
Tuition, fees and professional development	**$ 1,079,838**	$ 1,097,207
Capital grants received in advance	**1,003,975**	1,154,725
Grants	**94,369**	198,742
Other	**3,405**	12,125
	$ 2,181,587	$ 2,462,799

In August, 2010, the College and Compass agreed to amend the concession agreement executed during June, 1999. The amendment extends the contract expiration date to June 30, 2024. Compass is obligated to contribute an additional amount of $2,000,000 to the College for capital improvements to be designated for improvement projects as mutually agreed. The contributions totaling $2,000,000 will be paid in installments, as scheduled in the amendment, through June 30, 2022.

11. Capital lease obligations:

During fiscal year 2001, the College acquired, through a capital lease arrangement, computer software and hardware for a student records system. Payments under the lease agreement are due each year on March 27 and September 27 for a ten year period. Lease payments commenced March 27, 2001. The scheduled semi-annual payments were approximately $334,000. In September 2004, $255,920 remaining in the acquisition escrow upon completion of the project covered by this lease agreement was applied to the principal portion of the

11. Capital lease obligations - continued:

outstanding lease payments. The remaining lease payments were then recomputed based on the reduced principal balance. Commencing March 27, 2005, semi-annual lease payments are approximately $308,000 for the remainder of the lease term. The College is utilizing an interest rate of 5.85% per year which was determined to be applicable at the inception of the lease.

In June 2005, the College entered into a noncancellable capital lease for printing equipment. The lease has a term of five years and requires monthly payments of $913. The asset and capital lease obligation have been recorded at the present value of the future minimum lease payments based upon an interest rate of 5.86% determined to be applicable at the inception of the lease.

During fiscal 2006, the College entered into two noncancellable capital leases for upgrades to the voice, data and video cable system. The leases had terms of four years and required aggregate monthly payments of $2,819. The assets and capital lease obligations were recorded at the present value of the future minimum lease payments based upon interest rates of 4.96% and 7.93% which were determined to be applicable at the inception of the leases. The leases were satisfied in full during fiscal 2010.

During fiscal 2007, the College entered into a noncancellable capital lease for an upgrade to its network system hardware and software. The lease had a term of five years and required quarterly payments of $106,607 which commenced on September 30, 2007 and were to continue through June 30, 2012. The College prepaid the lease in full during fiscal 2010. The asset and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 5.13% which was determined to be applicable at the inception of the lease. In connection with this capital lease, the College entered into a maintenance and ongoing support agreement with a term of five years which commenced on July 1, 2007. In order to obtain favorable pricing terms, the College agreed to prepay the entire cost of the contract totaling $1,059,020. The College paid $500,000 prior to June 30, 2007 and the balance of $559,020 in July, 2007. Of the total payments made, $211,808 and $211,800 are included in other current assets at June 30, 2010 and 2009, respectively and $211,804 and $423,612 are included in other noncurrent assets at June 30, 2010 and 2009, respectively.

During fiscal 2007, the College entered into a noncancellable capital lease for a telephone messaging system. The lease has a term of four years and requires monthly payments of $1,806 which commenced in August, 2006. The asset and capital lease obligation have been recorded at the present value of the future minimum lease payments based upon an interest rate of 6.29% which was determined to be applicable at the inception of the lease.

During fiscal 2009, the College entered into two noncancellable capital leases for various building wiring and cabling and equipment. The leases have terms of three years and require aggregate quarterly payments of $11,350 which commenced on March 31, 2009 and shall continue through December 31, 2011. The assets and capital lease obligations have been recorded at the present value of the future minimum lease payments based upon an interest rate of 4.25% which was determined to be applicable at the inception of the leases.

During fiscal 2009, the College entered into two noncancellable capital leases for various building wiring and cabling and furniture. The leases have terms of three years and require aggregate quarterly payments of $14,546 which commenced on June 30, 2009 and shall continue through March 31, 2012. The assets and capital lease obligations have been recorded at the present value of the future minimum lease payments based upon an interest rate of 3.27% which was determined to be applicable at the inception of the leases.

11. Capital lease obligations - continued:

During fiscal 2010, the College entered into a noncancellable capital lease for furniture. The lease has a term of five years and requires quarterly payments of $26,909 which commenced on September 30, 2009 and shall continue through September 30, 2014. The assets and capital lease obligation have been recorded at the present value of the future minimum lease payments based upon an interest rate of 2.85% which was determined to be applicable at the inception of the lease.

Capital lease assets are secured by the related assets.

The College's assets held under capital leases at June 30, 2010 and 2009 consists of the following:

	2010	2009
Printing equipment	**$ 55,375**	$ 55,375
Voice, data and video cable system	**1,259,114**	1,380,869
Network system hardware and software upgrade	**-**	1,870,144
Student records system	**5,184,072**	5,184,072
Building wiring and cabling	**130,126**	130,126
Equipment	**65,000**	65,000
Furniture	**597,675**	97,737
	$ 7,291,362	$ 8,783,323

The assets under capital leases are being depreciated over their useful lives and the depreciation on these assets is included in depreciation expense. The accumulated depreciation on these leased assets amounted to $5,098,850 and $4,784,030 at June 30, 2010 and 2009, respectively. Depreciation expense totaled $745,018 and $792,811 for 2010 and 2009, respectively.

During fiscal 2010, equipment totaling $1,991,899 was no longer subject to a capital lease.

The following is a schedule of future minimum lease payments under capital leases:

Year ending June 30,	Total Payments
2011	$ 522,105
2012	173,975
2013	107,636
2014	107,636
2015	26,909
Total minimum lease payments	938,261
Less amount representing interest	(42,572)
Present value of future minimum lease payments	$ 895,689

12. Interagency payables:

MHEFA

On November 22, 1996, the College signed a financing agreement to receive $6,000,000 from a Massachusetts Health and Educational Facilities Authority (MHEFA) bond issuance, to be used for the construction of the College's athletic facility. This obligation is being repaid solely by the College through an increase in student fees. Construction of the athletic facility was completed in August, 2000. MHEFA retained $502,899 of the bond proceeds for a debt service retirement fund.

