

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

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

June 30, 2015 and 2014

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

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Independent Auditor's Report

To the Board of Trustees
Fitchburg State University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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 University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 1 and 28 to the financial statements, in fiscal 2015, the University adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of Fitchburg State University and its discretely presented component unit are intended to present the respective financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Fitchburg State University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension benefit schedules on pages 5 to 15 and 77 to 78, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2015 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 79 to 80, and the statistical section on pages 81 to 85 are presented for purposes of additional analysis and are not a required part of the 2015 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2015 financial statements. The residence hall fund and residence hall damage fund activity information have been subjected to the auditing procedures applied in the audit of the 2015 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 financial statements or to the 2015 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the residence hall fund and residence hall damage fund activity information are fairly stated, in all material respects, in relation to the 2015 financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the 2015 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting *Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015 on our consideration of Fitchburg State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fitchburg State University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts
November 17, 2015

FITCHBURG STATE UNIVERSITY
(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 University (the "University") for the fiscal years ended June 30, 2015, 2014 and 2013. This discussion is provided by the management of the University 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 University.

The University, located in North Central Massachusetts, is one of the nine comprehensive public universities in the Commonwealth of Massachusetts (the "Commonwealth"). These institutions, along with the five-campus University of Massachusetts system and the 15 community colleges comprise public higher education in Massachusetts. The University offers approximately 50 undergraduate degree programs in eighteen academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During fiscal 2015, there were approximately 3,600 full-time students and thousands of part-time students enrolled in degree programs, for a combined full-time equivalent enrollment of approximately 5,095. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education ("DGCE"). The University awarded approximately 1,100 graduate and undergraduate degrees in fiscal 2015. The University is accredited by the New England Association of Schools and Colleges ("NEASC") and many of the University's programs are accredited by program-specific accrediting bodies.

Financial Highlights

The University experienced positive results from operations in fiscal 2015 and remains on firm financial ground. 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 University. The University received appropriations of \$28.9 million in fiscal 2015 as compared with \$27.4 million in fiscal 2014 and \$24.9 million in fiscal 2013. The increase in appropriations is the result of the Massachusetts legislature providing an additional \$8 million in funding to the state university system of which Fitchburg State University received \$810,000. The funding is approximately half of the amount provided in the prior fiscal year. The State also provided approximately \$655,000 to partially fund current collective bargaining agreements. The funding received represents approximately 72% of the total costs of the contracts leaving the University to fund the remaining obligations.
- The University increased the capital projects fee in fiscal 2015 to fund Phase IV of the renovations to Hammond Hall. Total mandatory per semester fees were \$4,145, \$4,007 and \$3,870 in fiscal 2015, 2014 and 2013, respectively. 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 University expended \$16.4 million from current funds for capital additions in fiscal 2015. An additional \$3.6 million was spent on the University's behalf by the Massachusetts Division of Capital Asset Management ("DCAM") for the Science Center modernization project. Projects completed during the year included Phase II of the Science Center modernization project, renovations to various classrooms in the Conlon Industrial Arts building and renovation of the Percival building elevators. Projects remaining in process at June 30, 2015 include Phases IV & V of the Hammond Hall renovations, campus core improvements, renovations to the Dupont smokestack and renovations to the McKay C wing.
- Total assets and deferred outflows of resources at the end of fiscal 2015 were \$229 million and exceeded liabilities and deferred inflows of resources of \$90 million by \$139 million (i.e. net

position). Unrestricted net position available to support short-term operations totaled \$17.8 million, of which \$8.6 million has been designated for specific purposes.

- Total operating, non-operating, and gift revenue for fiscal 2015 was \$94.7 million, while expenses totaled \$88.8 million, resulting in an increase to net position of \$5.9 million. The increase in net position includes a 2.6% increase in student tuition and fee revenues.
- The prior period net position has been decreased as a result of the implementation of Government Accounting Standards Board ("GASB") Statement No. 68. The statement requires that an allocated portion of the Commonwealth's unfunded pension liability be reported on the financial statements of the individual institutions of higher education. The allocation is based on the actual contributions paid by the institutions through assessed fringe benefit charges. The University's portion of the Commonwealth's unfunded pension liability is calculated at \$6.2 million at June 30, 2014. Net position and other financial results and ratios have been adjusted accordingly.

Ratio analysis measures certain elements of an institution's overall financial health. The Massachusetts Department of Higher Education has instituted the use of certain core financial ratios as part of their performance measures for public universities and colleges in the Commonwealth. Analysis using these ratios, as well as other commonly accepted ratios, are incorporated throughout this document.

- **Current Ratio:** An excess of current assets over current liabilities (the "current ratio") is a measure of liquidity and provides a buffer against future uncertainties. The University's current assets of \$28.7 million are sufficient to cover current liabilities of \$17.4 million. The University's current ratio at June 30 is 1.6 to 1 for 2015, 1.4 to 1 for 2014, and 1.4 to 1 for 2013.
- **Return on Net Position Ratio:** Net position represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Comparing the current change in total net position to total net position at the beginning of the period (return on net position) is an economic measure that determines if the University is financially better off than in previous years. The University's return on net position at June 30, 2015, 2014 and 2013 was 4.4%, 14.5% and 16.5%, respectively. The increase in the prior years' return on net position ratio is primarily the result of capital funds received for the construction of the Antonucci Science Complex. The current year's ratio is within the industry benchmark of 3% - 4%.
- **Primary Reserve Ratio:** This ratio indicates how long the University could function using its expendable reserves without relying on additional net position generated by operations. The University's primary reserve ratio at June 30, 2015, 2014 and 2013 was 27.5%, 25.8% and 32.1%, respectively.
- **Secondary Reserve Ratio:** This ratio measures the significance of non expendable net position 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 University's secondary reserve ratio at June 30, 2015, 2014 and 2013 was 128.5%, 131.9% and 120.2%, respectively.
- **Composite Financial Index:** 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 position exceeding debt levels. The University's CFI at June 30, 2015, 2014 and 2013 was 1.6, 2.8 and 3.1, respectively.

Using the Financial Statements

Fitchburg State University 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 University and all pending obligations of the University are accounted for in the appropriate period, thus giving a clear picture of the University's financial position. The University is a department of the Commonwealth of

Massachusetts. A summary of the University's financial statements is incorporated in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

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

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the year and includes all assets, liabilities and deferred inflows and outflows of resources of the University, with the difference reported as net position. Assets, liabilities and deferred inflows and outflows 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 position is one indicator of the financial condition of the University, while the change in net position from one period to the next is an indicator of whether the financial condition has improved or worsened. The statements of net position (condensed, in thousands) at June 30, 2015, 2014 and 2013, are as follows:

	2015	2014	2013
Assets			
Current assets	\$ 28,703	\$ 23,573	\$ 23,672
Capital assets, net	163,847	151,560	129,816
Other	35,402	38,639	34,340
Total assets	227,952	213,772	187,828
Deferred outflows of resources	607		-
Liabilities			
Current liabilities	17,393	16,485	16,876
Long-term liabilities	69,179	62,541	46,582
Total Liabilities	86,572	79,026	63,458
Deferred inflows of resources	3,402	2,017	2,218
Net position			
Net investment in capital assets	113,647	110,513	95,933
Restricted			
Nonexpendable	480	474	465
Expendable	6,660	5,680	5,781
Unrestricted			
Designated	8,631	7,237	8,577
Undesignated	9,167	8,825	11,396
Total net position	\$ 138,585	\$ 132,729	\$ 122,152

Current assets consist primarily of cash and cash equivalents (91.4%). Other assets include noncurrent 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, accounts payable - construction, 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. Deferred inflows and outflows of resources represent either the acquisition or use of net position applicable to future periods and are distinct from assets and liabilities. Net position in fiscal 2014 has been decreased to reflect the recognition of the University's unfunded pension liability as required by the implementation of GASB Statement No. 68. The overall increase in net position over the last three fiscal years is the result of an influx of capital appropriations and grants that funded the construction of the Antonucci Science Complex. Those individual elements of revenue and the corresponding increases in net position are illustrated in the following schedule.

Statement of Revenues, Expenses and Changes in Net Position

The following Statements of Revenues, Expenses and Changes in Net Position (condensed, in thousands) presents information showing the University's results of operations for the fiscal years ended June 30, 2015, 2014 and 2013. Changes in net position are reported as soon as the underlying event giving 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):

	2015	2014	2013
Operating revenues			
Tuition and fees (net)	\$ 33,815	\$ 32,945	\$ 31,360
Grants	8,500	8,040	7,060
Sales and service of educational department	1,139	1,142	1,193
Auxiliary	9,278	8,807	8,535
Other operating revenue	832	799	720
Total operating revenue	53,564	51,733	48,868
Operating expenses			
Instruction	32,049	31,735	29,843
Research and public service	396	551	600
Academic support	5,478	4,865	4,944
Student services	9,745	9,195	9,079
Scholarships	1,647	1,688	1,482
Institutional support	8,081	7,664	7,606
Operations and maintenance	12,116	11,377	11,246
Depreciation	8,525	7,209	5,544
Auxiliary	9,094	8,770	8,809
Total operating expenses	87,131	83,054	79,153
Net operating loss	(33,567)	(31,321)	(30,285)

	2015	2014	2013
Non-operating revenue and expenses			
State appropriations	36,198	34,028	30,788
Investment income	191	1,988	857
Interest expense and debt issue costs	(1,165)	(1,002)	(1,047)
State capital appropriations	908	836	2,258
Capital gifts and grants	3,841	12,361	14,302
Insurance proceeds	-	-	427
Interagency transfers	(550)	(120)	-
Total non-operating revenue	39,423	48,091	47,585
Increase in net position	5,856	16,770	17,300
Net position, beginning of the year	132,729	122,152	104,852
Restatement (Note 28)	-	(6,193)	-
Net position, end of the year	\$ 138,585	\$ 132,729	\$ 122,152

State appropriations are reported net of the amount of in state day school tuition collected by the University on behalf of the Commonwealth. The tuition collected (for in 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 University. Included in appropriations are the fringe benefit costs for University 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 University. Employees who are paid from local trust funds, grants or other sources receive the same fringe benefits. Generally, the University reimburses the Commonwealth for the benefit costs associated with these employees. In 2012, legislation was passed that allowed the state universities to retain out of state day tuition. The legislation further mandated that the Commonwealth would fund the fringe benefits for any employee paid from this funding source. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2015, 2014 and 2013 was 27.3%, 26.2% and 26.0%, respectively. The current fringe benefit rate includes group medical insurance (16.0%); retirement (10.4%) and terminal leave (.9%).

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

	2015	2014	2013
Commonwealth general appropriations	\$ 28,961	\$ 27,551	\$ 25,131
Appropriations to cover fringe benefits provided to employees of the Commonwealth	8,191	7,522	6,808
	37,152	35,073	31,939
Tuition remitted back to the Commonwealth	(954)	(1,045)	(1,151)
Net appropriations	36,198	34,028	30,788
Additional state capital appropriations	908	836	2,258
Total appropriations	\$ 37,106	\$ 34,864	\$ 33,046

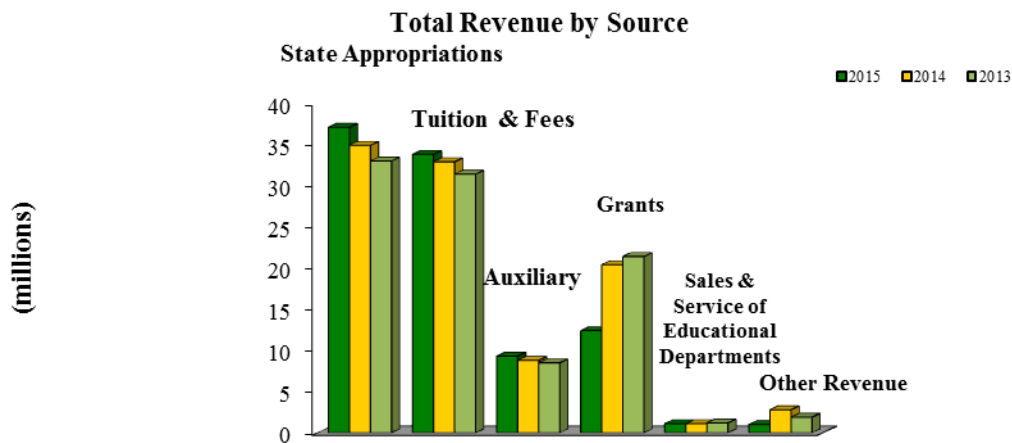
State appropriations are a significant source of funding for the University. According to the Governmental Accounting Standards Board, appropriations are considered non-operating revenue. As such, the University appears to experience a loss from operations. However, it should be noted that state appropriations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

The following schedule (condensed, in thousands) illustrates the University's incurred losses from operations for the fiscal years ended June 30, 2015, 2014 and 2013:

	2015	2014	2013
Tuition and fees revenue, net	\$ 33,815	\$ 32,945	\$ 31,360
Other operating revenue	19,749	18,788	17,508
Total operating revenue	53,564	51,733	48,868
Operating expenses	(87,131)	(83,054)	(79,153)
Operating loss	(33,567)	(31,321)	(30,285)
Total state appropriations	36,198	34,028	30,788
Other revenue (expense), net	3,225	14,063	16,797
Increase in net position	\$ 5,856	\$ 16,770	\$ 17,300

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, 2015, 2014 and 2013, the University's net operating revenues ratio was 1.4%, 4.0% and 1.0%, respectively.

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, 2015, 2014 and 2013 was \$94.7, \$100.9 and \$97.5 million, respectively.

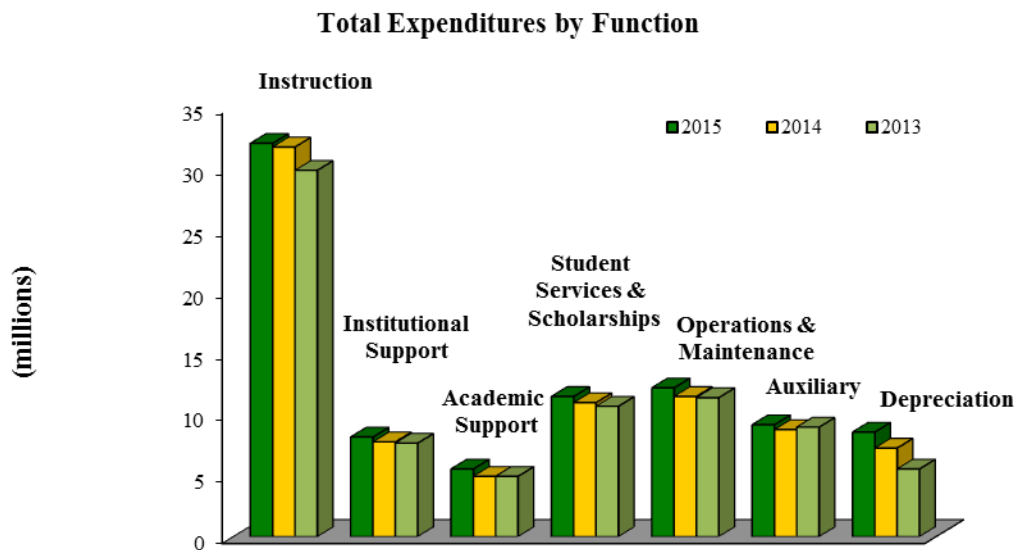


For the fiscal year ended June 30, 2015, general appropriations increased by 5.3% from 2014 funding levels. Total appropriations increased by 6.4%. During fiscal 2015, the University was subject to a 1.5% reduction to its appropriation in an effort to close the state's fiscal 2015 budget gap. The reduction totaled \$412,000. Although overall appropriations increased over 2014 levels, state support as a percentage of total revenue continues to trend down forcing the University to rely more heavily on student fees to support operations. Whereas state appropriations funded 61.5% of the total expenses in fiscal 2001, in fiscal 2015 that percentage is now 40.7%. All other operating costs incurred by the University 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 (2.6%) is due to an increase in the capital projects fees and increased enrollment. During fiscal year 2015, 2014 and 2013, in-state tuition, fees and room & board for full time resident students was \$9,100, \$8,907 and \$8,656 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2015, 2014 and 2013 was \$4,630, \$4,492 and \$4,355 per semester, respectively.

Auxiliary revenue represents revenue received from the operations of the University's residence halls. Auxiliary revenue does not include fees charged for the student housing facility owned and operated by the FSU Supporting Organization, Inc. (the "Supporting Organization"). The average residence hall occupancy rate for the year was 103% capacity.

Grant revenue is made up of federal, state and private grants. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs. Grant revenue also includes \$3.8 million in capital grant funds used primarily for the construction and renovation of the science center.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2015, 2014 and 2013 were \$88.8, \$84.2 and \$80.2, respectively.



Expenditures, exclusive of depreciation, increased by 3.6% primarily due to increases in payroll mandated by collective bargaining agreements. The most significant area of expense remains Instruction, which represents 36.8% of total operating expenses. Faculty payroll (\$20.7 million) and related benefits (\$5.6 million) represent approximately 82.1% of instructional expenditures. Institutional Support consists of the day-to-day operational support of the institution, excluding physical plant operations. Scholarships are funded from Title V entitlement programs such as PELL and SEOG, as well as, from institutional operating funds. 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. The financial statements include \$8.5, \$7.2 and \$5.5 million in depreciation expense for 2015, 2014 and 2013, respectively.