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

The net proceeds of the borrowing deposited by MHEFA on behalf of the College were as follows:

Debt issue	$ 6,000,000
Amount held by MHEFA for debt service retirement fund (included in restricted cash and cash equivalents - noncurrent)	(502,899)
Origination fees paid to MHEFA	(98,707)
Net proceeds	$ 5,398,394

The College is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2010 of $184,048 was made as scheduled. These payments are made to a restricted cash account held in escrow in the College's name and recorded on the books of the College. These amounts, along with the initial deposit of $502,899, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the College elects to release the funds in the debt service reserve to redeem portions of the debt obligation. Earnings on this balance are transferred and used by the College to offset the administrative costs associated with this debt. In a prior year, the College elected to release the annual funding payments from the reserve to redeem portions of the debt obligation. Accordingly, each year the funding payments are now being released from the debt service reserve to redeem portions of the outstanding debt obligation. Furthermore, during fiscal 2010 and 2009, additional amounts of $20,584 and $15,100 were released from the debt service reserve and used to redeem portions of the outstanding debt obligation. The outstanding principal balance of this Interagency payable at June 30, 2010 and 2009 was $4,231,701 and $4,425,915, respectively.

Interest on the debt is paid every thirty-five days at a floating rate of interest subject to market conditions. The interest rate is determined by MHEFA conducting a true auction of their debt issuance every thirty-five days, in which the College's obligation is pooled with other higher education institutions within the Commonwealth who have debt funded through MHEFA. The most recent auctioned interest rate in effect at June 30, 2010 and 2009 was 0.883% and 0.504%, respectively. The College is also responsible to pay for program expenses at an annual rate of 0.825% (2010) and 0.820% (2009) of the outstanding principal balance, calculated and payable every thirty-five days when the rate is auctioned. The effective interest rate (including annual program expenses) for 2010 and 2009 amounted to 1.32% and 3.19%, respectively.

12. Interagency payables - continued:

MHEFA - continued

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

For the year ending June 30,	Principal	Estimated Interest (1)	Total
2011	$ 184,048	$ 35,741	$ 219,789
2012	195,091	34,018	229,109
2013	200,797	32,245	233,042
2014	219,204	30,310	249,514
2015	232,356	28,258	260,614
2016-2020	1,388,404	105,937	1,494,341
2021-2024	1,449,136	33,026	1,482,162
	3,869,036	299,535	4,168,571
Balance of restricted cash held for debt principal	362,665	-	362,665
Total	$ 4,231,701	$ 299,535	$ 4,531,236

(1) The interest rate in effect at June 30, 2010 of 0.883% was used to calculate the estimated interest on the debt obligation of $4,231,701. The estimated interest also reflects the reduction of the outstanding debt obligation each year by the annual funding payments.

The Massachusetts Health and Educational Facilities Authority (MHEFA) is responsible to determine, subject to certain criteria, if income earned on unexpended bond proceeds exceeds the interest cost to the bondholders. Any excess income earned is held in a rebate fund by an appointed trustee. Such amounts are held until every fifth year, whereby payment is to be made as indicated by the bond indenture agreement.

MSCBA

During March 2005, the College signed a financing agreement to receive $5,110,000 from a Massachusetts State College Building Authority (MSCBA) bond issuance. These funds were used for renovations of the athletic fields and dining hall (the Projects) at the College. This obligation will be repaid solely by the College through dedicated student fees. The College also provided equity contributions totaling $5,582,838 to fund their portion of the total renovation costs of the Projects. Of this amount, $1,582,838 was provided by the College’s food service vendor for the dining facilities Project. The College also executed a management agreement with MSCBA whereby MSCBA will provide management services to the College for the Projects.

As of June 30, 2010 and 2009, unexpended net proceeds amounted to $1,007. Of the total amount advanced by the College, $246,186 had not yet been expended by MSCBA as of 2009. During fiscal 2010, the remaining funds of $246,186 were transferred and combined with the remaining funds from the Hammond Campus Center Project (see below).

12. Interagency payables - continued:

MSCBA - continued

As of June 30, 2010 and 2009, amounts held by MSCBA related to the debt issue and the Projects are as follows:

	2010	2009
Unexpended debt proceeds	**$ 1,007**	$ 1,007
Unexpended College contribution	**-**	246,186
Debt service reserve fund	**388,335**	388,335
	$ 389,342	$ 635,528

The amounts held by MSCBA are included in the accompanying statements of net assets at June 30, 2010 and 2009 as follows:

	2010	2009
Restricted cash and cash equivalents:		
Current	**$ -**	$ 7,954
Noncurrent	**389,342**	627,574
	$ 389,342	$ 635,528

The College is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2025. 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 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund will be applied to reduce the semi annual interest payments on the debt pursuant to the amortization schedule prepared by MSCBA. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2010 and 2009, the effective interest rate on this debt was 4.23% and 4.18%, respectively. The outstanding balance of this Interagency payable was $4,165,000 and $4,370,000 at June 30, 2010 and 2009, respectively.

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

For the year ending June 30,	Principal	Interest	Total
2011	$ 210,000	$ 177,263	$ 387,263
2012	215,000	169,913	384,913
2013	220,000	162,388	382,388
2014	235,000	153,588	388,588
2015	240,000	144,188	384,188
2016-2020	1,370,000	567,181	1,937,181
2021-2025	1,675,000	252,163	1,927,163
Total	$ 4,165,000	$ 1,626,684	$ 5,791,684

12. Interagency payables - continued:

MSCBA - continued

During March 2006, the College signed a financing agreement to receive $2,060,000 from a Massachusetts State College Building Authority (MSCBA) bond issuance. These funds were used for renovations of the dining hall (the Project) at the College. This obligation will be repaid solely by the College through dedicated student fees. The College also executed a management agreement with MSCBA whereby MSCBA will provide management services to the College for the Project.

As of June 30, 2010 and 2009, unexpended net proceeds amounted to $6,291.

As of June 30, 2010 and 2009, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2010	2009
Unexpended debt proceeds	**$ 6,291**	$ 6,291
Debt service reserve fund	**144,841**	144,841
	$ 151,132	$ 151,132

The amounts held by MSCBA are included in the accompanying statements of net assets at June 30, 2010 and 2009 as follows:

	2010	2009
Restricted cash and cash equivalents:		
Current	**$ -**	$ 6,291
Noncurrent	**151,132**	144,841
	$ 151,132	$ 151,132

The College 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 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund will be applied to reduce the semi annual interest payments on the debt pursuant to the amortization schedule prepared by MSCBA. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2010 and 2009, the effective interest rate on this debt was 4.23% and 4.21%, respectively. The outstanding balance of this Interagency payable was $1,869,036 and $1,949,719 at June 30, 2010 and 2009, respectively, including unamortized premium.

12. Interagency payables - continued:

MSCBA - continued

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

For the year ending June 30,	Principal	Interest	Total
2011	$ 80,000	$ 85,013	$ 165,013
2012	80,000	81,813	161,813
2013	85,000	77,813	162,813
2014	90,000	73,563	163,563
2015	95,000	69,963	164,963
2016-2020	525,000	282,350	807,350
2021-2025	670,000	143,000	813,000
2026	155,000	7,750	162,750
	1,780,000	821,265	2,601,265
Plus: Unamortized premiums	89,036	-	89,036
Total	$ 1,869,036	$ 821,265	$ 2,690,301

In December 2005, the College advanced $300,000 to MSCBA to be used for renovations to the Hammond Campus Center. In 2007, the College advanced an additional $842,000 to MSCBA to be used for renovations to the Hammond Campus Center. During fiscal 2009, the renovations were placed in service and are being depreciated. During fiscal 2010, the remaining funds of $246,186 from the athletic fields and dining hall projects were transferred to and combined with the remaining funds from the Hammond Campus Center Project. As of June 30, 2010 and 2009, the unexpended portion of the College's contribution held by MSCBA amounted to $295,092 and $48,370, respectively.

The amounts held by MSCBA related to the Hammond Campus Center Project are included in the accompanying statements of net assets at June 30, 2010 and 2009 as follows:

	2010	2009
Restricted cash and cash equivalents:		
Current	**$ -**	$ -
Noncurrent	**295,092**	48,370
	$ 295,092	$ 48,370

13. FSC Foundation long term debt:

FSC Foundation's long-term debt consists of the following at June 30, 2010 and 2009:

	2010	2009
First mortgage notes payable	**$ 3,224,841**	$ 3,018,845
Notes payable - bank	**717,056**	658,859
	3,941,897	3,677,704
Less current portion	**138,416**	101,833
	$ 3,803,481	$ 3,575,871

In April, 2008, the Foundation acquired land and buildings at a total cost of $561,664, including related acquisition costs. The properties are located on the Fitchburg State College campus and were previously owned by an unrelated third party. The acquisitions were funded with the proceeds of a mortgage note payable in the amount of $550,000, dated April 16, 2008, with Fidelity Co-operative Bank. The note is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Furthermore, any and all deposits held by the lender serve as additional collateral for the loan.

The loan agreement has a term of twenty years and provides for a fixed rate of interest of 5.75% per annum for the first ten years of the loan term. Thereafter, the interest rate will be fixed at the Federal Home Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final ten years of the term of the loan plus 118 basis points. The loan requires monthly installments of principal and interest of $3,862. The monthly installments of principal and interest during the final ten years of the loan term shall be determined based on the interest rate then in effect to provide for the amortization of the then outstanding loan principal over the remaining term of the loan. The note matures on April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2010 and 2009, the outstanding principal balance of this mortgage note payable amounted to $517,127 and $532,819, respectively.

In August, 2006, the Foundation Supporting Organization acquired land and a building consisting of 4,179 square feet of office space and 53,429 square feet of warehouse space located in Fitchburg, Massachusetts near the Fitchburg State College campus. The entire property has been leased to the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of the College (see Note 22). The College is currently using the property for its print services, maintenance, and shipping and receiving and financial services.

The acquisition and related costs were funded with the proceeds of an offering of tax-exempt revenue bonds, Massachusetts Development Finance Agency Revenue Bonds, FSC Foundation Supporting Organization Issue, Series 2006 (the bonds), dated August 1, 2006, in the amount of $1,900,000, issued by the Massachusetts Development Finance Agency (MDFA), pursuant to a Loan and Trust Agreement. People's United Bank, as succession in interest to Chittenden Trust Company, is the bond Trustee. MDFA assigned all of its rights, title, and interest in and to the loan and related loan documents to the bond Trustee as security for repayment of the

13. FSC Foundation long term debt - continued:

bonds. The loan is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of twenty years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The loan requires monthly installments of principal and interest of $13,154 and matures on August 16, 2026. The loan agreement requires the Foundation Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

The mortgage note was issued pursuant to the Loan and Trust Agreement and related loan documents and is subject to and governed by the terms and conditions of those agreements. The loan may be prepaid in accordance with the terms of the Loan and Trust Agreement for prepayment of the bonds as more fully described in the Loan and Trust Agreement.

The loan documents contain cross default provisions with the DCAM lease.

At June 30, 2010 and 2009, the outstanding principal balance of this first mortgage note payable amounted to $1,678,437 and $1,740,766, respectively.

During fiscal 2009, Workers' Credit Union (WCU) provided financing to the Foundation Supporting Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The proceeds of the loan were used primarily to repay advances made to the Foundation Supporting Organization by the Foundation in fiscal 2009 for the acquisition of four real estate properties during the year. The note is secured by a first mortgage interest in certain real estate owned by the Foundation Supporting Organization and an assignment of certain leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2010, the Foundation Supporting Organization has total cash balances of $82,428 held at WCU which serve as additional collateral for this loan.

The mortgage note has a term of ten years, expiring on February 27, 2019, and provides for a fixed rate of interest of 5.74% per annum. The note requires monthly installments of principal and interest of $4,714 based on a twenty-five year principal amortization. Monthly principal and interest payments commenced on March 27, 2009. The note may be prepaid at any time, in whole or in part, without premium or penalty.

As of June 30, 2010 and 2009, the outstanding principal balance of this first mortgage loan amounted to $731,099 and $745,260, respectively.

During fiscal 2010, Workers' Credit Union provided financing to the Foundation Supporting Organization in the form of a note, dated February 19, 2010, in the amount of $300,000. The proceeds of the loan were used to finance the acquisition of one real estate property. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on this property. The note is also collateralized by all funds held by the lender. At June 30, 2010, the Supporting Organization has total cash balances of $82,428 held at WCU which serve as additional collateral for this loan.

13. FSC Foundation long term debt - continued:

In June, 2010, the Foundation Supporting Organization determined that the value of the property securing this first mortgage note payable to WCU was less than its carrying value. Accordingly, the Foundation Supporting Organization recorded an impairment loss. The Foundation Supporting Organization and WCU are currently in discussions regarding the nature and amount of additional collateral to be provided to WCU to further secure this loan.

The mortgage note has a term of ten years, expiring on February 19, 2020, and provides for a fixed rate of interest of 6.03% per annum. The note requires monthly installments of principal and interest of $1,939 based on a twenty-five year principal amortization. Monthly principal and interest payments commenced on March 19, 2010. The note may be prepaid at any time, in whole or in part, without premium or penalty.

As of June 30, 2010, the outstanding principal balance of the mortgage loan amounted to $298,178.