Demand Ratios: Demand ratios measure the extent to which each type of expense consumes operating and non-operating revenues. The following table displays the amount of operating and non-operating revenue, exclusive of capital grants and appropriations, consumed by the various functional expense categories:

Expense	2015	2014	2013
Instruction	35.6%	36.2%	36.9%
Institutional Support	9.0%	8.7%	9.4%
Academic Support	6.1%	5.5%	6.1%
Student Services and Scholarships	12.6%	12.4%	13.0%
Operations and Maintenance	13.5%	13.0%	13.9%
Auxiliary	10.1%	10.0%	10.9%
Depreciation	9.5%	8.2%	6.9%

Note: The total sum of all Demand Ratios will be greater (less) than 100%, with the difference representing the surplus (deficit).

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 University's statements of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2015, 2014 and 2013:

	2015	2014	2013
Cash received from operations	\$ 52,990	\$ 51,214	\$ 49,307
Cash expended for operations	(70,666)	(68,574)	(65,419)
Net cash used by operations	(17,676)	(17,360)	(16,112)
Net cash provided by noncapital financing activities	28,007	26,506	23,967
Net cash used in capital and related financing activities	(9,069)	(7,150)	(4,013)
Net cash provided by (used in) investing activities	2,235	(187)	(360)
Net increase (decrease) in cash and equivalents	3,497	1,809	3,482
Cash and equivalents, beginning of the year	38,459	36,650	33,168
Cash and equivalents, end of the year	<u>\$ 41,956</u>	<u>\$ 38,459</u>	<u>\$ 36,650</u>

The University's cash and cash equivalents increased by approximately \$3.5 million during fiscal 2015, resulting in the cash and cash equivalents balance of \$41.9 million at fiscal year end. The increase is primarily due to bond proceeds and the divestiture of certain investments to fund Phase V of the Hammond Hall renovation. Noncapital financing activities, as defined by GASB, include state appropriations. These appropriations fund the operating activities of the University. Investing activities include interest and dividends received from portfolio investments, as well as, interest earned on University funds held in various short-term money management vehicles.

Capital Assets

Capital assets consist of land, land improvements, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2015, net capital assets increased to \$163.9 million

net of current depreciation expense of \$8.5 million. During the current fiscal year there were \$20.8 million in additions to capital assets. Major capital initiatives either continuing or undertaken during 2015 include:

- Phases IV & V renovations of the Hammond Hall, \$11.5 million (to date)
- Campus Core improvements, \$600,000 (to date)
- Renovations to the Dupont smokestack, \$776,000 (to date)

Additional information on Fitchburg State University'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 University's physical asset renewal ratio for fiscal years ended June 30, 2015, 2014 and 2013 was 2.4, 4.0 and 5.8, respectively.

Long-Term Debt

The University has long-term debt obligations issued for various capital projects. The debt was issued through several financing agreements with the Massachusetts Development Finance Agency ("MDFA") (formerly the Massachusetts Health and Educational Facilities Authority ("MHEFA") and the Massachusetts State College Building Authority ("MSCBA"). The interest rate on the MDFA debt is a floating rate set every 35 days based on market conditions. The interest rate on the MSCBA debt is based on an increasing coupon rate ranging from 2.00% to 6.54 % over the term of the debt as set by MSCBA. The debt is being repaid by the University primarily through dedicated student fees ("DSF"). The following table summarizes the various debt vehicles, interest rates, debt service and debt outstanding at June 30, 2015 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 Payments	Debt Outstanding	Maturity
MDFA	Recreation Center	1997	\$6,000,000	DSF	1.18%	\$282,647	\$3,110,051	2023
MSCBA	Holmes Dining Hall Renovations	2005	\$1,090,000	DSF	0.97%	\$55,032	\$655,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	\$4,020,000	DSF	0.87%	\$205,657	\$2,390,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	\$2,060,000	DSF	4.10%	\$151,915	\$1,410,621	2026
MSCBA	Hammond Campus Center Renovations	2011	\$15,935,656	DSF & operating funds	3.44%	\$1,105,997	\$13,272,854	2030
MSCBA	Hammond Campus Center Renovations	2012	\$7,043,416	DSF & operating funds	4.93%	\$511,050	\$6,314,443	2031
MSCBA	Hammond Campus Center Renovations	2013	\$11,300,906	DSF & operating funds	3.39%	\$744,425	\$10,522,602	2032
MSCBA	Parking Expansion	2013	\$2,563,127	DSF & operating funds	3.39%	\$168,088	\$2,386,244	2032
MSCBA	Hammond Campus Center Renovations	2014	\$12,235,614	DSF & operating funds	4.81%	\$916,253	\$11,918,818	2033

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service Payments	Debt Outstanding	Maturity
MSCBA	Hammond Campus Center Renovations	2015	\$10,669,503	DSF & operating funds	4.75%	-	\$10,626,047	2034
Total			\$72,918,222			\$4,141,064	\$62,606,680	

For the fiscal years ended June 30, 2015, 2014 and 2013, the total debt (current and long-term) attributable to interagency payments and bond premiums amounted to \$62.6, \$54.4 and \$44.1 million, respectively.

Additional information on Fitchburg State University's long-term debt activity can be found in footnote 12 to the accompanying financial statements.

Viability Ratio: The availability of expendable net position to cover debt (the "viability ratio") is a basic determinant of financial health. A viability ratio of 1.0 indicates that, as of the statement of net position date, the University has sufficient net position to satisfy its debt obligations. As of June 30, 2015, 2014 and 2013, the University's viability ratio was .4, .4 and .6, 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, 2015, 2014 and 2013, the University's debt burden was 5.0%, 4.2% and 3.1%, respectively.

Looking Forward

A cross section of campus constituencies spent the past year developing a new strategic plan designed to chart the University's course for the next five years. The comprehensive plan was approved by the Board of Trustees in the spring. The effort to craft a new strategic plan was a campus wide initiative involving all areas of the institution and addressing all aspects of the student experience. The 2015 - 2020 Strategic Plan emphasizes student success as its organizing principal. The plan outlines four goals, along with specific objectives and metrics to measure progress toward each. The goals include strengthening academic programs, promoting student success, building a university community that embraces civic and global responsibility, and increasing and strategically aligning University resources.

Starting this fall, the University began the \$30K Commitment program in collaboration with its peer institutions of public higher education in central Massachusetts. The program guarantees qualified students their associate's and bachelor's degrees in high demand programs in four years for a fixed cost of \$30,000. The program is a promise from the institutions to support the career goals of Massachusetts residents, prepare students for high demand degrees and outline clear paths for students to complete affordable degrees in four years.

Also starting this fall is the Fitchburg State Police Certification program. Students in the program will be able to earn their bachelor's and master's degrees, as well as, complete their police academy training in five years. Students in the program who follow the scheduled coursework will complete their bachelor's degree in four years followed by a one year master's program that includes a full time academy certification from the Municipal Police Training Committee. Upon completion of the program graduates will be certified as full time police officers in the Commonwealth of Massachusetts ready to report for municipal police duty.

Cementing an already productive partnership, Fitchburg State University and the Fitchburg Art Museum signed a formal memorandum of agreement this past spring. The agreement provides an opportunity for student enrichment through collaborations that produces faculty and students exhibits, exhibition catalogs, promotional videos and social media campaigns. Students will have the opportunity for hands on experience on real world projects. The agreement provides free admission to the museum for University faculty, students and staff and makes museum staff, exhibits and collections available to University students, faculty and adult learning programs. For the University's part, the agreement offers museum staff

access to administrative and information technology support, staff consultation on exhibition and program management and professional development opportunities. The pact also outlines opportunities to collaborate with other partners on various community development programs, cultural festivals, and creative economic development and broad based education initiatives.

On July 1, 2015, Dr. Richard S. Lapidus assumed the duties as the eleventh president of Fitchburg State University. Dr. Lapidus brings a wealth of experience to the University as an administrator, researcher and faculty member. As the University begins this new chapter in its history, it does so with leadership that supports innovation and opportunity centered on the student experience and emphasizing critical thinking and good judgment to give students the ability to reinvent themselves in response to the rapidly changing world.

Requests for Information

This financial report is designed to provide a general overview of the finances of Fitchburg State University 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 Dr. Richard S. Lapidus, President, Fitchburg State University, 160 Pearl Street, Fitchburg, Massachusetts, 01420.

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

Statements of Net Position
June 30, 2015 and 2014

	<u>Assets</u>			
		Component Unit Fitchburg State University Foundation, Inc.		Component Unit Fitchburg State University Foundation, Inc.
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Current assets				
Cash and equivalents	\$ 19,114,408	\$ 1,287,165	\$ 16,230,452	\$ 2,130,990
Restricted cash and cash equivalents	7,134,196	-	5,395,192	-
Investments	-	6,258,067	-	5,572,246
Accounts receivable, net	2,163,423	109,929	1,636,654	33,805
Contributions receivable, net	-	61,124	-	59,062
Loans receivable - current portion	100	-	100	-
Other current assets	290,709	25,285	310,617	331,044
Total current assets	<u>28,702,836</u>	<u>7,741,570</u>	<u>23,573,015</u>	<u>8,127,147</u>
Noncurrent assets				
Restricted cash and cash equivalents	15,706,939	-	16,833,270	-
Investments	16,597,029	-	18,447,273	-
Endowment investments	842,717	9,211,284	924,022	8,926,818
Accounts receivable, net of current portion	80,009	-	263,506	-
Contributions receivable, net	-	95,990	-	49,033
Loans receivable, net of current portion	2,020,468	-	1,998,908	-
Capital assets, net	163,847,460	6,368,281	151,559,802	5,701,437
Other noncurrent assets	155,097	120,834	172,158	126,099
Total noncurrent assets	<u>199,249,719</u>	<u>15,796,389</u>	<u>190,198,939</u>	<u>14,803,387</u>
Total assets	<u>227,952,555</u>	<u>23,537,959</u>	<u>213,771,954</u>	<u>22,930,534</u>
Deferred outflows of resources				
Deferred outflow for pensions	606,819	-	-	-
Total deferred outflows of resources	<u>606,819</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Statements of Net Position
June 30, 2015 and 2014

	<u>Liabilities and Net Assets</u>			
		Component Unit Fitchburg State University Foundation, Inc.		Component Unit Fitchburg State University Foundation, Inc.
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Current Liabilities				
Interagency payables - current portion	\$ 2,866,416	\$ -	\$ 2,367,969	\$ -
Long-term debt -current portion	-	164,043	-	427,660
Bank line of credit	-	-	-	225,000
Accounts payable and accrued liabilities	4,721,040	145,587	4,069,774	48,783
Accounts payable - construction	2,068,744	-	1,880,368	127,075
Advance payable to the University	-	-	-	100,000
Accrued workers' compensation - current portion	127,529	-	137,481	-
Compensated absences - current portion	3,366,175	-	3,236,890	-
Faculty payroll accrual	2,947,991	-	3,428,694	-
Revenue received in advance	981,528	6,795	999,308	86,255
Deposits	270,550	-	310,715	35,000
Other current liabilities	42,890	-	53,537	-
Total current liabilities	<u>17,392,863</u>	<u>316,425</u>	<u>16,484,736</u>	<u>1,049,773</u>
Noncurrent liabilities				
Interagency payables, net of current portion	59,740,264	-	52,020,248	-
Accrued workers' compensation, net of current portion	457,467	-	560,393	-
Compensated absences, net of current portion	1,913,232	-	1,810,027	-
Long-term debt, net of current portion	-	3,080,876	-	3,140,800
Loan payable - federal financial assistance program	1,989,199	-	1,958,082	-
Net pension liability	5,078,817	-	6,192,668	-
Total noncurrent liabilities	<u>69,178,979</u>	<u>3,080,876</u>	<u>62,541,418</u>	<u>3,140,800</u>
Total liabilities	<u>86,571,842</u>	<u>3,397,301</u>	<u>79,026,154</u>	<u>4,190,573</u>
Deferred inflows of resources				
Service concession arrangement	2,276,261	-	2,016,360	-
Deferred inflow for pensions	1,125,969	-	-	-
Total deferred inflows of resources	<u>3,402,230</u>	<u>-</u>	<u>2,016,360</u>	<u>-</u>

Fitchburg State University
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Statements of Net Position
June 30, 2015 and 2014

	<u>Net position</u>			
		Component Unit Fitchburg State University Foundation,		Component Unit Fitchburg State University Foundation,
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Net investment in capital assets	\$ 113,647,096	\$ 3,108,089	\$ 110,513,323	\$ 1,946,367
Restricted for:				
Nonexpendable				
Scholarships and fellowships	480,227	4,626,322	474,297	4,272,116
Cultural programs	-	3,033,384	-	3,008,666
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	10,000	-	62,866
Expendable				
Scholarships and fellowships	530,065	2,809,012	564,023	2,594,327
Cultural programs	-	2,088,759	-	1,911,437
Loans	269,986	-	265,902	-
Capital projects	1,498,585	-	1,209,826	-
Debt service	4,360,069	-	3,638,796	-
Other	930	317,152	930	296,005
Unrestricted	<u>17,798,344</u>	<u>2,554,966</u>	<u>16,062,343</u>	<u>3,055,203</u>
Total net position	<u>\$ 138,585,302</u>	<u>\$ 20,140,658</u>	<u>\$ 132,729,440</u>	<u>\$ 18,739,961</u>

See Notes to Financial Statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

		Component Unit Fitchburg State University Foundation, Inc.		Component Unit Fitchburg State University Foundation, Inc.
	2015	2015	2014	2014
Operating revenues				
Student tuition and fees	\$ 36,798,709	\$ -	\$ 36,571,360	\$ -
Student fees restricted for repayment of Interagency payables	4,918,252	-	3,834,709	-
Less: Scholarship allowances	(7,901,604)	-	(7,461,594)	-
Net student tuition and fees	33,815,357	-	32,944,475	-
Federal grants and contracts	7,935,184	-	7,246,709	-
State and local grants and contracts	496,631	71,892	620,738	225,229
Nongovernmental grants and contracts	68,430	-	172,999	-
Sales and services of educational departments	1,138,903	723,700	1,141,719	723,751
Gifts and contributions	-	636,485	-	476,589
Auxiliary enterprises:				
Residential life	9,245,569	224,540	8,775,554	206,071
Alcohol awareness and other programs	32,580	-	31,220	-
Other operating revenues	831,648	594,795	799,322	-
Total operating revenues	53,564,302	2,251,412	51,732,736	1,631,640
Operating Expenses				
Educational and general				
Instruction	32,048,719	84,973	31,734,485	77,116
Research	1,191	-	2,346	-
Public service	395,305	153,939	548,735	161,900
Academic support	5,477,624	20,718	4,864,473	10,864
Student services	9,745,125	157,651	9,194,763	190,615
Institutional support	8,080,755	672,421	7,664,431	380,693
Operations and maintenance of plant	12,115,929	147,203	11,376,771	112,008
Depreciation and amortization	8,525,149	166,470	7,209,319	118,863
Scholarships and awards	1,647,595	430,573	1,688,642	424,319
Auxiliary enterprises				
Residential life	9,065,978	68,037	8,744,953	65,224
Alcohol awareness and other programs	27,882	-	24,765	-
Total operating expenses	87,131,252	1,901,985	83,053,683	1,541,602
Operating income (loss)	(33,566,950)	349,427	(31,320,947)	90,038

Fitchburg State University
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

		Component Unit Fitchburg State University Foundation, Inc.		Component Unit Fitchburg State University Foundation, Inc.
	2015	2015	2014	2014
Nonoperating revenues (expenses)				
State appropriations	\$ 36,197,548	\$ -	\$ 34,027,571	\$ -
Gifts	50	-	300	-
Investment income (loss), net of investment expense	129,973	261,264	1,931,591	508,950
Investment income (loss) on restricted assets, net of investment expense	61,013	645,871	56,344	1,377,174
Interest expense on Interagency payables and capital asset related debt	(1,092,563)	(167,308)	(933,777)	(168,827)
Debt issuance costs	(72,534)	-	(67,815)	-
Proceeds on equipment insurance claim	-	-	-	-
Net nonoperating revenues before capital and endowment additions	35,223,487	739,827	35,014,214	1,717,297
Income before capital and endowment additions	1,656,537	1,089,254	3,693,267	1,807,335
State capital appropriations	908,318	-	836,048	-
Capital grants	3,841,367	-	12,361,251	-
Transfers (to)/from state agencies	(550,360)	-	(120,036)	-
Private gifts for endowment purposes	-	311,443	-	90,377
Total capital and endowment additions	4,199,325	311,443	13,077,263	90,377
<u>Increase (decrease) in net position</u>	<u>5,855,862</u>	<u>1,400,697</u>	<u>16,770,530</u>	<u>1,897,712</u>
<u>Net position - beginning of the year, as previously stated</u>	<u>132,729,440</u>	<u>18,739,961</u>	<u>122,151,578</u>	<u>16,842,249</u>
Restatement (Note 28)	-	-	(6,192,668)	-
<u>Net Position - beginning of year, as restated</u>	<u>132,729,440</u>	<u>18,739,961</u>	<u>115,958,910</u>	<u>16,842,249</u>
<u>Net position - end of the year</u>	<u>\$ 138,585,302</u>	<u>\$ 20,140,658</u>	<u>\$ 132,729,440</u>	<u>\$ 18,739,961</u>

See Notes to Financial Statements.

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

Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Tuition and fees	\$ 33,258,312	\$ 32,919,637
Research grants and contracts	8,392,365	8,062,277
Payments to suppliers	(19,207,948)	(18,695,862)
Payments to utilities	(4,493,845)	(5,119,661)
Payments to employees	(42,661,945)	(40,371,720)
Payments for benefits	(2,249,189)	(2,363,328)
Payments for scholarships	(1,676,028)	(1,732,292)
Loans issued to students	(292,382)	(285,839)
Collection of loans to students	269,553	262,512
Auxiliary enterprise receipts		
Residential life	9,254,125	8,675,951
Alcohol awareness program	32,580	31,220
Receipts from sales and services of educational departments	953,133	463,625
Other payments	(84,862)	(4,875)
Other receipts	<u>829,752</u>	<u>798,137</u>
Net cash provided by (used in) operating activities	<u>(17,676,379)</u>	<u>(17,360,218)</u>
Cash flows from noncapital financing activities		
State appropriations	28,960,545	27,550,516
Tuition remitted to State	(953,550)	(1,044,720)
Gifts from grants for other than capital purposes	<u>50</u>	<u>300</u>
Net cash provided by (used in) noncapital financing activities	<u>28,007,045</u>	<u>26,506,096</u>
Cash flows from capital and related financing activities		
State capital appropriations	908,318	836,048
Loan programs net funds received	35,201	35,334
Capital grants	486,798	184,781
Interagency payable proceeds received	10,669,502	12,235,614
Payments for capital assets	(16,404,632)	(16,948,208)
Principal paid on capital debt	(2,086,687)	(1,704,332)
Interest paid on capital debt	(2,054,377)	(1,601,522)
Debt issuance costs	(72,534)	(67,815)
Transfers to other state agencies	<u>(550,360)</u>	<u>(120,036)</u>
Net cash provided by (used in) capital and related financing activities	<u>(9,068,771)</u>	<u>(7,150,136)</u>

Fitchburg State University
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Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from investing activities		
Purchase of investments	(7,033,331)	(5,154,306)
Proceeds from sale of investments	8,263,378	4,505,087
Earnings on investments	904,687	562,152
Advance to component unit	<u>100,000</u>	<u>(100,000)</u>
Net cash provided by (used in) investing activities	<u>2,234,734</u>	<u>(187,067)</u>
Net increase (decrease) in cash and equivalents	<u>3,496,629</u>	<u>1,808,675</u>
Cash and equivalents, beginning of year	<u>38,458,914</u>	<u>36,650,239</u>
Cash and equivalents, end of year	<u><u>\$ 41,955,543</u></u>	<u><u>\$ 38,458,914</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (33,566,950)	\$ (31,320,947)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Bad debt expense	340,682	139,483
Depreciation and amortization	8,525,149	7,209,319
Fringe benefits paid by the Commonwealth of Massachusetts	8,190,553	7,521,775
Change in unfunded net pension liability	(594,701)	-
Changes in assets and liabilities:		
Receivables	(772,518)	(221,181)
Other current and noncurrent assets	36,969	(285,525)
Accounts payable and accrued liabilities	651,000	(86,774)
Accrued workers' compensation	(112,878)	(46,851)
Compensated absences	232,490	(136,367)
Accrued faculty payroll	(480,703)	583,277
Revenue received in advance	(17,780)	(662,959)
Other current liabilities	(44,697)	29,982
Deposits	(40,165)	(59,885)
Loans to students	<u>(22,830)</u>	<u>(23,565)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (17,676,379)</u></u>	<u><u>\$ (17,360,218)</u></u>

Fitchburg State University
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Statements of Cash Flows
Years Ended June 30, 2015 and 2014

Schedule of noncash investing and financing activities	2015	2014
Acquisition of capital assets	\$ 20,812,807	\$ 28,952,770
Accounts payable thereon:		
Beginning of year	1,880,368	2,572,364
End of year	(2,068,744)	(1,880,368)
Capital grants from DCAM	(3,588,067)	(12,144,352)
Net interest earned and incurred, capitalized in construction in progress	<u>(631,732)</u>	<u>(552,206)</u>
Payments for capital assets	<u>\$ 16,404,632</u>	<u>\$ 16,948,208</u>
Unrealized gain (loss) on investments	<u>\$ (701,502)</u>	<u>\$ 1,440,628</u>
Fringe benefits paid by the Commonwealth of Massachusetts	<u>\$ 8,190,553</u>	<u>\$ 7,521,775</u>
Capital grants - amortization of deferred inflows of resources - service concession arrangement	<u>\$ 259,901</u>	<u>\$ 201,635</u>
Reconciliation of cash and cash equivalent balances		
Current assets		
Cash and cash equivalents	\$ 19,114,408	\$ 16,230,452
Restricted cash and cash equivalents	7,134,196	5,395,192
Noncurrent assets		
Restricted cash and cash equivalents	<u>15,706,939</u>	<u>16,833,270</u>
Total cash and cash equivalents	<u>\$ 41,955,543</u>	<u>\$ 38,458,914</u>

Fitchburg State University
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Notes to Financial Statements
June 30, 2015 and 2014

Note 1 - Summary of significant accounting policies

Organization

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

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

Fitchburg State University Foundation, Inc. (the "Foundation") is a component unit of Fitchburg State University. The Foundation is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University, to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the University; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the University as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the University; 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 University's Booster Clubs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

FSU 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, 2015, has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and the University. The financial information of the Foundation Supporting Organization is consolidated into the financial statements of the Foundation. The Foundation and Foundation Supporting Organization are collectively referred to hereinafter as the FSU Foundation.

During 2015, FSU Foundation distributed scholarships and awards in the amount of \$430,573 directly to students and faculty of the University, and incurred an additional \$1,638,720 in support of its mission in other ways. Complete financial statements for FSU Foundation can be obtained from the Office of the Vice President for Finance and Administration, Fitchburg State University, 160 Pearl Street, Fitchburg, MA 01420.

During 2014, FSU Foundation distributed scholarships and awards in the amount of \$424,319 directly to students and faculty of the University, and incurred an additional \$1,286,110 in support of its mission in other ways.

Fitchburg State University
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Notes to Financial Statements
June 30, 2015 and 2014

Basis of presentation

The University's financial statements have been prepared using the "economic resources measurement focus" and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

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

The accompanying statements of revenues, expenses and changes in net position demonstrate the degree to which the direct 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 three net position categories:

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

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

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

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

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

Use of estimates

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

Cash and cash equivalents and investments

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

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

Investments include marketable debt and equity securities which are carried at their readily determinable fair values. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets.

Dividends, interest and net gains or losses on investments are reported in the Statements of Revenues, Expenses and Changes in Net Position. Any net earnings not expended are included in net position categories as follows:

- (i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) as increases in restricted - expendable net position if the terms of the gift or the University's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The University has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should be classified as restricted - expendable; and
- (iii) as increases in unrestricted net position in all other cases.

At June 30, 2015 and 2014, the University had \$394,659 and \$418,143, respectively, in endowment income available for authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

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Massachusetts General Law, Chapter 15 grants authority to the University Boards of Trustees to administer the general business of the University. Inherent in this authority is the authority to invest funds of the University. Chapter 15 further grants the Trustees the authority to delegate, to the President, any said powers or responsibilities. The Board of Trustees of Fitchburg State University has delegated the authority to make specific investment decisions to the President of the University and the Finance Committee of the Board of Trustees. The University's endowment investments consist of debt, marketable equity securities, mutual funds, and other investments which are carried at their fair values. The primary cash equivalent funds are within the MMDT, the external investment pool for political subdivisions of the Commonwealth.

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

FSU Foundation's investments consist of debt, marketable equity securities, mutual funds, a pooled investment real estate fund and other investments which are carried at their fair values. Unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net position, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold. Investment income is recognized when earned. Dividends are recorded on the ex-dividend date.

FSU Foundation maintains cash and equivalents 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 position and temporarily restricted (expendable) net position are reflected in the fund in which the assets are recorded.

The University's and FSU Foundation's investment income are presented net of investment expense in the statements of revenues, expenses and changes in net position. The University's investment expense amounted to \$113,383 and \$117,930 for the years ended June 30, 2015 and 2014, respectively. The Foundation's investment expense amounted to \$94,980 and \$88,307 for the years ended June 30, 2015 and 2014, respectively.

Accounts receivable

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

Accounts receivable also include a receivable from the operator of the University's food services operation in connection with a service concession arrangement between the University and the operator. The receivable has been recorded at the net present value of the installments to be received from the operator using a discount rate determined by management of the University.

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

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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 University's participation in the programs. The amount due to the federal government upon liquidation by the University is \$1,585,355 and \$1,561,259 for Perkins and \$403,844 and \$396,823 for NSL at June 30, 2015 and 2014, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

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

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

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

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

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms which extend to the years 2016 and 2022. The leases can be extended at the end of the terms for additional 10-year periods.

The University, in accordance with a management and services agreement between the MSCBA and 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, 2015 and 2014 were \$5,742,083 and \$5,476,967, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the

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specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

FSU 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, 7 and 10 years for furniture and fixtures, 5 years for equipment and 3 years for computer software and equipment. FSU Foundation generally capitalizes all additions and improvements with an individual cost or, if donated, fair value in excess of \$5,000.

Contributions and bequests

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

Student fees

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

Revenue received in advance

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

Agency funds

Agency funds consist of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to asset and liability accounts. There were no material balances at June 30, 2015 and 2014.

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Bond premiums

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

Interest expense and capitalization

The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2015 and 2014, total interest costs incurred were accounted for as follows:

	2015	2014
Total interest costs incurred	\$ 1,997,166	\$ 1,683,131
Less: Interest income on unused funds from tax exempt borrowings	(118)	(116)
Bond premium amortization	(272,753)	(197,032)
	<u>1,724,295</u>	<u>1,485,983</u>
Less: Capitalized portion of net interest earned and incurred	(631,732)	(552,206)
Interest expense	<u>\$ 1,092,563</u>	<u>\$ 933,777</u>

Pension plan

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

Fringe benefits

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

Tax status

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

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

Recently adopted accounting pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB

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Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The requirements of GASB Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2014 with earlier application encouraged. The University adopted this standard in fiscal year 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The Statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The University adopted this standard in fiscal year 2015.

The impact of implementing GASB Statements No. 68 and 71 on the University's financial statements is further discussed in Notes 20 and 28.

Note 2 - Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2015 and 2014:

	2015		
	Current Unrestricted	Current Restricted	Noncurrent Restricted
Cash and money market accounts	\$ 13,072,032	\$ 5,188,126	\$ 120,303
Cash equivalents held by MDFA *	-	246,298	330,616
Cash equivalents held by MSCBA ***	-	1,201,002	15,240,108
Massachusetts Municipal Depository Trust	3,099,938	104,875	15,912
Massachusetts State Treasurer **	2,941,350	393,895	-
Petty cash	1,089	-	-
	<u>\$ 19,114,409</u>	<u>\$ 7,134,196</u>	<u>\$ 15,706,939</u>
	2014		
	Current Unrestricted	Current Restricted	Noncurrent Restricted
Cash and money market accounts	\$ 11,921,392	\$ 89,849	\$ 102,582
Cash equivalents held by MDFA *	-	232,356	367,654
Cash equivalents held by MSCBA ***	-	1,463,065	15,781,361
Massachusetts Municipal Depository Trust	1,669,718	3,364,752	581,673
Massachusetts State Treasurer **	2,638,116	245,170	-
Petty cash	1,226	-	-
	<u>\$ 16,230,452</u>	<u>\$ 5,395,192</u>	<u>\$ 16,833,270</u>

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- * This amount consists of cash equivalents which are restricted by the Massachusetts Development Finance Agency ("MDFA") for the funding of payments to retire the bonds (see Note 12). The University does not have access to these funds except by the authorization of MDFA.
- ** The University has recorded cash held for the benefit of the University by the State Treasurer in the amount of \$2,941,350 and \$2,638,116 at June 30, 2015 and 2014, respectively, for University funds and \$393,895 and \$245,170 at June 30, 2015 and 2014, 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 University and payments to retire bonds (see Note 12). The University does not have access to these funds except by authorization of MSCBA. Interest earned on debt service reserve funds are used on a current basis to offset annual debt service payments.

Money market funds include the Schwab Advisor Cash Reserves Premier Sweep Shares in the aggregate amount of \$43,109 and \$62,861 at June 30, 2015 and June 30, 2014, respectively. The Schwab Advisor Cash Reserves Premier Sweep Shares invests in high-quality short-term money market investments issued by U.S. and foreign issuers, such as commercial paper, including asset-backed commercial paper; promissory notes; certificates of deposit and time deposits; variable and floating-rate debt services; bank notes and bankers' acceptances; repurchase agreements; obligations that are issued by the U.S. government, its agencies or instrumentalities. The fund seeks the highest current income consistent with stability of capital and liquidity. At June 30, 2015 and June 30, 2014, the fund's investment securities had a weighted average maturity of 42 days and 49 days, respectively. The fund was not rated for average credit quality at June 30, 2015 and June 30, 2014, respectively.

Money market funds include the Dreyfus Cash Management Fund Institutional Class in the aggregate amount of \$220,331 at June 30, 2014. The Dreyfus Cash Management Fund Institutional Class invests in a diversified portfolio of high-quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities including certificates of deposit, time deposits, bankers' acceptances and other short-term securities issued by domestic banks or foreign banks, or their subsidiaries or branches; repurchase agreements, including tri-party repurchase agreements, asset-backed securities; and domestic and dollar-denominated foreign commercial paper, and other short-term corporate obligations, including those with floating or variable rates of interest. The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. At June 30, 2014, the fund's investment securities had a weighted average maturity of 40 days. The fund had an average credit quality rating of AAAM at June 30, 2014.

Money market funds include the Northern Institutional Diversified Assets Portfolio in the aggregate amount of \$208,083 and \$320,697 at June 30, 2015 and June 30, 2014, respectively. The Northern Institutional Diversified Assets Portfolio invests in a broad range of high quality, U.S. dollar-denominated government, bank and commercial obligations that are available in the money markets. The fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments. At June 30, 2015 and June 30, 2014, the fund's investment securities had a weighted average maturity of 37 days and 48 days, respectively. The fund had an average credit quality rating of AAAMf and AAAM at June 30, 2015 and June 30, 2014, respectively.

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Money market funds also include the RWM Cash Management money market account with a balance of \$106,206 at June 30, 2015.

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

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. At June 30, 2015 and 2014, the University had uninsured cash balances totaling \$5,584,089 and \$5,718,771, respectively.

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

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

The following University investments at June 30, 2015 are held by the counterparty's trust department or agent but not in the University's name and, therefore, are subject to custodial credit risk as follows:

U.S. Treasury Notes and Government Securities	\$ 1,474,042
Corporate Debt Securities	1,921,784
Mortgage-Backed Securities	16,593
Equity Securities	5,533,726
Mutual Funds	<u>8,493,604</u>
Total	17,439,749
Less insured amounts	<u>1,500,000</u>
Amount subject to Custodial Credit Risk	<u><u>\$ 15,939,749</u></u>

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Credit risk

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

As of June 30, 2015 and 2014, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$3,220,725 and \$5,616,143, respectively. At June 30, 2015, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 54% at 30 days or less; 31% at 31-90 days; 9% at 91-180 days; and 6% at 181 days or more. At June 30, 2015, approximately 97% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 3% had a credit quality rating of P2.

The University's funds held at MDFA are invested in the Short-Term Asset Reserve ("STAR") Fund and had a fair value of \$576,914 and \$600,010 at June 30, 2015 and 2014, respectively. The STAR Fund invests primarily in U.S. Treasury bills, notes, and other obligations guaranteed by the U.S. government or its agencies or instrumentalities. Additionally, the fund invests in repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper, notes, and both corporate floating rate and corporate fixed-rate securities. The STAR Fund maintains a net asset value of \$1 per share and had a fund credit quality rating of AAAM as of both June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, the fund's investment securities maintain a weighted average maturity of 27 and 54 days, respectively.