In connection with the fiscal 2010 loan, the Foundation Supporting Organization was required to establish an escrow account held at WCU in the amount of $75,000 until the Foundation Supporting Organization resolved certain environmental matters related to the property. The environmental matters have since been resolved and the Foundation Supporting Organization is in the process of submitting the documentation to release the escrow. At June 30, 2010, the balance in the escrow account amounted to $75,053, which includes accumulated interest earned thereon of $53, and is included in current restricted cash and cash equivalents in the accompanying 2010 statement of net assets of FSC Foundation.

During fiscal 2010, Rollstone Bank & Trust provided financing to the Foundation in the form of a note dated January 5, 2010, in the amount of $77,952. The proceeds of the loan were used to finance the purchase of computer software to be used in the Foundation's operations. The note is unsecured.

The note has a term of three years, expiring on January 5, 2013, and provides for a fixed rate of interest of 5% per annum. The note requires monthly installments of principal and interest of $2,339 based on a three year principal amortization. Monthly principal and interest payments commenced on February 5, 2010.

At June 30, 2010, the outstanding principal balance of this note payable amounted to $67,820.

In May, 2007, the Foundation Supporting Organization acquired land and a building consisting of six apartment units at a total cost of $504,479, including related acquisition costs. The Foundation Supporting Organization also acquired an adjacent parcel of land at a cost of $183,301. The properties are located in the area surrounding the Fitchburg State College campus. The apartments are being used by the College as additional student housing for which the Foundation Supporting Organization receives residence hall fees.

The acquisitions were funded with the proceeds of a note payable in the amount of $680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investment units with an equivalent dollar value of $972,000 in the Commonfund Multi-Strategy Equity Fund which are owned by the Foundation. In addition, payment and performance of the Foundation Supporting Organization’s obligations under the loan agreement have been guaranteed by the Foundation.

13. FSC Foundation long term debt - continued:

The promissory note has a term of thirty years, expiring on May 5, 2037, and provides for a fixed rate of interest of 6% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The loan requires monthly installments of principal and interest of $4,122 based on a thirty year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2010 and 2009, the outstanding principal balance of this note payable amounted to $649,236 and $658,859, respectively.

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

For the year ending June 30,	Principal	Estimated Interest (1)	Total
2011	$ 138,416	$ 223,139	$ 361,555
2012	145,882	215,673	361,555
2013	142,924	206,936	349,860
2014	134,252	199,238	333,490
2015	142,112	191,378	333,490
2016-2020	1,070,862	818,107	1,888,969
2021-2025	1,067,527	483,597	1,551,124
2026-2030	651,751	205,578	857,329
2031-2035	381,154	72,695	453,849
2036-2037	67,017	3,103	70,120
Total	$ 3,941,897	$ 2,619,444	$ 6,561,341

(1) The interest rates in effect at June 30, 2010 of 5.75%, 5.5%, 5.74%, and 6.03% on the first mortgage notes payable and 5% and 6% on the notes payable - bank were used to calculate the estimated interest on these debt obligations.

14. FSC Foundation line of credit:

In March, 2009, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. At June 30, 2010, the Foundation has an outstanding balance of $125,000 under the line of credit. At June 30, 2009, there were no borrowings outstanding under the line of credit. The line of credit provides for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At both June 30, 2010 and 2009, the effective interest rates were 6% per annum. Borrowings are secured by investment units with an equivalent dollar value of $315,000 in the Commonfund Multi-Strategy Equity Fund. The line of credit agreement expires on March 17, 2011. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

15. Long term liabilities:

Long-term liability activity of the College for the year ended June 30, 2010 included the following:

	Totals June 30, 2009	Additions	Reductions	Totals June 30, 2010 Ending Balance	Totals June 30, 2010 Current Portion
Interagency payables and capital leases:					
Interagency payables	**$ 10,745,634**	**$ -**	**$ 479,897**	**$ 10,265,737**	**$ 479,731**
Capital leases	**2,369,565**	**499,938**	**1,973,814**	**895,689**	**497,437**
Total	**13,115,199**	**499,938**	**2,453,711**	**11,161,426**	**977,168**
Other liabilities:					
Workers' compensation	**503,768**	**256,579**	**99,242**	**661,105**	**130,238**
Compensated absences	**3,953,850**	**2,383,433**	**2,322,244**	**4,015,039**	**2,341,896**
Deferred revenue	**2,462,799**	**1,203,202**	**1,484,414**	**2,181,587**	**1,348,111**
Rebate payable	**17,875**	**90**	**-**	**17,965**	**-**
Loan payable - federal financial assistance	**1,833,747**	**53,453**	**35,487**	**1,851,713**	**-**
Total other liabilities	**8,772,039**	**3,896,757**	**3,941,387**	**8,727,409**	**3,820,245**
Long term obligations	**$ 21,887,238**	**$ 4,396,695**	**$ 6,395,098**	**$ 19,888,835**	**$ 4,797,413**

Long-term liability activity of the College for the year ended June 30, 2009 included the following:

	Totals June 30, 2008	Additions	Reductions	Totals June 30, 2009 Ending Balance	Totals June 30, 2009 Current Portion
Interagency payables and capital leases:					
Interagency payables	$ 11,191,498	$ -	$ 445,864	$ 10,745,634	$ 459,315
Capital leases	3,067,066	292,862	990,363	2,369,565	1,098,416
Total	14,258,564	292,862	1,436,227	13,115,199	1,557,731
Other liabilities:					
Workers' compensation	449,996	142,421	88,649	503,768	99,242
Compensated absences	3,838,856	2,273,910	2,158,916	3,953,850	2,322,244
Deferred revenue	2,867,576	1,339,521	1,744,298	2,462,799	1,484,414
Rebate payable	17,163	712	-	17,875	-
Loan payable - federal financial assistance	1,807,924	58,980	33,157	1,833,747	-
Total other liabilities	8,981,515	3,815,544	4,025,020	8,772,039	3,905,900
Long term obligations	$ 23,240,079	$ 4,108,406	$ 5,461,247	$ 21,887,238	$ 5,463,631

15. Long term liabilities - continued:

Long-term liability activity of FSC Foundation for the year ended June 30, 2010 included the following:

	Totals June 30, 2009	Additions	Reductions	Totals June 30, 2010 Ending Balance	Totals June 30, 2010 Current Portion
First mortgage notes payable	**$ 3,018,845**	**$ 300,000**	**$ 94,004**	**$ 3,224,841**	**$ 102,952**
Notes payable - bank	**658,859**	**77,952**	**19,755**	**717,056**	**35,464**
Long-term obligations	**$ 3,677,704**	**$ 377,952**	**$ 113,759**	**$ 3,941,897**	**$ 138,416**

Long-term liability activity of FSC Foundation for the year ended June 30, 2009 included the following:

	Totals June 30, 2008	Additions	Reductions	Totals June 30, 2009 Ending Balance	Totals June 30, 2009 Current Portion
First mortgage notes Payable	$ 2,347,351	$ 750,000	$ 78,506	$ 3,018,845	$ 92,180
Note payable – bank	667,134	-	8,275	658,859	9,653
Long-term obligations	$ 3,014,485	$ 750,000	$ 86,781	$ 3,677,704	$ 101,833

16. Unrestricted net assets:

Unrestricted net assets, are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net assets are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Designated unrestricted net assets were $8,134,673 and $6,239,314 at June 30, 2010 and 2009, respectively. Undesignated unrestricted net assets were $9,142,524 and $3,515,758 at June 30, 2010 and 2009, respectively.

17. Net assets restricted by enabling legislation:

Fitchburg State College Foundation, Inc.'s consolidated statements of net assets as of June 30, 2010 and 2009 reflect restricted net assets of $10,251,327 and $8,903,351, respectively. Of these amounts, $2,357,931 at both June 30, 2010 and 2009, respectively, are restricted by enabling legislation for the State Matching Funds Program.

18. Operating expenses:

The College's operating expenses for the years ended June 30, 2010 and 2009, on a natural classification basis, are comprised of the following:

	2010	2009
Salaries:		
Faculty	**$ 16,568,424**	$ 16,188,373
Exempt wages	**3,734,036**	3,569,127
Non-exempt wages	**13,750,367**	14,176,170
Benefits	**8,250,267**	7,620,674
Scholarships (endowed)	**1,640,584**	1,487,086
Utilities	**3,698,307**	3,886,402
Supplies and other services	**16,189,508**	15,837,568
Depreciation	**4,010,435**	3,556,875
Total operating expenses	**$ 67,841,928**	$ 66,322,275

19. State controlled accounts:

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

The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2010, 2009 and 2008 were as follows (See State appropriations under Note 23):

	2010	2009	2008
Commonwealth's retirement system Contributions	**$ 1,489,214**	$ 1,962,325	$ 2,122,129
Employers share of health care premium	**$ 4,091,641**	$ 4,371,925	$ 7,524,368

20. Retirement plan:

Substantially all of the College's full-time employees are covered by the Massachusetts State Employees' Retirement System (SERS). SERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 32A of the General Laws of the Commonwealth of Massachusetts assigns the authority to establish and amend benefit provisions to the Massachusetts Legislature. The College is not

20. Retirement plan:

required to contribute from its appropriation allocation or other college funds to SERS for employees compensated from State appropriations. For College employees covered by SERS but compensated from a trust fund or other source, the College is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate established by the State. The total amount of current funding by the State related to the College's employees was $1,489,214, $1,962,325 and $2,122,129 during 2010, 2009 and 2008, respectively. Annual covered payroll was approximately 62%, 76% and 76% of total payroll for the College for the years ended June 30, 2010, 2009 and 2008, respectively.

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

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

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

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

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

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

Post Employment Other than Pensions

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

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

Post Employment Other than Pensions - continued

The Commonwealth's Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

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

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

The GIC is a quasi-independent state agency governed by an eleven-member body (the Commission) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended on June 30, 2010 and 2009, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

The amount of funding by the College related to benefits other than pensions for the years ended June 30, 2010, 2009 and 2008 were $8,250,267, $7,620,674 and $11,084,654, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

22. Lease and license agreements:

As disclosed in Note 13, the Foundation Supporting Organization entered into a long-term operating lease agreement with the Commonwealth of Massachusetts acting by and through the Division of Capital Asset Management and Maintenance (DCAM) on behalf of the College. The lease commenced on August 16, 2006. The lease is for a term of ten years and provides for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The College is also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. At the expiration of the lease term, the Foundation Supporting Organization expects the lease will be renewed with DCAM on behalf of the

22. Lease and license agreements - continued:

College. For the years ended June 30, 2010 and 2009, rental income for the Foundation Supporting Organization amounted to $165,000 in each year. The rental income is reflected in revenue from sales and services of educational departments in the accompanying statements of net assets. The corresponding rent expense of the College is reflected in operations and maintenance of plant.

The following is a schedule of future minimum rent on this lease:

Year ending June 30,	Amount
2011	$ 165,000
2012	165,000
2013	165,000
2014	165,000
2015	165,000
2016 - 2017	185,625
	$ 1,010,625

On August 6, 2008, the Foundation Supporting Organization entered into a ten year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and shall expire on October 31, 2018. The space is being used by Fitchburg State College as office and classroom space for its Center for Professional Studies. The lease provides for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease there will be a 7.5% increase at the commencement of each three year period of the lease term, including the continuous period of any extensions thereof. The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time after November 1, 2009 with the payment of two months' base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2010 and 2009, rent expense amounted to $17,625 and $11,750, respectively.

The following is a schedule of future minimum rental payments under this operating lease agreement:

Year ending June 30,	Amount
2011	$ 17,625
2012	18,506
2013	18,947
2014	18,947
2015	19,895
2016 - 2019	69,421
	$ 163,341

22. Lease and license agreements - continued:

The Foundation Supporting Organization and the College entered into a License Agreement whereby the Foundation Supporting Organization granted the College an irrevocable and exclusive license to occupy, manage, maintain and operate certain property owned by the Foundation Supporting Organization. The License Agreement, which commenced on September 3, 2008, had an initial term of one year. Upon expiration of the initial term, the License Agreement provides for automatic annual renewals thereafter. The License Agreement provides for an annual license fee of $108,875 payable, in arrears, in twelve equal monthly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the College. The License Agreement may be terminated by either party upon the expiration of the initial term of the agreement and any subsequent renewal term with the giving of proper notice. In addition, the College may terminate the agreement at any time with the giving of proper notice. For the year ended June 30, 2010, license fee income for the Foundation Supporting Organization amounted to $108,875. For the year ended June 30, 2009, license fee income amounted to $105,750, which included $15,021 received from the College for a period prior to the commencement of the License Agreement during which the College had use of certain property. The license fee income is reflected in revenue from sales and services of educational departments in the accompanying statements of net assets. The corresponding license fee expense of the College is reflected in operations and maintenance of plant.