At June 30, 2015, certain of the University's funds are held at MSCBA. Of the total, \$14,178,693 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$2,262,417 is invested in various funds as listed below:

Investment Type	Fair Value	Investment Maturities (in years)				Credit Rating
		Less Than 1	1-5	6-10	Greater Than 10	
Federal Home Loan Bank discount notes	\$ 144,841	\$ 144,841	\$ -	\$ -	\$ -	AAA
Federal Farm Credit	667,799	-	-	667,799	-	AAA
Massachusetts ST Bonds	1,449,777	-	485,614	-	964,163	AAA
Total	<u>\$ 2,262,417</u>	<u>\$ 144,841</u>	<u>\$ 485,614</u>	<u>\$ 667,799</u>	<u>\$ 964,163</u>	

At June 30, 2014, certain of the University's funds are held at MSCBA. Of the total, \$14,843,112 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$2,401,314 is invested in various funds as listed below:

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Investment Type	Fair Value	Investment Maturities (in years)				Credit Rating
		Less Than 1	1-5	6-10	Greater Than 10	
Federal Home Loan Bank discount notes	\$ 283,738	\$ 283,738	\$ -	\$ -	\$ -	Not Rated
Federal Farm Credit	667,799	-	-	667,799	-	AA+
Massachusetts ST Bonds	1,449,777	-	485,614	-	964,163	AAA
Total	\$ 2,401,314	\$ 283,738	\$ 485,614	\$ 667,799	\$ 964,163	

The University's investments in marketable securities are represented by the following at June 30, 2015:

	Cost	Fair Value
<u>Noncurrent:</u>		
U.S. Treasury Notes and Government Securities	\$ 1,519,134	\$ 1,474,042
Corporate Debt Securities	1,948,679	1,921,784
Mortgage-Backed Securities	16,581	16,593
Equity Securities	4,269,686	5,533,726
Mutual Funds	8,318,807	8,493,601
	<u>\$ 16,072,887</u>	<u>\$ 17,439,746</u>

The University's investments are represented by the following at June 30, 2014:

	Cost	Fair Value
<u>Noncurrent:</u>		
U.S. Treasury Notes and Government Securities	\$ 1,291,462	\$ 1,255,519
Corporate Debt Securities	2,140,706	2,103,702
Mortgage-Backed Securities	34,807	34,849
Equity Securities	4,966,015	6,411,547
Mutual Funds	8,869,944	9,565,678
	<u>\$ 17,302,934</u>	<u>\$ 19,371,295</u>

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

	2015	2014
Investments	\$ 16,597,029	\$ 18,447,273
Endowment investments	842,717	924,022
	<u>\$ 17,439,746</u>	<u>\$ 19,371,295</u>

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At June 30, 2015, the University's U.S. Treasury Notes and Government Securities, corporate debt securities and mortgage-backed securities along with their investment maturities and credit quality ratings are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
U.S. Treasury Notes and Government Securities 2.000% to 3.500%	\$ 1,474,042	\$ 141,489	\$ 995,448	\$ 337,105	\$ -	AA+
Corporate Debt Securities 1.375% to 6.0000%	554,646	50,397	316,114	188,135	-	A
Corporate Debt Securities 1.400% to 3.875%	312,004	60,127	65,975	185,902	-	A-
Corporate Debt Securities 1.875% to 5.625%	313,811	-	192,377	121,434	-	A+
Corporate Debt Securities 3.400% to 4.300%	176,788	-	-	176,788	-	AA
Corporate Debt Securities 1.750%	249,829	61,907	126,222	61,700	-	AA-
Corporate Debt Securities 3.000% to 4.650%	190,624	75,143	-	115,481	-	AA+
Corporate Debt Securities 4.6%	124,082	-	59,606	64,476	-	BBB+
Mortgage - Backed Securities 0.370%	16,593	-	16,593	-	-	N/A
Total	\$ 3,412,419	\$ 389,063	\$ 1,772,335	\$ 1,251,021	\$ -	

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

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
U.S. Treasury Notes and Government Securities 2.000% to 3.500%	\$ 1,255,519	\$ -	\$ 998,479	\$ 257,040	\$ -	AA+
Corporate Debt Securities 1.375% to 6.0000%	754,398	183,229	315,925	255,244	-	A
Corporate Debt Securities 1.400% to 3.875%	369,474	60,903	121,634	186,937	-	A-
Corporate Debt Securities 1.875% to 5.625%	438,961	60,625	129,725	248,611	-	A+
Corporate Debt Securities 3.400% to 4.300%	193,371	-	-	193,371	-	AA
Corporate Debt Securities 1.750%	61,154	-	61,154	-	-	AA-
Corporate Debt Securities 3.000% to 4.650%	220,163	75,165	78,276	66,722	-	AA+
Corporate Debt Securities 4.6%	66,181	-	-	66,181	-	BBB+
Mortgage - Backed Securities 0.370%	34,849	-	34,849	-	-	N/A
Total	\$ 3,394,070	\$ 379,922	\$ 1,740,042	\$ 1,274,106	\$ -	

FSU Foundation's cash and cash equivalents consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and other demand deposits	\$ 513,024	\$ 730,660
Money Market Funds	774,141	1,400,330
	<u>\$ 1,287,165</u>	<u>\$ 2,130,990</u>

Money market funds include the SSgA US Government Money Market Fund, the Schwab Advisor Cash Reserves Fund, the Dreyfus Cash Management Institutional - Shares Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market account in the amounts of \$139,750, \$42,183, \$0, \$151,894 and \$440,314 at June 30, 2015 and \$74,518, \$58,867, \$255,643, \$0 and \$1,011,302 at June 30, 2014, respectively.

The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2015 and 2014, FSU Foundation's uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Schwab Advisor Cash Reserves Fund, Dreyfus Cash Management Institutional - Shares Fund, RWM Cash Management and Fidelity Bank LifeDesign Business Cash Management Money Market account, amounted to approximately \$912,600 and \$1,755,100, respectively.

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FSU Foundation's investment policy consists of an asset allocation range of 50% to 70% equity securities, 30% to 50% fixed income securities and up to 10% in cash and cash equivalents.

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

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 5,980,922	\$ 8,644,818	\$ 5,732,264	\$ 8,124,323
Preferred stock	119,957	118,798	120,237	118,223
Mutual funds	3,884,691	3,928,904	3,267,766	3,668,240
Corporate bonds	1,173,863	1,194,283	1,155,263	1,183,135
U.S. government securities	1,576,992	1,570,489	1,335,088	1,316,137
Mortgage backed securities	12,071	12,059	89,157	89,006
Commonfund Realty Investors, LLC	-	-	-	-
	<u>\$ 12,748,496</u>	<u>\$ 15,469,351</u>	<u>\$ 11,699,775</u>	<u>\$ 14,499,064</u>

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

	<u>2015</u>	<u>2014</u>
Current assets:		
Investments	\$ 6,258,067	\$ 5,572,246
Noncurrent assets:		
Endowment investments	<u>9,211,284</u>	<u>8,926,818</u>
	<u>\$ 15,469,351</u>	<u>\$ 14,499,064</u>

At June 30, 2015, net unrealized gains in FSU Foundation's investment portfolio amounted to \$2,720,855. At June 30, 2014, net unrealized gains in FSU Foundation's investment portfolio amounted to \$2,799,289.

At June 30, 2015 and 2014, equities include securities in the consumer goods sector which represent 18% and 16%, respectively, in each year of the fair value of FSU Foundation's investment portfolio.

At June 30, 2015 and 2014, 6% of the fair value of FSU Foundation's investment portfolio in each year represents foreign investments.

Investments held by FSU Foundation with an equivalent fair value of \$9,194,000 at June 30, 2015 collateralize certain debt agreements (see Notes 13 and 14).

Commonfund Realty Investors, LLC (the "Fund") is a commingled, open-end real estate investment fund 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 Foundation made a capital investment in the Commonfund Realty Investors, LLC totaling \$485,000 as of August 2007. Investment units in the Fund are not deemed to be readily marketable pursuant to and as more fully described in the investment agreement. On June 30, 2010, FSU 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 decline in the fair value of this investment resulted from the continuing significant disruptions in the global capital, credit and real estate

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markets. In the opinion of management of FSU Foundation, the decline in fair value of this investment was considered to be other-than-temporary. During fiscal 2015 and 2014, FSU Foundation received capital gain distributions from Commonfund Realty Investors, LLC totaling \$423 and \$1,579, respectively, which are included in investment income (loss) on restricted assets in the accompanying 2015 and 2014 statement of revenues, expenses and changes in net position.

At June 30, 2015, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 Year	1-5 Years	5-10 Years	More Than 10 Years	Total
Corporate bonds	\$ 30,267	\$ 917,914	\$ 246,102	\$ -	\$ 1,194,283
U.S. government securities	429,208	809,493	331,788	-	1,570,489
Mortgage backed securities	-	-	-	12,059	12,059
	<u>\$ 459,475</u>	<u>\$ 1,727,407</u>	<u>\$ 577,890</u>	<u>\$ 12,059</u>	<u>\$ 2,776,831</u>

At June 30, 2014, the fair value of FSU Foundation's Investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 Year	1-5 Years	5-10 Years	More Than 10 Years	Total
Corporate bonds	\$ 162,923	\$ 837,002	\$ 183,210	\$ -	\$ 1,183,135
U.S. government securities	179,083	898,556	238,498	-	1,316,137
Mortgage backed securities	-	-	-	89,006	89,006
	<u>\$ 342,006</u>	<u>\$ 1,735,558</u>	<u>\$ 421,708</u>	<u>\$ 89,006</u>	<u>\$ 2,588,278</u>

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Note 3 - Accounts and contributions receivable

The University's accounts receivable include the following at June 30, 2015 and 2014:

	2015	2014
Student accounts receivable	\$ 1,804,967	\$ 1,371,911
Parking and other fines receivable	102,578	88,565
Commissions receivable	71,761	41,338
Grants receivable	366,374	269,190
Advance receivable from FSU Foundation Supporting Organization, Inc. (see below)	-	100,000
Compass receivable, including accrued interest of \$23,104 and \$9,902 (see Note 11)	276,708	263,506
Miscellaneous other receivables	37,563	10,281
	<u>2,659,951</u>	<u>2,144,791</u>
Less allowance for doubtful accounts	<u>(416,519)</u>	<u>(244,631)</u>
	<u><u>\$ 2,243,432</u></u>	<u><u>\$ 1,900,160</u></u>

During 2014, the University made a noninterest bearing advance to FSU Foundation Supporting Organization, Inc. in the amount of \$100,000 to fund a portion of the rehabilitation costs associated with a Foundation Supporting Organization construction project. The advance was repaid during 2015.

FSU Foundation's contributions receivable consist of the following at June 30, 2015 and 2014:

	2015	2014
Receivable in less than one year	\$ 61,124	\$ 59,853
Receivable in one to five years	<u>99,250</u>	<u>50,500</u>
	160,374	110,353
Discount on pledges	<u>(3,260)</u>	<u>(2,258)</u>
	<u><u>\$ 157,114</u></u>	<u><u>\$ 108,095</u></u>

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 1% to 2%.

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Note 4 - Loans receivable

Loans receivable include the following at June 30, 2015 and 2014:

	2015	2014
Perkins loans receivable	\$ 1,658,456	\$ 1,647,999
Nursing loans receivable	362,112	351,009
Emergency student loans receivable	3,018	3,018
	<u>2,023,586</u>	<u>2,002,026</u>
Less allowance for doubtful accounts	<u>(3,018)</u>	<u>(3,018)</u>
	<u><u>\$ 2,020,568</u></u>	<u><u>\$ 1,999,008</u></u>

Note 5 - Capital assets

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

	Totals June 30, 2014	Additions	Reclassifications* and Reductions	Totals June 30, 2015
Capital assets:				
<u>Non-depreciable capital assets</u>				
Land	\$ 5,130,841	\$ 196,238	\$ -	\$ 5,327,079
Construction in progress	15,315,326	13,365,116	(12,308,533)	16,371,909
Total non-depreciable assets	<u>20,446,167</u>	<u>13,561,354</u>	<u>(12,308,533)</u>	<u>21,698,988</u>
<u>Depreciable capital assets</u>				
Land improvements	14,296,430	396,727	6,475	14,699,632
Buildings	80,591,909	-	-	80,591,909
Building improvements	92,850,538	6,500,905	12,302,058	111,653,501
Equipment	15,332,037	274,494	-	15,606,531
Furniture	597,676	-	-	597,676
Library materials	428,462	79,327	(80,438)	427,351
Total depreciable assets	<u>204,097,052</u>	<u>7,251,453</u>	<u>12,228,095</u>	<u>223,576,600</u>
Total capital assets	<u>224,543,219</u>	<u>20,812,807</u>	<u>(80,438)</u>	<u>245,275,588</u>
Less: accumulated depreciation				
Land improvements	3,777,981	714,277	-	4,492,258
Buildings	38,228,247	1,603,415	-	39,831,662
Building improvements	18,000,770	5,116,064	-	23,116,834
Equipment	12,387,075	1,002,623	-	13,389,698
Furniture	589,344	8,332	-	597,676
Library materials	-	80,438	(80,438)	-
Total accumulated depreciation	<u>72,983,417</u>	<u>8,525,149</u>	<u>(80,438)</u>	<u>81,428,128</u>
Capital assets, net	<u><u>\$ 151,559,802</u></u>	<u><u>\$ 12,287,658</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 163,847,460</u></u>

As of June 30, 2015, capital assets of the University with a cost of approximately \$43,383,000 were fully depreciated and still in service.

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- * 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, 2015.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately \$673,000 and \$1,735,000 at June 30, 2015 and 2014, respectively.

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

Capital assets:	Totals June 30, 2013	Additions	Reclassifications* and Reductions	Totals June 30, 2014
<u>Non-depreciable capital assets</u>				
Land	\$ 5,130,841	\$ -	\$ -	\$ 5,130,841
Construction in progress	8,127,599	15,304,959	(8,117,232)	15,315,326
Total non-depreciable assets	<u>13,258,440</u>	<u>15,304,959</u>	<u>(8,117,232)</u>	<u>20,446,167</u>
<u>Depreciable capital assets</u>				
Land improvements	11,245,910	1,765,118	1,285,402	14,296,430
Buildings	80,591,909	-	-	80,591,909
Building improvements	75,374,548	10,633,299	6,842,691	92,850,538
Equipment	15,449,823	1,152,048	(1,269,834)	15,332,037
Furniture	597,676	-	-	597,676
Library materials	441,146	97,346	(110,030)	428,462
Total depreciable assets	<u>183,701,012</u>	<u>13,647,811</u>	<u>6,748,229</u>	<u>204,097,052</u>
Total capital assets	<u>196,959,452</u>	<u>28,952,770</u>	<u>(1,369,003)</u>	<u>224,543,219</u>
Less: accumulated depreciation				
Land improvements	3,086,907	668,724	22,350	3,777,981
Buildings	36,624,832	1,603,415	-	38,228,247
Building improvements	14,193,570	3,818,689	(11,489)	18,000,770
Equipment	12,748,436	908,473	(1,269,834)	12,387,075
Furniture	489,356	99,988	-	589,344
Library materials	-	110,030	(110,030)	-
Total accumulated depreciation	<u>67,143,101</u>	<u>7,209,319</u>	<u>(1,369,003)</u>	<u>72,983,417</u>
Capital assets, net	<u>\$ 129,816,351</u>	<u>\$ 21,743,451</u>	<u>\$ -</u>	<u>\$ 151,559,802</u>

As of June 30, 2014, capital assets of the University with a cost of approximately \$26,003,000 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, 2014.

The University has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the University's financial statements for the years ended June 30, 2015 and 2014, respectively.

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

	Totals June 30, 2014	Additions	Reclassifications* and Reductions	Totals June 30, 2015
Capital assets:				
Real estate under lease to the University:				
Land	\$ 402,663	\$ -	\$ -	\$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	<u>2,060,839</u>	<u>-</u>	<u>-</u>	<u>2,060,839</u>
Real estate used for student housing:				
Land	253,555	-	-	253,555
Buildings	434,225	-	-	434,225
Building improvements	28,600	-	-	28,600
	<u>716,380</u>	<u>-</u>	<u>-</u>	<u>716,380</u>
Other:				
Land	1,872,490	89,607	-	1,962,097
Land improvements	61,899	-	-	61,899
Buildings	893,022	-	-	893,022
Building improvements	39,569	1,176,182	(184,490)	1,031,261
Equipment	643,259	114,949	-	758,208
Furniture and fixtures	26,277	32,373	-	58,650
Library materials	6,570	-	-	6,570
Construction in progress	398,777	-	(398,777)	-
	<u>3,941,863</u>	<u>1,413,111</u>	<u>(583,267)</u>	<u>4,771,707</u>
Total capital assets	<u>6,719,082</u>	<u>1,413,111</u>	<u>(583,267)</u>	<u>7,548,926</u>
Less: accumulated depreciation				
Real estate under lease to the University:				
Building	305,054	38,943	-	343,997
Building improvements	35,995	5,023	-	41,018
	<u>341,049</u>	<u>43,966</u>	<u>-</u>	<u>385,015</u>
Real estate used for student housing:				
Buildings	76,894	10,856	-	87,750
Building improvements	6,912	1,430	-	8,342
	<u>83,806</u>	<u>12,286</u>	<u>-</u>	<u>96,092</u>
Other:				
Land improvements	48,230	5,705	-	53,935
Buildings	88,916	21,299	-	110,215
Building improvements	9,957	39,167	-	49,124
Equipment	424,493	33,831	-	458,324
Furniture and fixtures	15,281	6,089	-	21,370
Library materials	5,913	657	-	6,570
	<u>592,790</u>	<u>106,748</u>	<u>-</u>	<u>699,538</u>
Total accumulated depreciation	<u>1,017,645</u>	<u>163,000</u>	<u>-</u>	<u>1,180,645</u>
Capital assets, net	<u>\$ 5,701,437</u>	<u>\$ 1,250,111</u>	<u>\$ (583,267)</u>	<u>\$ 6,368,281</u>

Non-depreciable capital assets of FSU Foundation total \$2,618,315 at June 30, 2015, which is comprised of land.