23. Management Accounting and Reporting System:

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

State appropriations:

The College's State appropriations are comprised of the following for the years ended June 30, 2010 and 2009:

	2010	2009
Gross State appropriations	**$ 21,429,373**	$ 26,775,332
Add: Fringe benefits for benefited employees on the Commonwealth payroll	**5,580,855**	6,334,250
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	**(2,387,879)**	(3,195,977)
Net State appropriations	**$ 24,622,349**	$ 29,913,605

23. Management Accounting and Reporting System - continued:

State appropriations - continued:

$24,622,349 and $29,415,783 represent appropriations for maintenance and payroll during 2010 and 2009, respectively, and $497,822 represents appropriations for capital improvements for 2009. These amounts are presented separately in the accompanying statements of revenues, expenses and changes in net assets.

Day school tuition receipts and transfers have been recorded in an agency fund during the year and had no material balance outstanding at June 30, 2010 and 2009.

24. Stimulus grants:

In fiscal 2010, Fitchburg State College, through the Department of Higher Education, was the subrecipient of $6,666,991 in stimulus grants as part of the American Recovery and Reinvestment Act of 2009 (ARRA). As of June 30, 2010, $376,405 of the total awarded for fiscal 2010 is included in accounts receivable in the accompanying 2010 statement of net assets. The funds awarded have been expended as follows:

Regular employee compensation	$ 2,335,343
Pension and insurance	649,226
Capital lease payments	1,121,070
Scholarship allowances	2,561,352
	$ 6,666,991

25. Risk management:

The College 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 College 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 College 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 either of the past two years.

The College 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 College based on the College'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 College 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.

26. Commitments and contingencies:

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

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditure of funds under these programs require 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 College. In the opinion of management, such liabilities, if any, are not expected to materially affect the financial condition of the College.

The College participates in the Massachusetts College 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 College 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 College. The effect of this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the College.

The College can perform capital projects that are funded and controlled by another State agency. These projects would be paid from funds appropriated and under the control of the Department of Capital Asset Management (DCAM). The projects generally consist of renovations and improvements and have been recorded in the respective accounts.

27. McKay Agreement:

The College has an agreement with the City of Fitchburg, whereby the City can use the McKay building to provide elementary education to local residents on a year to year basis. The College receives quarterly payments from the City to reimburse the College for its share of payroll and related operating expenses (the "McKay School expenditures"). Reimbursements received for each of the years ended June 30, 2010 and 2009 were $994,887. These reimbursements are included in the Sales and Services of Educational Departments revenue amount and the McKay School expenditures are included in the appropriate categories under Operating Expenses in the accompanying statements of revenues, expenses and changes in net assets.

28. Civic Center:

In August 2006, the College and the City of Fitchburg entered into a Memorandum of Understanding in which the College would assume responsibility for the operations, management and maintenance of the George R. Wallace, Jr. Civic Center and the Alice G. Wallace Planetarium (collectively, the Civic Center). The Civic Center includes two skating rinks and the adjoining planetarium. The Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of the College entered into a lease agreement for the Civic Center with the City of Fitchburg and the Board of Trustees of the Civic Center. The lease commenced on October 1, 2007 and is for a term of 99 years. The lease provided for an initial nominal rent payment and is otherwise a net lease. Pursuant to the terms of the lease, the College has complete authority, at its sole discretion, to do all such acts and deeds as it deems reasonably necessary to manage, maintain and operate the Civic Center for the permitted uses specified in the lease agreement. The

28. Civic Center - continued:

College is responsible for payment, from net revenues generated by its operation of the Civic Center, of all costs associated with the maintenance and operation of the Civic Center, and certain other payments as specified in the lease agreement. DCAM, at the instruction of the College and with 60 days prior written notice, may terminate the lease in the event that the College, in its sole discretion, determines that continuation of the lease is not in the interest of the College.

During fiscal 2007, the College commenced initial management, maintenance and operations activities at the Civic Center in anticipation of the lease agreement being executed. The Commonwealth of Massachusetts Legislature appropriated an aggregate amount of $2,500,000 for repairs and upgrades to the Civic Center. During fiscal 2008, the College made repairs and upgrades to the Civic Center for an aggregate cost of $2,477,381. The College engaged the services of a professional management company, Facilities Management Corporation (FMC), to assist with management, maintenance and operations activities of the ice-skating rink program at the Civic Center. The initial management contract expired on December 31, 2008.

On February 1, 2009, the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance on behalf of the College entered into a sublease agreement with FMC for a term of twenty-five years commencing on the date of the agreement. The sublease agreement is a net lease and, accordingly, FMC is responsible for all costs associated with the operations, management, and maintenance of the sublease premises as well as repairs and required capital improvements. The sublease premises consist of the facilities and related equipment associated with the operation of a public ice-skating rink program. The planetarium is not part of the sublease premises and it is not currently operational. FMC is also responsible for certain other payments for and on behalf of the College related to obligations in existence at the date the College initially assumed management of the Civic Center. During the term of the sublease agreement, FMC is required to pay the College monthly percentage rent based upon the actual gross revenues from its operations, as defined. During each of the first ten years of the sublease term, no percentage rent is required. Thereafter, for each of the years eleven through twenty-five, percentage rent at the rate of 1% of actual gross revenues shall be due and payable on a monthly basis. However, in no event shall the aggregate amount of percentage rent paid by FMC during the sublease term be less than $107,155.

The College, officials of the City of Fitchburg, and the Board of Trustees of the Civic Center believe that their collective efforts will return the Civic Center to a vibrant place where the citizenries of the City of Fitchburg and its surrounding cities and towns can enjoy athletic, educational and cultural activities.

29. Subsequent events:

On July 28, 2010, the Governor of the Commonwealth of Massachusetts, Deval Patrick, signed legislation creating the State University System. Under this legislation, Fitchburg State College will become Fitchburg State University effective October 26, 2010.

In September, 2010, the Foundation received a temporarily restricted donation of computer software and related license for its use with an annual commercial value of approximately $2,800,000. The license expires on June 30, 2011. The software will be used in academic courses by the Industrial Technology Department of the College.