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At June 30, 2015, capital assets of FSU Foundation with a cost of approximately \$422,000 were fully depreciated and still in service.

In fiscal 2015, the Foundation Supporting Organization acquired two properties in close proximity to the University's campus consistent with the Foundation's mission and the University's strategic plan which includes campus expansion. The properties, including land only, were acquired for a cost of \$100,940 and \$51,218, respectively. The land acquired for \$100,940 was sold to the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance ("DCAM") on behalf of Fitchburg State University during the fiscal year. The land acquired of \$51,218 is currently being used as green space. In May 2015, the Foundation Supporting Organization obtained an appraisal of the property acquired for \$51,218. As a result of the appraisal, management determined that the property was impaired and accordingly, it was written down to its fair value of \$20,000.

During fiscal 2015, the Foundation Supporting Organization sold land located at 161 - 181 Main Street in Fitchburg, Massachusetts for \$800,000 resulting in a gain of \$670,000. The property had a carrying value of \$130,000.

The Foundation Supporting Organization received a letter of intent from DCAM, dated August 29, 2014, to purchase one of its properties for \$69,600 subject to the satisfaction of certain State publication requirements and the execution of a mutually acceptable Purchase and Sale Agreement. During fiscal 2015, the property was sold to DCAM for \$69,600. The property had a carrying value of \$69,600.

A second property was sold during fiscal 2015 to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The property was recorded on the books of the Foundation Supporting Organization at \$100,865 and was sold for \$56,600. A loss of \$44,265 was recorded from the sale of the property.

During fiscal 2015, the Foundation Supporting Organization sold land acquired during the fiscal year at a cost of \$100,940. The property was sold to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The property was sold for \$70,000. A loss of \$30,940 was recorded from the sale of the property.

Collectively, the Foundation Supporting Organization had a net gain of \$594,795 from the sale of the aforementioned real estate properties. This gain is reflected as other operating revenues in the accompanying 2015 statement of revenues, expenses and changes in net position of FSU Foundation.

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

	Totals June 30, 2013	Additions	Reclassifications* and Reductions	Totals June 30, 2014
Capital assets:				
Real estate under lease to the University:				
Land	\$ 402,663	\$ -	\$ -	\$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	<u>2,060,839</u>	<u>-</u>	<u>-</u>	<u>2,060,839</u>
Real estate used for student housing:				
Land	253,555	-	-	253,555
Buildings	434,225	-	-	434,225
Building improvements	28,600	-	-	28,600
	<u>716,380</u>	<u>-</u>	<u>-</u>	<u>716,380</u>
Other:				
Land	1,946,784	122,446	(196,740)	1,872,490
Land improvements	61,899	-	-	61,899
Buildings	810,923	249,289	(167,190)	893,022
Building improvements	39,569	-	-	39,569
Equipment	460,200	183,059	-	643,259
Furniture and fixtures	26,277	-	-	26,277
Library materials	6,570	-	-	6,570
Construction in progress	-	398,777	-	398,777
	<u>3,352,222</u>	<u>953,571</u>	<u>(363,930)</u>	<u>3,941,863</u>
Total capital assets	<u>6,129,441</u>	<u>953,571</u>	<u>(363,930)</u>	<u>6,719,082</u>
Less: accumulated depreciation				
Real estate under lease to the University:				
Building	266,111	38,943	-	305,054
Building improvements	30,973	5,022	-	35,995
	<u>297,084</u>	<u>43,965</u>	<u>-</u>	<u>341,049</u>
Real estate used for student housing:				
Buildings	66,038	10,856	-	76,894
Building improvements	5,482	1,430	-	6,912
	<u>71,520</u>	<u>12,286</u>	<u>-</u>	<u>83,806</u>
Other:				
Land improvements	45,134	3,096	-	48,230
Buildings	68,643	20,273	-	88,916
Building improvements	7,978	1,979	-	9,957
Equipment	395,766	28,727	-	424,493
Furniture and fixtures	11,528	3,753	-	15,281
Library materials	4,599	1,314	-	5,913
	<u>533,648</u>	<u>59,142</u>	<u>-</u>	<u>592,790</u>
Total accumulated depreciation	<u>902,252</u>	<u>115,393</u>	<u>-</u>	<u>1,017,645</u>
Capital assets, net	<u>\$ 5,227,189</u>	<u>\$ 838,178</u>	<u>\$ (363,930)</u>	<u>\$ 5,701,437</u>

Non-depreciable capital assets of FSU Foundation totaled \$3,092,568 at June 30, 2014 and are comprised of land (\$2,528,708), construction in progress (\$398,777) and equipment not placed in service until July 1, 2014 (\$165,083).

At June 30, 2014, capital assets of FSU Foundation with a cost of approximately \$335,500 were fully depreciated and still in service.

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Note 6 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2015 and 2014:

	2015	2014
Accounts payable - trade	\$ 1,428,711	\$ 1,193,220
Salaries and fringe benefits payable	2,279,398	2,023,682
Accrued interest payable	474,498	440,188
Tuition due State	78,008	70,491
Other	460,425	342,193
	<u>\$ 4,721,040</u>	<u>\$ 4,069,774</u>

Note 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, 2015 and 2014. Based upon the Commonwealth's analyses, \$584,996 and \$697,874 of accrued workers' compensation has been recorded as a liability at June 30, 2015 and 2014, respectively.

Note 8 - Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2015 and 2014:

	2015	2014
Vacation time payable	\$ 2,590,531	\$ 2,420,542
Sick time payable	2,688,876	2,626,375
Total	<u>\$ 5,279,407</u>	<u>\$ 5,046,917</u>
Amount representing obligations due to employees funded through sources other than State appropriations	\$ 359,174	\$ 326,070
Amount representing obligations due to employees compensated through State appropriations	4,920,233	4,720,847
Total	<u>\$ 5,279,407</u>	<u>\$ 5,046,917</u>

It is anticipated that the obligation due to employees funded through State appropriations will be discharged through future State appropriations and the balance is expected to be liquidated through trust funds. Had these amounts not been reflected as obligations of the University, the University's unrestricted net position balances would be \$22,718,577 and \$20,783,190 at June 30, 2015 and 2014, respectively. (See Note 1, Compensated absences).

Note 9 - Faculty payroll accrual

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Fitchburg State University pay all faculty over the 12-month period from September through August. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's State appropriation. The total amount due at June 30, 2015 of \$2,947,991 will be paid from the University's fiscal 2016 State

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appropriations. The total amount due at June 30, 2014 of \$3,428,694 was paid from the University's fiscal 2015 State appropriations.

Note 10 - Revenue received in advance

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

Revenue received in advance includes the following at June 30, 2015 and 2014:

	2015	2014
Tuition, fees and professional development	\$ 828,926	\$ 828,426
Grants	144,957	165,632
Other	7,645	5,250
	<u>\$ 981,528</u>	<u>\$ 999,308</u>

Note 11 - Deferred inflows of resources from service concession arrangement

Deferred inflows of resources from service concession arrangement at June 30, 2015 and 2014 in the amounts of \$2,276,261 and \$2,016,360, respectively, consist of the unamortized balances of a service concession arrangement with Compass Group USA, Inc. ("Compass") to manage and operate the University's food services operation at the University's dining services locations as more fully described in the arrangement. The service concession arrangement commenced on July 1, 1999 for a term of 10 years through June 30, 2009 and has been amended several times thereafter to modify its terms, provide for additional payments to the University for investment in improvements in or at the University as mutually agreed upon by the parties, and extend the term of the arrangement until June 30, 2024. The last such amendment to the service concession arrangement was effective May 1, 2014 and provides for the extension of the arrangement to June 30, 2024 and payments to the University totaling \$2,500,000. These payments shall be made to the University by Compass in six installments as follows: \$300,000 in fiscal 2011; \$1,200,000 in fiscal 2012; \$200,000 in fiscal 2014; \$500,000 in fiscal 2015; \$200,000 in fiscal 2016; \$50,000 in fiscal 2020; and \$50,000 in fiscal 2022. As of June 30, 2015, the University has received the first four installments from Compass. In addition, Compass has agreed to pay the University specified percentages of 4%, 4 ½% or 12% of specified sales receipts from the food services operation as more fully described in the arrangement. All improvements and equipment purchased with the payments received from Compass shall remain the property of the University. The arrangement may be terminated by either party at any time, without cause, by giving not less than sixty days prior written notice to the other party. The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of any payments made to the University by Compass. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by Compass. The amortization schedules assume that all funds will be received from Compass. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

The University has recorded the service concession arrangement as a deferred inflow of resources at its present value using a 5% discount rate determined by management of the University. In fiscal 2011, the University recorded an accounts receivable from Compass at the present value of the future payments to be received from Compass, using a 5% discount rate determined by management of the University. The University received \$500,000 from Compass in fiscal 2015 and it has been recognized in the accompanying 2015 statement of net position as an additional deferred inflow. The University received \$200,000 from Compass in fiscal 2014 which was applied as follows: interest income - \$42,891; and a

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reduction of the accounts receivable - \$157,109. At June 30, 2015, the accompanying statement of net position includes a remaining receivable from Compass in the amount of \$276,708, which includes accrued interest receivable of \$23,104 (see Note 3). At June 30, 2014, the accompanying statement of net position includes a remaining receivable from Compass in the amount of \$263,506, which includes accrued interest receivable of \$9,902 (see Note 3). The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amounts of \$259,902 and \$201,635, respectively, has been recognized in capital grants revenue in the accompanying statements of revenues, expenses and changes in net position for each of the years ended June 30, 2015 and 2014.

Note 12 - Interagency payables

MDFA

On November 22, 1996, the University signed a financing agreement to receive \$6,000,000 from a Massachusetts Development Finance Agency ("MDFA") (formerly Massachusetts Health and Educational Facilities Authority ("MHEFA")) bond issuance, to be used for the construction of the University's athletic facility. This obligation is being repaid solely by the University through an increase in student fees. Construction of the athletic facility was completed in August 2000. MDFA 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 University for its share of the cost of the athletic facility.

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

Debt issue	\$ 6,000,000
Amount held by MDFA for debt service retirement fund (included in restricted cash and cash equivalents - noncurrent)	(502,899)
Origination fees paid to MDFS	<u>(98,707)</u>
Net Proceeds	<u><u>\$ 5,398,394</u></u>

The University is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2015 of \$246,298 was made as scheduled. These payments are made to a restricted cash account held in escrow in the University's name and recorded on the books of the University. These amounts, along with the remaining balance of the initial deposit, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the University 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 University to offset the administrative costs associated with this debt. In a prior year, the University 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. The outstanding principal balance of this Interagency payable at June 30, 2015 and 2014 was \$3,110,051 and \$3,382,021, respectively.

Interest on the debt is paid every 35 days at a floating rate of interest subject to market conditions. The interest rate is determined by MDFA conducting a true auction of their debt issuance every 35 days, in which the University's obligation is pooled with other higher education institutions within the

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Commonwealth who have debt funded through MDFA. The most recent auctioned interest rate in effect at June 30, 2015 and 2014 was 0.318% and 0.265%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.867% (2015) and 0.854% (2014) of the outstanding principal balance, calculated and payable every 35 days when the rate is auctioned. The effective interest rate (including annual program expenses) for 2015 and 2014 amounted to 1.18% and 1.29%, 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
2016	\$ 246,298	\$ 9,362	\$ 255,660
2017	261,076	8,532	269,608
2018	276,740	7,651	284,391
2019	293,345	6,719	300,064
2020	310,945	5,730	316,675
2021-2024	1,449,091	11,768	1,460,859
	<u>2,837,495</u>	<u>49,762</u>	<u>2,887,257</u>
Balance of restricted cash held for debt principal	<u>272,556</u>	<u>-</u>	<u>272,556</u>
Total	<u>\$ 3,110,051</u>	<u>\$ 49,762</u>	<u>\$ 3,159,813</u>

(1) The interest rate in effect at June 30, 2015 of 0.318% was used to calculate the estimated interest on the debt obligation of \$3,110,051. The estimated interest also reflects the reduction of the outstanding debt obligation each year by the annual funding payments.

MDFA 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 University 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 University. This obligation will be repaid solely by the University through dedicated student fees. The University 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 University's food service vendor for the dining facilities Project. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Projects.

As of June 30, 2014, the MSCBA held debt service reserve funds in the amount of \$138,898. During fiscal 2015, \$138,898 of debt service reserve funds were transferred to the MSCBA as part of a bond refunding transaction. During fiscal 2012, \$249,437 of debt service reserve funds were transferred to the MSCBA as part of a bond refunding transaction. Other than the transfer of those funds to the MSCBA, the bond refundings by the MSCBA had no impact on the debt of the University. The University expects to benefit from interest savings on the bond refundings. The University expects to have a net interest

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credit in fiscal year 2025 as a result of the interest savings. The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2014 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 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 are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2015 and 2014, the effective interest rate on this debt was 0.89% and 3.89%, respectively. The effective interest rate at June 30, 2015 and 2014, respectively, reflects interest savings as a result of the bond refundings. The outstanding balance of this Interagency payable was \$3,045,000 and \$3,285,000 at June 30, 2015 and 2014, respectively.

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

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 255,000	\$ 61,676	\$ 316,676
2017	260,000	80,405	340,405
2018	275,000	96,879	371,879
2019	285,000	91,244	376,244
2020	295,000	78,796	373,796
2021-2025	<u>1,675,000</u>	<u>198,365</u>	<u>1,873,365</u>
Total	<u>\$ 3,045,000</u>	<u>\$ 607,365</u>	<u>\$ 3,652,365</u>

During March 2006, the University 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 University. This obligation will be repaid solely by the University through dedicated student fees. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2015 and 2014, amounts held by MSCBA related to the debt issue and the Project are debt service reserve funds of \$144,841 for both years which are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2015 and 2014, the effective interest rate on this debt was 4.10% and 4.09%, respectively. The outstanding balance of this Interagency payable was \$1,410,621 and \$1,511,303 at June 30, 2015 and 2014, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2016	\$ 95,000	\$ 59,390	\$ 154,390
2017	100,000	42,248	142,248
2018	105,000	46,118	151,118
2019	110,000	47,035	157,035
2020	115,000	41,303	156,303
2021-2025	670,000	118,414	788,414
2026	155,000	4,822	159,822
	<u>1,350,000</u>	<u>359,330</u>	<u>1,709,330</u>
Plus: Unamortized premiums	60,621	-	60,621
	<u>1,410,621</u>	<u>359,330</u>	<u>1,769,951</u>
Total	<u>\$ 1,410,621</u>	<u>\$ 359,330</u>	<u>\$ 1,769,951</u>

During December 2010, the University signed a financing agreement to receive \$15,935,656 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

As of June 30, 2015 and 2014, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2015	2014
Unexpended debt proceeds	\$ -	\$ -
Debt service reserve fund	<u>1,449,777</u>	<u>1,449,777</u>
	<u>\$ 1,449,777</u>	<u>\$ 1,449,777</u>

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2015 and 2014 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2030. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.0% to 6.54% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2015 and 2014, the effective interest rate on this debt was 3.44% and 3.47%, respectively. The outstanding balance of this Interagency payable was \$13,272,854 and \$13,961,632 at June 30, 2015 and 2014, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2016	\$ 655,596	\$ 449,430	\$ 1,105,026
2017	682,085	423,207	1,105,292
2018	717,403	389,102	1,106,505
2019	752,721	374,041	1,126,762
2020	777,003	350,125	1,127,128
2021-2025	4,317,662	1,314,355	5,632,017
2026-2030	5,231,519	434,241	5,665,760
	<u>13,133,989</u>	<u>3,734,501</u>	<u>16,868,490</u>
Plus: Unamortized premiums	138,865	-	138,865
Total	<u>\$ 13,272,854</u>	<u>\$ 3,734,501</u>	<u>\$ 17,007,355</u>

During December 2011, the University signed a financing agreement to receive \$7,043,416 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs, are being used for renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

The University is required to make annual principal payments on this debt each May 1 which commenced in fiscal 2013. The final principal payment is due on May 1, 2031. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.0% to 5.0% over the term of the debt to maturity. For the years ended June 30, 2015 and 2014, the effective interest rate on this debt was 4.93% and 4.95%, respectively. The outstanding balance of this Interagency payable was \$6,314,443 and \$6,589,864 at June 30, 2015 and 2014, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2016	\$ 240,000	\$ 269,550	\$ 509,550
2017	250,000	257,550	507,550
2018	265,000	245,050	510,050
2019	280,000	231,800	511,800
2020	290,000	220,600	510,600
2021-2025	1,650,000	899,500	2,549,500
2026-2030	2,105,000	447,500	2,552,500
2031	485,000	24,250	509,250
	<u>5,565,000</u>	<u>2,595,800</u>	<u>8,160,800</u>
Plus: Unamortized premiums	749,443	-	749,443
Total	<u>\$ 6,314,443</u>	<u>\$ 2,595,800</u>	<u>\$ 8,910,243</u>

During December 2012, the University signed a financing agreement to receive \$13,864,033 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond

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issuance costs and a debt service reserve fund, are being used for Phase III of renovations to the Hammond Campus Center and parking expansion. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA, whereby MSCBA will provide management services to the University for the renovations.

As of June 30, 2015 and 2014, unexpended net proceeds amounted to \$549,877 and \$2,319,217, respectively.

As of June 30, 2015 and 2014, amounts held by MSCBA related to the debt issue and the Project are as follows:

	<u>2015</u>	<u>2014</u>
Unexpended debt proceeds	\$ 549,877	\$ 2,319,217
Debt service reserve fund	<u>214,164</u>	<u>214,164</u>
	<u>\$ 764,041</u>	<u>\$ 2,533,381</u>

The amounts held by MSCBA are included in the accompanying statement of net position at June 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Restricted cash and cash equivalents:		
Current	\$ 83,757	\$ 154,858
Noncurrent	<u>680,284</u>	<u>2,378,523</u>
	<u>\$ 764,041</u>	<u>\$ 2,533,381</u>

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2014. The final principal payment is due on May 1, 2032. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 2.00% to 5.0% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2015 and 2014, the effective interest rate on this debt was 3.39% and 3.87%, respectively. The outstanding balance of this Interagency payable was \$12,908,846 and \$13,455,048 at June 30, 2015 and 2014, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2016	\$ 515,000	\$ 398,012	\$ 913,012
2017	535,000	377,413	912,413
2018	560,000	356,012	916,012
2019	580,000	333,613	913,613
2020	610,000	304,613	914,613
2021-2025	3,435,000	1,132,263	4,567,263
2026-2030	3,945,000	618,713	4,563,713
2031-2032	1,750,000	79,200	1,829,200
	<u>11,930,000</u>	<u>3,599,839</u>	<u>15,529,839</u>
Plus: Unamortized premiums	978,846	-	978,846
Total	<u>\$ 12,908,846</u>	<u>\$ 3,599,839</u>	<u>\$ 16,508,685</u>

During January 2014, the University signed a financing agreement to receive \$12,235,614 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for Phase IV of renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

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

	2014
Debt issue	\$ 10,945,000
Amount held by MSCBA for debt service retirement fund (included in restricted cash and cash equivalents - noncurrent)	(667,799)
Debt issuance premium	1,290,614
Debt issuance cost	<u>(67,815)</u>
Net Proceeds	<u>\$ 11,500,000</u>

As of June 30, 2015 and 2014, unexpended net proceeds amounted to \$1,084,008 and \$10,793,563, respectively.

As of June 30, 2015 and 2014, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2015	2014
Unexpended debt proceeds	\$ 1,084,008	\$ 10,793,563
Debt service reserve fund	<u>667,799</u>	<u>667,799</u>
	<u>\$ 1,751,807</u>	<u>\$ 11,461,362</u>

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The amounts held by MSCBA are included in the accompanying statements of net position at June 30:

	<u>2015</u>	<u>2014</u>
Restricted cash and cash equivalents:		
Current	\$ 675,569	\$ 1,228,972
Noncurrent	<u>1,076,238</u>	<u>10,232,390</u>
	<u>\$ 1,751,807</u>	<u>\$ 11,461,362</u>

During fiscal 2014, unexpended MSCBA bond proceeds from prior issuances in the amount of \$1,131,051 were transferred to Phase IV of renovations to the Hammond Campus Center project. From this amount, unexpended proceeds amounted to \$59,933 and \$552,782 at June 30, 2015 and 2014, respectively, which are included in the accompanying 2015 and 2014 statement of net position as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2015. The final principal payment is due on May 1, 2033. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 2.00% to 5.0% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2015 and 2014, the effective interest rate on this debt was 4.81% and 4.73%, respectively. The outstanding balance of this Interagency payable was \$11,918,818 and \$12,203,349 at June 30, 2015 and 2014, respectively, including unamortized premium.

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

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 390,000	\$ 524,400	\$ 914,400
2017	405,000	512,700	917,700
2018	420,000	496,500	916,500
2019	440,000	475,500	915,500
2020	465,000	453,500	918,500
2021-2025	2,680,000	1,896,250	4,576,250
2026-2030	3,430,000	1,155,250	4,585,250
2031-2033	<u>2,495,000</u>	<u>253,750</u>	<u>2,748,750</u>
	10,725,000	5,767,850	16,492,850
Plus: Unamortized premiums	<u>1,193,818</u>	<u>-</u>	<u>1,193,818</u>
Total	<u>\$ 11,918,818</u>	<u>\$ 5,767,850</u>	<u>\$ 17,686,668</u>

During December 2014, the University signed a financing agreement to receive \$10,669,503 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for Phase V of renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

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

	<u>2015</u>
Debt issue	\$ 9,065,000
Amount held by MSCBA for debt service retirement fund (included in restricted cash and cash equivalents - noncurrent)	(596,968)
Debt issuance premium	1,604,502
Debt issuance cost	<u>(72,534)</u>
Net Proceeds	<u><u>\$ 10,000,000</u></u>

As of June 30, 2015, unexpended net proceeds amounted to \$9,773,075.

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

	<u>2015</u>
Unexpended debt proceeds	\$ 9,773,075
Debt service reserve fund	<u>596,968</u>
	<u><u>\$ 10,370,043</u></u>

The amounts held by MSCBA are included in the accompanying statement of net position at June 30, 2015:

	<u>2015</u>
Restricted cash and cash equivalents:	
Current	\$ 441,675
Noncurrent	<u>9,928,368</u>
	<u><u>\$ 10,370,043</u></u>

During fiscal 2015, unexpended MSCBA bond proceeds from prior issuances in the amount of \$2,100,000 were transferred to Phase V for renovations of the Hammond Campus Center project. From this amount, unexpended proceeds amounted to \$1,017,479 at June 30, 2015, which are included in the accompanying 2015 statement of net position as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2016. The final principal payment is due May 1, 2034. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the year ended

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June 30, 2015, the effective interest rate on this debt was 4.75%. The outstanding balance of the Interagency payable was \$10,626,047 at June 30, 2015, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2016	\$ 160,000	\$ 599,044	\$ 759,044
2017	330,000	431,750	761,750
2018	340,000	421,850	761,850
2019	350,000	408,250	758,250
2020	365,000	394,250	759,250
2021-2025	2,120,000	1,678,000	3,798,000
2026-2030	2,705,000	1,092,500	3,797,500
2031-2034	2,695,000	345,250	3,040,250
	<u>9,065,000</u>	<u>5,370,894</u>	<u>14,435,894</u>
Plus: Unamortized premiums	1,561,047	-	1,561,047
Total	<u>\$ 10,626,047</u>	<u>\$ 5,370,894</u>	<u>\$ 15,996,941</u>

The oversight of various capital projects on campus is provided by MSCBA. To fund these projects, the University provides equity contributions, by advancing funds to the MSCBA, which are then held by MSCBA until used for the payment of the capital project costs. During 2012, the University provided equity contributions totaling \$9,136,550 to fund their portion of the total renovation costs of the Hammond Campus Center Project. As of June 30, 2015, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$883,189, of which \$419,591 is included in current restricted cash and cash equivalents and \$463,598 is included in noncurrent restricted cash and cash equivalents in the accompanying 2015 statement of net position. As of June 30, 2014, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$963,385, of which \$79,235 is included in current restricted cash and cash equivalents and \$884,150 is included in noncurrent restricted cash and cash equivalents in the accompanying 2014 statement of net position.

Note 13 - FSU Foundation long-term debt

FSU Foundation's long-term debt consists of the following at June 30, 2015 and 2014:

	2015	2014
First mortgage notes payable	\$ 2,672,455	\$ 2,977,001
Notes payable - bank	<u>572,464</u>	<u>591,459</u>
	3,244,919	3,568,460
Less current portion	<u>164,043</u>	<u>427,660</u>
	<u>\$ 3,080,876</u>	<u>\$ 3,140,800</u>

The Foundation has a mortgage note payable in the original amount of \$550,000, dated April 16, 2008, with Fidelity Cooperative Bank. The proceeds of the note were used to acquire certain real estate properties on the Fitchburg State University campus. 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 20 years and provides for a fixed rate of interest of 5.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate will be fixed at the Federal Home

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Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final 10 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 10 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, 2015 and 2014, the outstanding principal balance of this mortgage note payable amounted to \$423,463 and \$444,448, 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 University campus. The entire property has been leased to DCAM on behalf of the University (see Note 22). The University 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 successor 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 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 20 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 interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of \$13,154 through August 16, 2011. Commencing thereafter, the monthly installments of principal and interest are \$12,306 until the next five-year interval adjustment date of August 16, 2016. The loan 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, 2015 and 2014, the outstanding principal balance of this first mortgage note payable amounted to \$1,289,675 and \$1,376,309, respectively.

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

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used primarily to repay advances made to the Foundation Supporting Organization by the Foundation for the acquisition of four real estate properties. 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, 2015 and 2014, the Foundation Supporting Organization has total cash balances of \$4,914 and \$2,084, respectively, held at WCU which serve as additional collateral for both WCU loans to the Foundation Supporting Organization (see below).

The mortgage note has a term of 10 years, expiring on February 27, 2019, and provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$4,714, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$4,422, based on a 20-year principal amortization. Pursuant to the provisions of the loan modification agreement, the Foundation Supporting Organization shall be responsible for a prepayment penalty equal to 3% of the outstanding principal balance of the loan in the event the loan is refinanced with another financial institution within three years of the loan modification date.

At June 30, 2015 and 2014, the outstanding principal balance of this first mortgage loan amounted to \$643,630 and \$664,018, respectively.

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 a real estate property. The note is secured by a first mortgage interest in the property and an assignment of leases and rents. In addition, the note is secured by a second mortgage interest in the real estate and related personal property located at 167 Klondike Avenue in Fitchburg, Massachusetts. The first mortgage on that property secures the Foundation Supporting Organization's obligations under the MDFA Revenue Bonds Issue. The Foundation Supporting Organization also provided WCU with a second assignment of leases and rents related to that property. The note is also collateralized by all funds held by the lender.

The mortgage note has a term of 10 years, expiring on February 19, 2020, and provided for a fixed rate of interest of 6.03% per annum. The interest rate was adjusted to 5.28% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$1,939, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$1,816, based on a 20-year principal amortization. Upon the sale of the property located at 161 - 181 Main Street during fiscal 2015, the loan was paid in full.

At June 30, 2014, the outstanding principal balance of the mortgage loan amounted to \$273,725.

The property acquired with the proceeds of this loan was being held for sale and was included in other current assets in the accompanying 2014 statement of net position of FSU Foundation. The loan was expected to be paid off upon the sale of the property. As a result, management classified the entire outstanding principal balance of this mortgage loan as a current obligation in the accompanying 2014 statement of net position of FSU Foundation.

In June 2013, Rollstone Bank & Trust provided financing to the Foundation Supporting Organization in the form of a note, dated June 19, 2013, in the amount of \$142,000. The proceeds of the loan were used to repay an advance made to the Foundation Supporting Organization by the Foundation in May,

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2013 for the acquisition of a real estate property. The note is secured by a first mortgage interest in the property and an assignment of leases and rents.

The mortgage note had a term of 20 years, maturing on June 19, 2033, and provided for a fixed rate of interest of 3.25% per annum. Commencing in July, 2013, the loan required monthly installments of principal and interest of \$809 based on a 20-year principal amortization. The loan agreement required the Foundation Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contained, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

At June 30, 2014, the outstanding principal balance of the mortgage note payable amounted to \$136,886.

On December 22, 2014, the Foundation Supporting Organization refinanced its Rollstone Bank & Trust first mortgage note, with an outstanding balance of \$134,314 at the date of the refinancing, with a new note dated December 22, 2014 in the amount of \$240,000. As a result, the Foundation Supporting Organization received additional loan proceeds of \$105,686. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage note has a term of 20 years, maturing on December 22, 2034, and provides for a fixed rate of interest of 3.25% per annum. Commencing in January 2015, the loan requires monthly installments of principal and interest of \$1,367 based on a 20-year principal amortization. The loan agreement requires the Foundation Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

At June 30, 2015, the outstanding principal balance of the mortgage note payable amounted to \$235,713.

In June 2013, Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a note, dated June 26, 2013, in the amount of \$83,200. The proceeds of the loan were used to repay an advance made to the Foundation Supporting Organization by the Foundation in May, 2013 for the acquisition of a real estate property. The note is secured by a first mortgage interest in the property and an assignment of leases and rents.

The mortgage note has a term of 20 years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 2.75% per annum. Commencing in July, 2013, the loan requires monthly installments of principal and interest of \$376 until the next five-year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at

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each five year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement.

At June 30, 2015 and 2014, the outstanding principal balance of the mortgage note payable amounted to \$79,974 and \$81,615, respectively.

In May 2007, the Foundation Supporting Organization acquired land and a building consisting of six apartment units and an adjacent parcel of land located in the area surrounding the Fitchburg State University campus. The apartments are being used by the University 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 investments with an equivalent fair value of approximately \$2,017,000 at June 30, 2015. In addition, payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The promissory note has a term of 30 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 (April 26, 2012, 2017, 2022, 2027 and 2032) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of \$4,122 through May 7, 2012. Commencing thereafter, the monthly installments of principal and interest are \$2,875 until the next five-year interval adjustment date of April 26, 2017. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2015 and 2014, the outstanding principal balance of this note payable amounted to \$572,464 and \$591,459, respectively.

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

For the year ending June 30,	Principal	Interest (1)	Total
2016	\$ 164,043	\$ 138,908	\$ 302,951
2017	171,849	131,194	303,043
2018	179,737	123,282	303,019
2019	739,079	105,775	844,854
2020	170,290	79,659	249,949
2021-2025	976,072	274,185	1,250,257
2026-2030	510,613	85,355	595,968
2031-2035	268,818	33,019	301,837
2036-2037	64,418	3,907	68,325
Total	<u>\$ 3,244,919</u>	<u>\$ 975,284</u>	<u>\$ 4,220,203</u>

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(1) The interest rates in effect at June 30, 2015 of 5.75%, 4.5%, 4.99%, 3.25%, and 3.5% on the first mortgage notes payable and 2.62% on the note payable - bank were used to calculate the estimated interest on these debt obligations.

Note 14 - FSU Foundation line of credit

On April 2, 2015, 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. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% of the pledged investment collateral unless otherwise approved by the lender. At June 30, 2015, no amount was outstanding on the line of credit. At June 30, 2014, \$225,000 was outstanding on 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 June 30, 2015 and 2014, the effective interest rate was 6% per annum. For the years ended June 30, 2015 and 2014, interest expense incurred on borrowings under this line of credit amounted to \$12,834 and \$5,881, respectively. There were no new borrowings under the line during 2015. The borrowings under the line, during 2014, were advanced to the Foundation Supporting Organization. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Foundation Supporting Organization. Borrowings are secured by investments with equivalent fair value of approximately \$7,177,000. The line of credit is also collateralized by all funds held by the lender. At June 30, 2015, the Foundation has total cash balances of \$57,576 held by the lender. The line of credit agreement expires on March 17, 2017. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

Note 15 - Long-term liabilities

Long-term liability activity of the University for the year ended June 30, 2015 included the following:

	Totals June 30, 2014	Additions	Reductions	Totals June 30, 2015	
				Ending Balance	Current Portion
Interagency payables	\$ 54,388,217	\$ 10,669,502	\$ 2,451,039	\$ 62,606,680	\$ 2,866,416
Total	54,388,217	10,669,502	2,451,039	62,606,680	2,866,416
Other liabilities:					
Workers' compensation	697,874	24,603	137,481	584,996	127,529
Compensated absences	5,046,917	3,469,380	3,236,890	5,279,407	3,366,175
Loan payable - federal financial assistance	1,958,082	44,745	13,628	1,989,199	-
Net pension liability	6,192,668	-	1,113,851	5,078,817	-
Total other liabilities	13,895,541	3,538,728	4,501,850	12,932,419	3,493,704
Long term obligations	\$ 68,283,758	\$ 14,208,230	\$ 6,952,889	\$ 75,539,099	\$ 6,360,120

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Long-term liability activity of the University for the year ended June 30, 2014 included the following:

	Totals June 30, 2013	Additions	Reductions	Totals June 30, 2014 Ending Balance	Current Portion
Interagency payables	\$ 44,053,967	\$ 12,235,614	\$ 1,901,364	\$ 54,388,217	\$ 2,367,969
Total	<u>44,053,967</u>	<u>12,235,614</u>	<u>1,901,364</u>	<u>54,388,217</u>	<u>2,367,969</u>
Other liabilities:					
Workers' compensation	744,725	99,860	146,711	697,874	137,481
Compensated absences	5,183,284	3,187,526	3,323,893	5,046,917	3,236,890
Loan payable - federal					
financial assistance	1,927,071	38,612	7,601	1,958,082	-
Net pension liability	-	6,192,668	-	6,192,668	-
Total other liabilities	<u>7,855,080</u>	<u>9,518,666</u>	<u>3,478,205</u>	<u>13,895,541</u>	<u>3,374,371</u>
Long-term obligations	<u>\$ 51,909,047</u>	<u>\$ 21,754,280</u>	<u>\$ 5,379,569</u>	<u>\$ 68,283,758</u>	<u>\$ 5,742,340</u>

Long-term liability activity of FSU Foundation for the year ended June 30, 2015 included the following:

	Totals June 30, 2014	Additions	Reductions	Totals June 30, 2015 Ending Balance	Current Portion
First mortgage notes payable	\$ 2,977,001	\$ 105,686	\$ 410,232	\$ 2,672,455	\$ 144,563
Notes payable - bank	<u>591,459</u>	<u>-</u>	<u>18,995</u>	<u>572,464</u>	<u>19,480</u>
Long-term obligations	<u>\$ 3,568,460</u>	<u>\$ 105,686</u>	<u>\$ 429,227</u>	<u>\$ 3,244,919</u>	<u>\$ 164,043</u>

Long-term liability activity of FSU Foundation for the year ended June 30, 2014 included the following:

	Totals June 30, 2013	Additions	Reductions	Totals June 30, 2014 Ending Balance	Current Portion
First mortgage notes payable	\$ 3,112,800	\$ -	\$ 135,799	\$ 2,977,001	\$ 408,651
Notes payable - bank	<u>609,957</u>	<u>-</u>	<u>18,498</u>	<u>591,459</u>	<u>19,009</u>
Long-term obligations	<u>\$ 3,722,757</u>	<u>\$ -</u>	<u>\$ 154,297</u>	<u>\$ 3,568,460</u>	<u>\$ 427,660</u>

Note 16 - Net position

Unrestricted net position is comprised of net position that is not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net position is internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Designated unrestricted net position was \$8,630,721 and \$7,237,530 at June 30, 2015 and 2014, respectively. Undesignated unrestricted net position was \$9,167,623 and \$8,824,813 at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, the net investment in capital assets amount of \$113,647,096 and \$110,513,323, respectively, includes the effect of deferring the recognition of revenue from the

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installment payments associated with the dining facilities service concession arrangement. At June 30, 2015 and 2014, \$2,101,214 and \$1,821,862, respectively, of the balance of the deferred inflow of resources has been included, as a reduction, in the calculation of net investment in capital assets. This amount will be recognized as revenue and increase the net investment in capital assets net position over the remaining term of the arrangement.