SUPPLEMENTAL INFORMATION

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY

JUNE 30, 2010

The College's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Assets at June 30, 2010 are as follows:

Statements of Net Assets

	Residence Hall Fund	Residence Hall Damage Fund
Assets:		
Cash	$ 817,120	$ 84,913
Cash held by State Treasurer	105,621	-
Investments	1,587,355	-
Accounts receivable, net	41,817	30,714
Prepaid expenses	919	-
Total assets	$ 2,552,832	$ 115,627
Liabilities:		
Accounts payable	$ 68,261	$ -
Deposits	319,850	-
Salaries payable	64,964	-
Compensated absences	112,323	-
Deferred revenue	6,600	-
Total liabilities	571,998	-
Net assets	1,980,834	115,627
Total liabilities and net assets	$ 2,552,832	$ 115,627

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY - CONTINUED

YEAR ENDED JUNE 30, 2010

The College's Residence Hall Fund and Residence Hall Damage Fund Statements of Revenues, Expenses and Changes in Net Assets (presented in accordance with the Commonwealth of Massachusetts' Expenditure Classification plan) for the year ended June 30, 2010 are as follows:

	Residence Hall Fund	Residence Hall Damage Fund
Revenues:		
Student fees	$ 7,702,941	$ 18
Interest	63,639	1,565
Investment income (loss)	116,369	2,915
Commissions	35,010	-
Rentals	32,356	-
Room damage assessments	-	28,543
Miscellaneous	30,646	-
Total revenues	7,980,961	33,041
Expenses:		
Regular employee compensation	1,015,921	-
Regular employee related expenses	3,795	-
Special employee/contract services	181,406	-
Pension and insurance	284,422	-
Facility operating supplies and related expenses	9,299	-
Administrative expenses	32,431	-
Energy and space rental	1,044,287	-
Consultant services	3,510	-
Operational services	18,518	99
Equipment purchases	18,970	-
Equipment lease - purchase, lease, rent, repair	6,853	-
Land acquisition	359,694	11,083
Benefit program	32,165	-
Loans and special payments	4,344,077	-
Other - bad debt expense (recovery)	3,516	1,780
Information technology expenses	15,006	-
Total expenses	7,373,870	12,962
Transfers (in)/out:		
Interdepartmental rental income	(110,118)	-
Printing	10,473	-
Other	81,340	-
Total transfers	(18,305)	-
Total expenses and transfers	7,355,565	12,962
Increase (decrease) in net assets	625,396	20,079
Net assets - beginning of year	1,355,438	95,548
Net assets - end of year	$ 1,980,834	$ 115,627

The above Statements of Revenues, Expenses and Changes in Net Assets 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.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Net Assets by Category

	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010
Invested in capital assets, net of related debt	$ 20,780,141	$ 20,793,469	$ 21,045,366	$ 20,186,185	$ 20,360,103	$ 25,806,513	$ 30,983,682	$ 39,530,560	$ 40,791,020
Restricted-expendable	4,483,491	4,076,361	3,816,427	7,138,933	9,083,307	10,946,782	9,850,228	6,515,426	8,403,189
Restricted-nonexpendable	529,685	521,361	576,826	588,587	597,461	600,377	511,206	437,045	470,158
Unrestricted	4,493,708	6,881,233	9,583,813	11,085,627	14,253,916	12,699,422	11,914,978	9,755,072	17,277,197
Total net assets	**$ 30,287,025**	**$ 32,272,424**	**$ 35,022,432**	**$ 38,999,332**	**$ 44,294,787**	**$ 50,053,094**	**$ 53,260,094**	**$ 56,238,103**	**$ 66,941,564**

Sources and Uses of Funds

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Source of Revenue									
Student charges (net of scholarships)	$ 11,213,515	$ 13,943,385	$ 16,035,993	$ 18,083,828	$ 20,877,997	$ 22,942,610	$ 25,033,128	$ 26,737,289	$ 28,372,042
Grants & contracts	2,930,694	3,081,004	3,962,244	3,831,266	3,486,257	3,656,979	3,951,007	4,483,292	6,112,586
Stimulus grants	-	-	-	-	-	-	-	-	6,666,991
Auxiliary enterprises	3,477,126	3,877,418	4,317,584	5,027,889	5,485,605	5,946,282	6,085,147	6,467,184	8,046,782
Other operating revenue	1,702,415	1,806,843	1,796,923	1,889,756	1,927,868	1,987,191	1,963,274	2,098,358	2,096,607
Total operating revenue	**19,323,750**	**22,708,650**	**26,112,744**	**28,832,739**	**31,777,727**	**34,533,062**	**37,032,556**	**39,786,123**	**51,295,008**
State appropriations	29,808,715	27,974,237	25,199,981	27,375,808	29,645,087	31,702,393	34,063,661	29,415,783	24,622,349
State capital appropriations	486,480	177,600	-	407,191	1,195,000	1,799,754	475,000	497,822	-
Capital grants	23,750	85,000	118,358	121,217	123,535	123,535	178,264	325,351	1,683,802
Other non-operating revenue	383,553	260,729	265,905	510,689	1,078,894	1,393,662	819,844	(179,115)	1,329,091
Total non-operating revenue	**30,702,498**	**28,497,566**	**25,584,244**	**28,414,905**	**32,042,516**	**35,019,344**	**35,536,769**	**30,059,841**	**27,635,242**
Total revenue	**$ 50,026,248**	**$ 51,206,216**	**$ 51,696,988**	**$ 57,247,644**	**$ 63,820,243**	**$ 69,552,406**	**$ 72,569,325**	**$ 69,845,964**	**$ 78,930,250**
Functional Expense									
Instruction	$ 20,092,140	$ 19,366,094	$ 18,019,813	$ 18,847,979	$ 22,856,426	$ 24,193,071	$ 26,699,550	$ 25,010,246	$ 25,682,331
Research	1,323	2,499	130,803	164,787	165,550	61,077	37,104	99,265	106,458
Public service	640,666	810,173	785,084	636,765	598,273	486,633	558,388	390,127	409,901
Academic support	5,038,238	4,553,718	4,301,883	4,607,796	4,631,842	5,108,978	5,344,027	4,538,538	4,361,103
Student services	5,284,418	5,772,833	5,426,794	5,980,391	6,560,972	7,022,806	7,478,709	7,299,258	7,445,019
Institutional support	6,414,461	5,998,902	6,764,298	7,179,198	6,169,474	6,648,295	7,228,110	6,464,395	5,988,283
Operations and maintenance of plant	6,233,864	5,911,344	5,944,096	7,246,710	8,185,991	9,699,216	11,040,391	11,306,190	10,818,202
Scholarships	345,591	760,798	926,658	949,222	971,606	1,198,719	1,280,862	1,456,842	1,608,419
Sub-total	**44,050,701**	**43,176,361**	**42,299,429**	**45,612,848**	**50,140,134**	**54,418,795**	**59,667,141**	**56,564,861**	**56,419,716**
Auxiliary enterprises	2,908,940	3,576,732	4,032,223	4,762,364	5,419,873	5,714,435	5,809,898	6,200,539	7,411,777
Other non-operating expense - interest	177,366	146,440	198,855	307,292	316,491	548,265	657,783	545,680	384,861
Total non-operating expense	177,366	146,440	198,855	307,292	316,491	548,265	657,783	545,680	384,861
Total expenses	**$ 47,137,007**	**$ 46,899,533**	**$ 46,530,507**	**$ 50,682,504**	**$ 55,876,498**	**$ 60,681,495**	**$ 66,134,822**	**$ 63,311,080**	**$ 64,216,354**