Note 17 - Net position restricted by enabling legislation

Fitchburg State University Foundation, Inc.'s consolidated statements of net position as of June 30, 2015 and 2014 reflect a restricted net position of \$14,477,603 and \$13,738,391, respectively. Of these amounts, \$2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

Note 18 - Operating expenses

The University's operating expenses for the years ended June 30, 2015 and 2014, on a natural classification basis, are comprised of the following:

	2015	2014
Salaries:		
Faculty	\$ 20,683,948	\$ 19,756,667
Exempt wages	3,488,458	3,459,351
Non-exempt wages	18,397,240	18,021,665
Benefits	9,831,968	9,796,325
Scholarships	1,676,028	1,732,292
Utilities	4,433,424	4,966,295
Supplies and other services	20,095,037	18,111,769
Depreciation	8,525,149	7,209,319
	<u>\$ 87,131,252</u>	<u>\$ 83,053,683</u>
Total operating expenses		

Note 19 - State controlled accounts

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled, and reported by the Commonwealth through non-University line items in the Commonwealth's budget. Under generally accepted accounting principles, such transactions must be recorded in the financial statements of the University. These transactions include payments by the Commonwealth for the employer's share of funding the Massachusetts State Employees' Retirement System 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, 2015, 2014 and 2013 were as follows (see State appropriations under Note 23):

	2015	2014	2013
Commonwealth's retirement system contributions	\$ 3,396,962	\$ 2,509,629	\$ 2,041,396
Employers share of health care premium	\$ 4,793,591	\$ 5,012,146	\$ 4,766,752

Note 20 - Retirement plan

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is

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a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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

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

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

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

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

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate established by the State. The total amount of current funding by the State related to the University's employees during 2015, 2014 and 2013 was \$3,396,962, \$2,509,629, and \$2,041,396, respectively. Annual covered payroll was approximately 69%, 69% and 67% of annual total payroll for the University in 2015, 2014 and 2013, respectively.

At June 30, 2015, the University reported a liability of \$5,078,817 for its proportionate share of the net pension liability. At July 1, 2014, the University had a liability of \$6,192,668 for its proportionate share of

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the net pension liability (see Note 28). The net pension liability was measured as of January 1, 2014, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2015, the University's proportion was 0.0684%, which was a decrease of 0.0011% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the University recognized pension expense of \$3,075,700. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 57,091	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,042,421
Changes in proportion and differences between University contributions and proportionate share of contributions	-	81,789
Changes in proportion from Commonwealth	-	1,759
University contributions subsequent to the measurement date	549,728	-
Total	<u>\$ 606,819</u>	<u>\$ 1,125,969</u>

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\$549,728 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (266,485)
2017	(266,485)
2018	(266,485)
2019	(266,485)
2020	<u>(2,938)</u>
Total	<u>\$ (1,068,878)</u>

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. This valuation used the following assumptions:

1. (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
 - (i) Pre-retirement - reflects RP-2000 Employees table projected 20 years with Scale AA (gender distinct).
 - (ii) Post-retirement - reflects Healthy Annuitant table projected 15 years with Scale AA (gender distinct).
 - (iii) Disability - the morality rate is assumed to be in accordance with the RP-2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

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Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	
		2014	2013
Global equity	43.00%	7.20%	7.70%
Core fixed income	13.00%	2.50%	2.00%
Hedge funds	10.00%	5.50%	4.75%
Private equity	10.00%	8.80%	9.00%
Real estate	10.00%	6.30%	6.00%
Value added fixed income	10.00%	6.30%	6.30%
Timber/natural resources	4.00%	5.00%	5.00%
Total	100.00%		

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

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

Measurement Year Ended	1% Decrease (7.0%)	Discount Rate (8.0%)	1% Increase (9.0%)
June 30, 2013	\$ 8,408,005	\$ 6,192,668	\$ 4,296,559
June 30, 2014	7,379,623	5,078,817	3,138,468

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

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

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

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

Post Employment Other than Pensions

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

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

The GIC administers a plan included within the State 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, 2015 and 2014, 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).

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The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2015, 2014 and 2013 were \$10,426,669, \$9,796,325, and \$9,140,747, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Note 22 - Lease and license agreements

As disclosed in Note 13, the Foundation Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006. The lease is for a term of 10 years and provides for base rent of \$165,000 per year, payable in monthly installments of \$13,750, for the entire lease term. The University 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 University. For the years ended June 30, 2015 and 2014, 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 revenues, expenses and changes in net position. The corresponding rent expense of the University is reflected in operations and maintenance of plant.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 165,000
2017	<u>20,625</u>
	<u>\$ 185,625</u>

On August 6, 2008, the Foundation Supporting Organization entered into a 10-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 University as office and classroom space for its Center for Professional Studies. The lease provided 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. On November 1, 2011, the base annual rent increased to \$18,947 for the next three-year period of the lease terms payable in monthly installments of \$1,579. On July 1, 2014, the Supporting Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above mentioned office space and extending the lease term through June 30, 2019. The amended lease provides for a base annual rent of \$28,494 for each of the first three years of the lease term, payable biannually in installments of \$14,247. On July 1, 2017, the annual rent on the lease shall increase by 7.5% to \$30,631. 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 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, 2015 and 2014, rent expense amounted to \$28,494 and \$18,947, respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 28,494
2017	28,494
2018	30,631
2019	<u>30,631</u>
	<u>\$ 118,250</u>

On February 1, 2013, the Foundation Supporting Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of \$5,696 payable in monthly installments of \$475. 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 February 1, 2014 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, 2015 and 2014, rent expense amounted to \$5,696 in each year.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 5,696
2017	5,696
2018	5,696
2019	5,696
2020	5,696
2021-2023	<u>14,715</u>
	<u>\$ 43,195</u>

The Foundation Supporting Organization and the University are parties to License Agreements whereby the Foundation Supporting Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Foundation Supporting Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in 12 equal monthly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreements may be terminated by either party upon the expiration of the initial term of the agreements and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreements at any time with the giving of proper notice. For the years ended June 30, 2015 and 2014, license fee income for the Foundation Supporting Organization amounted to \$235,833 and \$241,189, respectively.

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The license fee income is reflected in revenue from sales and services of educational departments in the accompanying statements of revenue, expenses and changes in net position. The corresponding license fee expense of the University is reflected in operations and maintenance of plant.

Note 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 University's State appropriations are comprised of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Gross State appropriations	\$ 29,868,863	\$ 28,386,564
Add: Fringe benefits for benefited employees on the Commonwealth payroll	8,190,553	7,521,775
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	<u>(953,550)</u>	<u>(1,044,720)</u>
Net State appropriations	<u>\$ 37,105,866</u>	<u>\$ 34,863,619</u>

\$36,120,466 and \$33,907,878 represent appropriations for maintenance and payroll during 2015 and 2014, respectively, \$908,318 and \$836,048 represent appropriations for capital improvements for 2015 and 2014, respectively, and \$77,082 and \$119,693 represent appropriations for other noncapital appropriations for 2015 and 2014, respectively. These amounts are presented separately in the accompanying statements of revenues, expenses and changes in net position.

Day school tuition receipts and transfers have been recorded in an agency fund during the year and had no material balance outstanding at June 30, 2015 and 2014.

Note 24 - Risk management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commonwealth is self-insured. In addition, the University maintains commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The separate insurance policies maintained by the University consist of Educator's Legal Liability, commercial crime, general liability, automobile liability, excess liability, and a foreign package policy. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded policy coverages in any of the past three years.

The University also participates in the Commonwealth's self-insured programs for employees workers' compensation, health care and other insurance. The Commonwealth assesses the costs of workers' compensation and unemployment insurance to the University based on the University's actual

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experience (see Note 7). The Commonwealth manages workers' compensation as part of its general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws. The Commonwealth assesses the costs of health care insurance to the University through a fringe benefit rate and the liability for such coverage is borne by the Commonwealth. The Commonwealth's Group Insurance Commission manages health insurance and other benefits for the Commonwealth's active and retired employees (see Note 21).

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

Note 25 - Commitments and contingencies

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

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

The University participates in the Massachusetts 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 University is obligated to accept as payment of tuition the amount determined by this program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the University. The effect of this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the University.

The University 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 DCAM. The Projects generally consist of renovations and improvements and have been recorded in the respective accounts.

Note 26 - McKay Agreement

The University 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 University receives quarterly payments from the City to reimburse the University for its share of payroll and related operating expenses (the "McKay School expenditures"). Reimbursements received for the years ended June 30, 2015 and 2014 were \$819,487 each year. 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 position.

Note 27 - Civic Center

In August 2006, the University and the City of Fitchburg entered into a Memorandum of Understanding in which the University 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 DCAM on behalf of the University entered into

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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 University 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 University 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 University and with 60 days prior written notice, may terminate the lease in the event that the University, in its sole discretion, determines that continuation of the lease is not in the interest of the University.

During fiscal 2007, the University 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 University made repairs and upgrades to the Civic Center for an aggregate cost of \$2,477,381. The University 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 University entered into a sublease agreement with FMC for a term of 25 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 University related to obligations in existence at the date the University initially assumed management of the Civic Center. During the term of the sublease agreement, FMC is required to pay the University monthly percentage rent based upon the actual gross revenues from its operations, as defined. During each of the first 10 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 University, 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.

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Note 28 - Restatement

In fiscal 2015, the University adopted the new accounting guidance of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The net position, as of July 1, 2013, has been decreased by \$6,192,668 for the effect of retroactive application of the new standards. Information to restate deferred inflows and outflows as of July 1, 2013 is not available. The following financial statement line items for 2014 were affected by the adoption of the new standards:

	2014 (As Previously Reported)	2014 (As Restated)	Effect of Change
Statement of Net Position:			
Net Pension Liability	\$ -	\$ 6,192,668	\$ 6,192,668
Unrestricted net position	22,255,011	16,062,343	(6,192,668)

Supplementary Information

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**Schedule of the University's Proportionate Share
of the Net Pension Liability and Schedule of University Contributions
June 30, 2015**

Schedule of the University's Proportionate Share of the Net Pension Liability

	<u>2015</u>	<u>2014</u>
University's proportion of the net pension liability (asset)	0.0684%	0.0695%
University's proportionate share of the net pension liability (asset)	\$ 5,078,817	\$ 6,192,668
University's covered-employee payroll	\$ 28,475,564	\$ 27,038,219
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.84%	22.90%
Plan fiduciary net position as a percentage of the total pension liability	76.32%	70.31%

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

Schedule of University Contributions

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,396,962	\$ 2,509,629
Contributions in relation to the contractually required contribution	<u>\$ (3,396,962)</u>	<u>\$ (2,509,629)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 28,475,564	\$ 27,038,219
Contributions as a percentage of covered-employee payroll	11.93%	9.28%

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

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Notes to Required Supplementary Information
Year Ended June 30, 2015

Changes of assumptions

Chapter 176 of the Acts of 2011, *An Act Providing for Pension Reform and Benefit Modernization*, among other things, increased the normal retirement age by two years, increased the age (early retirement) reduction factor for ages below the maximum age and increased the period for determining a member's average annual compensation (from 3 years to 5 years) for all members hired after April 1, 2012.

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Residence Hall Fund and
Residence Hall Damage Fund Activity
June 30, 2015

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2015 are as follows:

Statements of Net Position

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Assets:		
Cash	\$ 804,165	\$ 70,742
Cash held by State Treasurer	137,688	-
Investments	1,077,662	80,942
Prepaid expenses	3,337	-
Accounts receivable, net	<u>77,091</u>	<u>18,236</u>
Total assets	2,099,943	169,920
Liabilities:		
Accounts payable	79,126	-
Deposits	270,550	-
Revenue received in advance	600	-
Salaries payable	100,887	-
Compensated absences	<u>136,083</u>	<u>-</u>
Total liabilities	<u>587,246</u>	<u>-</u>
Net position	<u><u>\$ 1,512,697</u></u>	<u><u>\$ 169,920</u></u>

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Residence Hall Fund and
Residence Hall Damage Fund Activity
June 30, 2015

The University's Residence Hall Fund and Residence Hall Damage Fund Statements of Revenues, Expenses and Changes in Net Position (presented in accordance with the Commonwealth of Massachusetts' Expenditure Classification plan) for the year ended June 30, 2015 are as follows:

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Revenues:		
Student fees	\$ 9,053,311	\$ -
Interest	22,042	1,032
Investment income (loss)	(7,638)	(357)
Commissions	49,323	-
Rentals	58,360	-
Room damage assessments	-	39,932
Miscellaneous	29,564	-
Total revenues	<u>9,204,962</u>	<u>40,607</u>
Expenses:		
Regular employee compensation	1,182,571	-
Regular employee related expenses	9,662	-
Special employee/contract services	151,042	-
Pension and insurance	343,442	-
Facility operating supplies and related expenses	57,098	-
Administrative expenses	14,450	-
Energy and space rental	1,089,399	-
Consultant services	-	-
Operational services	13,306	-
Equipment purchases	21,141	-
Equipment lease - purchase, lease, rent, repair	7,166	-
Purchased client services and programs	-	-
Construction and improvements	380,400	4,039
Benefit program	28,433	-
Loans and special payments	5,742,083	-
Other - bad debt expense (recovery)	(2,101)	585
Information technology expenses	23,262	-
Total expenses	<u>9,061,354</u>	<u>4,624</u>
Transfers (in)/out:		
Interdepartmental rental income	(81,383)	(227)
Printing	5,108	-
Total transfers	<u>(76,275)</u>	<u>(227)</u>
Total expenses and transfers	<u>8,985,079</u>	<u>4,397</u>
Increase (decrease) in net position	219,883	36,210
Net position - beginning of year	1,292,814	133,710
Net position - end of year	<u>\$ 1,512,697</u>	<u>\$ 169,920</u>

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

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Supplemental Statistical Information - Unaudited

	Fiscal Year									
Schedule of Net Position by Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net investment in capital assets	\$ 20,360,103	\$ 25,806,513	\$ 30,983,682	\$ 39,530,560	\$ 43,903,456	\$ 52,186,987	\$ 72,858,018	\$ 95,932,514	\$ 110,513,323	\$ 113,647,096
Restricted - expendable	9,083,307	10,946,782	9,850,228	6,515,426	4,262,842	6,128,825	11,907,794	5,780,921	5,679,477	6,659,635
Restricted - nonexpendable	597,461	600,377	511,206	437,045	470,158	458,004	448,121	465,051	474,297	480,227
Unrestricted	14,253,916	12,699,422	11,914,978	9,755,072	18,305,109	21,356,150	19,638,177	19,973,092	16,062,343	17,798,344
Total net position	<u>\$ 44,294,787</u>	<u>\$ 50,053,094</u>	<u>\$ 53,260,094</u>	<u>\$ 56,238,103</u>	<u>\$ 66,941,565</u>	<u>\$ 80,129,966</u>	<u>\$ 104,852,110</u>	<u>\$ 122,151,578</u>	<u>\$ 132,729,440</u>	<u>\$ 138,585,302</u>