Note: These schedules do not include component units, like the Fitchburg State College Foundation, Inc.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Capital Asset Information

	Academic Year 2010
Land (acreage)	222
Buildings (square feet)	
100 Instruction /classroom	84,927
200 Labs	88,543
300 Administrative	122,525
400 Study facilities	56,289
52x Athletic	55,671
5xx Other Special Use	5,242
600 General Use	125,393
700 Support facilities	28,097
800 Health Care	1,550
000 Unclassified	3,005
Unassigned/ unassignable	300,771
Total Sq Ft	**872,013**
Residence Halls	438,140
Rental space	111,775

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Dormitories - # of residents	1,215	1,305	1,355	1,434	1,443	1,466	1,499	1,483	1,639

Note: Classification of facilities space is consisent with Facilities Inventory & Classification Code guide.
This was implemented in 2005; comparable statistics prior to this time are not available.
Number of residents is an average of total fall and spring residency counts as reported to the Massachusetts State College Building Authority.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Tuition & Mandatory Fees

	Academic Year									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Resident Undergraduate										
Tuition	$ 1,030	$ 970	$ 970	$ 970	$ 970	$ 970	$ 970	$ 970	$ 970	$ 970
Mandatory Fees	1,988	2,018	2,718	3,216	3,618	4,032	4,572	5,430	5,930	6,830
Total	**$ 3,018**	**$ 2,988**	**$ 3,688**	**$ 4,186**	**$ 4,588**	**$ 5,002**	**$ 5,542**	**$ 6,400**	**$ 6,900**	**$ 7,800**
Non Resident Undergraduate										
Tuition	$ 7,050	$ 7,050	$ 7,050	$ 7,050	$ 7,050	$ 7,050	$ 7,050	$ 7,050	$ 7,050	$ 7,050
Mandatory Fees	1,988	2,018	2,718	3,216	3,618	4,032	4,572	5,430	5,930	6,830
Total	**$ 9,038**	**$ 9,068**	**$ 9,768**	**$ 10,266**	**$ 10,668**	**$ 11,082**	**$ 11,622**	**$ 12,480**	**$ 12,980**	**$ 13,880**
Resident Graduate										
Tuition	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900
Mandatory Fees	107	107	117	432	432	510	540	540	720	762
Total	**$ 1,007**	**$ 1,007**	**$ 1,017**	**$ 1,332**	**$ 1,332**	**$ 1,410**	**$ 1,440**	**$ 1,440**	**$ 1,620**	**$ 1,662**

Note: Undergraduate tuition & fees is for an academic year and excludes dormitory fees. Graduate tuition and fees is based on a six credit course load.

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

	Fall Term									
Admissions-Freshman (1)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Applications	2,672	2,681	3,289	3,861	3,514	3,859	3,880	4,057	4,342	4,572
Applications accepted	1,875	1,804	2,163	2,498	2,468	2,777	2,795	2,838	2,982	3,152
Accepted as a percentage of applications	70%	67%	66%	65%	70%	72%	72%	70%	69%	69%
Students enrolled (2)	724	763	887	988	1,016	1,007	1,086	1,067	1,133	1,163
Enrolled as a percentage of accepted	39%	42%	41%	40%	41%	36%	39%	38%	38%	37%

(1) Includes all undergraduate admissions including transfer students.
(2) Includes only students who were accepted and enrolled. Non degree seeking students are excluded.

	Annual									
Enrollment	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**
Full-time equivalent	4,552	4,448	4,648	4,360	4,670	5,029	5,018	5,159	5,305	5,461
Unduplicated credit headcount	13,341	13,649	13,107	11,302	11,272	12,578	11,906	11,756	12,140	11,855
Percent undergraduate (3)	57%	64%	67%	70%	68%	68%	68%	57%	60%	41%
Percent graduate	43%	36%	33%	30%	32%	32%	32%	43%	40%	58%

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

	Fall Term									
Student Population Demographics (4)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Percentage of men	33%	36%	37%	39%	38%	38%	38%	37%	39%	39%
Percentage of women	67%	64%	63%	61%	62%	62%	62%	63%	61%	61%
Percentage of African-American	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Percentage of White	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%
Percentage of Latino	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Percentage of Other (5)	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
< 20	15%	17%	18%	21%	22%	21%	21%	18%	18%	19%
20 to 24	33%	36%	37%	38%	36%	38%	40%	35%	36%	34%
25 to 44	37%	33%	32%	30%	30%	29%	29%	33%	33%	33%
44 & Over	15%	14%	13%	11%	12%	12%	10%	14%	13%	14%

(4) Percents within category are based on population of students who reported this information (gender, race/ethnicity, and age).
(5) Other includes Asian or Pacific Islander, American Indian, Alaskan Native, and Cape Verdean.

Degrees Granted	**FY 01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**
Bachelor's	477	468	516	579	489	553	622	628	640	696
Master's	277	463	379	465	368	484	475	370	531	460

FITCHBURG STATE COLLEGE
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Employment

	2001	2003	2005	2006	2007	2008	2009
Faculty - Primary Instruction (1)	**474**	**283**	**252**	**269**	**266**	**350**	**377**
Part-time	273	115	86	95	90	166	197
Full-time	201	168	166	174	176	184	180
Staff and Administrators	**346**	**329**	**439**	**385**	**386**	**410**	**419**
Part-time	9	13	143	81	75	93	112
Full-time	337	316	296	304	311	317	307
Total Employees	**820**	**612**	**691**	**654**	**652**	**760**	**796**
Part-time	282	128	229	176	165	259	309
Full-time	538	484	462	478	487	501	487

(1) Includes Instruction, Research & Public Service

Notes: This schedule reflects personnel as of November 1.

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

To the Board of Trustees of
Fitchburg State College
Fitchburg, Massachusetts

We have audited the financial statements of the business type activities and discretely presented component unit of Fitchburg State College (a department of the Commonwealth of Massachusetts) (the College) as of and for the year ended June 30, 2010, which collectively comprise Fitchburg State College's basic financial statements, and have issued our report thereon dated October 19, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fitchburg State College's internal control over financial reporting as a basis for designing our auditing procedures 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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fitchburg State College's financial statements are free of 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.

This report is intended solely for the information and use of the Board of Trustees, management, others within Fitchburg State College, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ercolini & Company LLP

October 19, 2010