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

Sources and Uses of Funds	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Source of Revenue										
Student charges (net of scholarships)	\$ 20,877,997	\$ 22,942,610	\$ 25,033,128	\$ 26,737,289	\$ 28,372,042	\$ 29,985,296	\$ 30,680,511	\$ 31,359,985	\$ 32,944,475	\$ 33,815,357
Grants and contracts	3,486,257	3,656,979	3,951,007	4,483,292	6,112,586	6,616,044	6,477,571	7,060,325	8,040,446	8,500,245
Stimulus grants	-	-	-	-	6,666,991	3,098,023	210,343	-	-	-
Auxiliary enterprises	5,485,605	5,946,282	6,085,147	6,467,184	8,046,782	8,042,922	8,117,577	8,534,660	8,806,774	9,278,149
Other operating revenue	1,927,868	1,987,191	1,963,274	2,098,358	2,096,607	2,169,883	1,874,840	1,913,401	1,941,041	1,970,551
Total operating revenue	<u>31,777,727</u>	<u>34,533,062</u>	<u>37,032,556</u>	<u>39,786,123</u>	<u>51,295,008</u>	<u>49,912,168</u>	<u>47,360,842</u>	<u>48,868,371</u>	<u>51,732,736</u>	<u>53,564,302</u>
State appropriations	29,645,087	31,702,393	34,063,661	29,415,783	24,622,349	29,332,885	29,797,174	30,797,648	34,027,571	36,197,548
State capital appropriations	1,195,000	1,799,754	475,000	497,822	-	140,046	6,768,104	2,257,801	836,048	908,318
Capital grants	123,535	123,535	178,264	325,351	1,683,802	5,319,402	15,135,437	14,301,814	12,361,251	3,841,367
Other non-operating revenue	1,078,894	1,393,662	819,844	(179,115)	1,329,091	1,125,671	611,447	1,283,549	1,988,235	191,036
Total non-operating revenue	<u>32,042,516</u>	<u>35,019,344</u>	<u>35,536,769</u>	<u>30,059,841</u>	<u>27,635,242</u>	<u>35,918,004</u>	<u>52,312,162</u>	<u>48,640,812</u>	<u>49,213,105</u>	<u>41,138,269</u>
Total revenue	<u>\$ 63,820,243</u>	<u>\$ 69,552,406</u>	<u>\$ 72,569,325</u>	<u>\$ 69,845,964</u>	<u>\$ 78,930,250</u>	<u>\$ 85,830,172</u>	<u>\$ 99,673,004</u>	<u>\$ 97,509,183</u>	<u>\$ 100,945,841</u>	<u>\$ 94,702,571</u>
Functional Expense										
Instruction	\$ 22,856,426	\$ 24,193,071	\$ 26,699,550	\$ 25,010,246	\$ 25,682,331	\$ 27,138,609	\$ 28,023,197	\$ 29,842,993	\$ 31,734,485	\$ 32,048,719
Research	165,550	61,077	37,104	99,265	106,458	68,156	35,654	4,951	2,346	1,191
Public Service	598,273	486,633	558,388	390,127	409,901	456,372	469,699	594,615	548,735	395,305
Academic support	4,631,842	5,108,978	5,344,027	4,538,538	4,361,103	4,806,942	4,761,045	4,944,159	4,864,473	5,477,624
Student services	6,560,972	7,022,806	7,478,709	7,299,258	7,445,019	8,030,813	8,598,075	9,078,713	9,194,763	9,745,125
Institutional support	6,169,474	6,648,295	7,228,110	6,464,395	5,988,283	6,767,632	6,866,058	7,605,890	7,664,431	8,080,755
Operations and maintenance of plant	8,185,991	9,699,216	11,040,391	11,306,190	10,818,202	10,881,270	11,401,192	11,246,151	11,376,771	12,115,929
Scholarships	971,606	1,198,719	1,280,862	1,456,842	1,608,419	1,618,980	1,518,783	1,481,570	1,688,642	1,647,595
Sub-total	<u>50,140,134</u>	<u>54,418,795</u>	<u>59,667,141</u>	<u>56,564,861</u>	<u>56,419,716</u>	<u>59,768,774</u>	<u>61,673,703</u>	<u>64,799,042</u>	<u>67,074,646</u>	<u>69,512,243</u>
Auxiliary enterprises	<u>5,419,873</u>	<u>5,714,435</u>	<u>5,809,898</u>	<u>6,200,539</u>	<u>7,411,777</u>	<u>8,048,914</u>	<u>8,459,573</u>	<u>8,809,167</u>	<u>8,769,718</u>	<u>9,093,860</u>
Total operating expense	<u>55,560,007</u>	<u>60,133,230</u>	<u>65,477,039</u>	<u>62,765,400</u>	<u>63,831,493</u>	<u>67,817,688</u>	<u>70,133,276</u>	<u>73,608,209</u>	<u>75,844,364</u>	<u>78,606,103</u>
Interest expense and debt issue costs	316,491	548,265	657,783	545,680	384,861	583,060	298,325	1,046,984	1,001,592	1,165,097
Transfers (to)/from State Agencies							249,437		120,036	550,360
Total non-operating expense	<u>316,491</u>	<u>548,265</u>	<u>657,783</u>	<u>545,680</u>	<u>384,861</u>	<u>583,060</u>	<u>547,762</u>	<u>1,046,984</u>	<u>1,121,628</u>	<u>1,715,457</u>
Total expenses	<u>\$ 55,876,498</u>	<u>\$ 60,681,495</u>	<u>\$ 66,134,822</u>	<u>\$ 63,311,080</u>	<u>\$ 64,216,354</u>	<u>\$ 68,400,748</u>	<u>\$ 70,681,038</u>	<u>\$ 74,655,193</u>	<u>\$ 76,965,992</u>	<u>\$ 80,321,560</u>

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

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

See Independent auditor's report of supplementary information on page 2.

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

Supplemental Statistical Information - Unaudited

Schedule of Capital Asset Information

	Academic										
	Year										
	2015										
Land (acreage)	223										
Buildings (square feet)											
100 Instruction /classroom	89,607										
200 Labs	104,998										
300 Administrative	119,127										
400 Study facilities	60,109										
52x Athletic	49,056										
5xx Other special use	9,264										
600 General use	128,289										
700 Support facilities	25,615										
800 Health care	717										
000 Unclassified	855										
Unassigned/ unassignable	347,429										
Total Sq Ft	935,066										
Residence halls	438,140										
Rental space	111,775										
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Dormitories - # of residents		1,443	1,466	1,499	1,483	1,639	1,620	1,568	1,577	1,559	1,629

Note: Classification of facilities space is consistent with Facilities Inventory & Classification Code guide

Number of residence is an average of total fall and spring residency counts as reported to the Massachusetts State College Building Authority.

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

Supplemental Statistical Information - Unaudited

Schedule of Tuition and Mandatory Fees

	Academic Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>Resident Undergraduate</i>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory fees	4,032	4,572	5,022	5,430	5,930	6,830	7,330	7,740	8,015	8,290
<i>Total</i>	<u>\$ 5,002</u>	<u>\$ 5,542</u>	<u>\$ 5,992</u>	<u>\$ 6,400</u>	<u>\$ 6,900</u>	<u>\$ 7,800</u>	<u>\$ 8,300</u>	<u>\$ 8,710</u>	<u>\$ 8,985</u>	<u>\$ 9,260</u>
<i>Non Resident Undergraduate</i>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory fees	4,032	4,572	5,022	5,430	5,930	6,830	7,330	7,740	8,015	8,290
<i>Total</i>	<u>\$ 11,082</u>	<u>\$ 11,622</u>	<u>\$ 12,072</u>	<u>\$ 12,480</u>	<u>\$ 12,980</u>	<u>\$ 13,880</u>	<u>\$ 14,380</u>	<u>\$ 14,790</u>	<u>\$ 15,065</u>	<u>\$ 15,340</u>
<i>Resident Graduate</i>										
Tuition	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 960	\$ 960	\$ 1,002
Mandatory fees	510	510	653	653	720	762	762	774	774	774
<i>Total</i>	<u>\$ 1,410</u>	<u>\$ 1,410</u>	<u>\$ 1,553</u>	<u>\$ 1,553</u>	<u>\$ 1,620</u>	<u>\$ 1,662</u>	<u>\$ 1,662</u>	<u>\$ 1,734</u>	<u>\$ 1,734</u>	<u>\$ 1,776</u>

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

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

Supplemental Statistical Information - Unaudited

Admissions, Enrollment, and Degree Statistics

	Fall Term									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Admissions - Freshman (1)										
Applications	3,859	3,880	4,057	4,342	4,572	4,193	3,814	4,271	4,565	4,557
Applications accepted	2,777	2,795	2,838	2,982	3,152	3,034	2,797	3,188	3,523	3,426
Accepted as a percentage of applications	72%	72%	70%	69%	69%	72%	73%	75%	77%	75%
Students enrolled (2)	1,007	1,086	1,067	1,133	1,163	1,085	1,053	1,110	1,200	1,103
Enrolled as a percentage of accepted	36%	39%	38%	38%	37%	36%	38%	35%	34%	32%

(1) Includes all undergraduate admissions including transfer students.

(2) Includes only students who were accepted and enrolled. Non degree seeking students are excluded.

	Annual									
	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Enrollment										
Full-time equivalent	5,029	5,018	5,159	5,305	5,461	5,287	5,128	5,005	5,075	5,095
Induplicated credit headcount	12,578	11,906	11,756	12,140	11,855	11,784	11,623	11,268	11,178	11,254
Percent undergraduate (3)	68%	68%	57%	60%	41%	42%	42%	43%	44%	45%
Percent graduated	32%	32%	43%	40%	59%	58%	58%	57%	56%	55%

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

	Fall Term									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Student Population Demographics (4)										
Percentage of men	38%	38%	37%	39%	39%	39%	37%	37%	37%	38%
Percentage of women	62%	62%	63%	61%	61%	61%	63%	63%	63%	62%
Percentage of African-American	3%	3%	3%	3%	3%	3%	3%	3%	5%	5%
Percentage of White	92%	92%	92%	92%	92%	89%	89%	87%	83%	80%
Percentage of Latino	3%	3%	3%	3%	3%	5%	5%	5%	7%	8%
Percentage of Other (5)	2%	2%	2%	2%	2%	3%	3%	5%	5%	7%
<20	21%	21%	18%	18%	19%	18%	16%	19%	21%	18%
20 to 24	38%	40%	35%	36%	34%	37%	37%	31%	35%	36%
25 to 44	29%	29%	33%	33%	33%	32%	33%	36%	31%	33%
44 & Over	12%	10%	14%	13%	14%	13%	14%	14%	13%	13%

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

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

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Degrees Granted										
Bachelor's	553	622	628	640	696	696	812	817	751	750
Master's	484	475	370	531	460	506	435	440	360	326

See Independent auditor's report of supplementary information on page 2.

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

Supplemental Statistical Information - Unaudited

Schedule of Employment

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Faculty - Primary Instruction (1)	252	269	266	350	377	369	422	380	350	404
Part-time	86	95	90	166	197	193	236	196	158	202
Full-time	166	174	176	184	180	176	186	184	192	202
Staff and Administrators	439	385	386	410	419	394	395	435	400	412
Part-time	143	81	75	93	112	77	95	125	82	80
Full-time	296	304	311	317	307	317	300	310	318	332
Total Employees	691	654	652	760	796	763	817	815	750	816
Part-time	229	176	165	259	309	270	331	321	240	282
Full-time	462	478	487	501	487	493	486	494	510	534

(1) Includes Instruction, Research & Public Service.

Notes: This schedule reflects personnel as of November 1, Full-Time Equivalent Employees is as of June 30.

Supplementary Information and Reports

Required by OMB Circular A-133

Independent Auditor's Report on Supplementary Information
Required by the U.S. Office of Management and Budget Circular A-133

To the Board of Trustees
Fitchburg State University

We have audited the financial statements of the business-type activities and the discretely presented component unit of Fitchburg State University (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2015, which collectively comprise Fitchburg State University's basic financial statements, and our report thereon dated November 17, 2015, which included emphasis of matter paragraphs and which appears on page 2, expressed unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the 2015 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 2015 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 financial statements or to the 2015 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2015 financial statements as a whole.



Boston, Massachusetts
November 17, 2015

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass through Agency Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice			
Direct Programs			
Grants to reduce domestic violence, dating violence, sexual assault and stalking on campus	16.525	16	\$ 17,553
Subtotal Direct Programs			<u>17,553</u>
Total U.S. Department of Justice			<u>\$ 17,553</u>
U.S. Department of Education			
Direct Programs			
Transforming Education and Schools for English Learners	84.365	84	\$ 486,090
<u>TRIO Cluster:</u>			
TRIO - Student Support Services	84.042	84	230,046
TRIO - Upward Bound	84.047	84	<u>360,153</u>
Total TRIO Cluster			<u>590,199</u>
<u>Student Financial Assistance Cluster:</u>			
Federal Supplemental Educational Opportunity Grants	84.007	84	247,340
Federal Work-Study Program	84.033	84	220,425
Federal Pell Grant Program	84.063	84	6,373,576
Nursing Student Loans	93.364	93	<u>68,180</u>
Total Student Financial Assistance Cluster			<u>6,909,521</u>
Subtotal Direct Programs			<u>7,985,810</u>
Total U.S. Department of Education			<u>\$ 7,985,810</u>
Total Federal Expenditures			<u>\$ 8,003,363</u>

See independent auditor's report on supplementary information on page 87 and notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA" or "Schedule") includes the federal grant activity of Fitchburg State University (the "University") for the year ended June 30, 2015 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Matching costs

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule.

Note 3 - Relationship to federal financial reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule.

Note 4 - Federal Direct Student Loans ("FDL")

The Schedule does not include FDL ("CFDA 84.268") which are made directly to individual students. FDL loans are made directly by the U.S. Department of Education. FDL loans made to students enrolled at Fitchburg State University during fiscal year 2015 totaled \$21,005,963.

Note 5 - Federal Perkins Loan Program

The Federal Perkins Loan Program ("CFDA 84.038") is administered by Fitchburg State University. Fiscal year 2015 activity included loan repayments of \$208,479 and loan funds disbursed of \$220,730. Loans outstanding at June 30, 2015 totaled \$1,658,789.

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
Fitchburg State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 17, 2015, which included emphasis of matter paragraphs as indicated on page 2.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts
November 17, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Trustees
Fitchburg State University

Report on Compliance for Each Major Federal Program

We have audited Fitchburg State University's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fitchburg State University's major federal programs for the year ended June 30, 2015. Fitchburg State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fitchburg State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fitchburg State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Fitchburg State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of Fitchburg State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fitchburg State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fitchburg State University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink. The signature is written in a cursive, flowing style. It appears to read "CohnReznick LLP". The letters are connected, and there are some loops and flourishes, particularly in the "C" and the "P".

Boston, Massachusetts
November 17, 2015

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

A. Summary of auditor's results

1. The auditor's report expresses an unmodified opinion on the financial statements of Fitchburg State University.
2. No material weaknesses relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
4. No instances of noncompliance material to the financial statements of Fitchburg State University were disclosed during the audit.
5. No material weaknesses relating to the audit of the major federal award programs are reported in the Schedule of Findings and Questioned Costs.
6. No significant deficiencies relating to the audit of the major federal award programs are reported in the Schedule of Findings and Questioned Costs.
7. The auditor's report on compliance for the major federal award programs for Fitchburg State University is unmodified.
8. There is one audit finding (Finding 2015-001) disclosed relating to the major federal award programs for Fitchburg State University that is required to be reported in accordance with Section 510(a) of OMB Circular A-133.

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

9. The programs tested as major federal programs for Fitchburg State University for the year ended June 30, 2015 are:

<u>Agency</u>	<u>Title</u>	<u>CFDA #</u>
<u>Student Financial Assistance Cluster:</u>		
U.S. Department of Education	Federal Supplemental Educational Opportunity Grants	84.007
U.S. Department of Education	Federal Work-Study Program	84.033
U.S. Department of Education	Federal Perkins Loan Program	84.038
U.S. Department of Education	Federal Pell Grant Program	84.063
U.S. Department of Education	Federal Direct Student Loans	84.268
U.S. Department of Education	Nursing Student Loans	93.364

10. The threshold for distinguishing Type A and Type B programs for Fitchburg State University was \$300,000.

11. Fitchburg State University did not qualify as a low-risk auditee.

B. Findings - audit of financial statements

None

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

See Finding 2015-001 on the schedule of findings and questioned costs.

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Federal Work Study Program (84.033)

Federal Award Number: P033A131863

Award Year: 2015

U.S. Department of Education

Finding Reference: 2015-001

Requirement:

In administering its Federal Work Study Program ("FWS"), an institution shall establish and maintain an internal control system of checks and balances that insures that no office can both authorize payments and disburse funds to students (34CFR 675.19 (a)).

The institution must also establish and maintain program and fiscal records that; (i) Include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (ii) Include a payroll voucher containing sufficient information to support all payroll disbursements; (iii) Include a noncash contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment (see Sec 675.27(a)); and (iv) Are reconciled at least monthly (34 CFR 675.19 (b)(2)).

Further, in general, students are not permitted to work in FWS positions during scheduled class times.

Finding:

Fitchburg State University has established policies and procedures for maintaining, monitoring and controlling student Federal Work Study payroll records and files in accordance with both federal and state regulations. Fitchburg State University also has established policies and procedures that govern the practice of students not working during class time. These policies and procedures include requirements that Federal Work Study supervisors sign time sheets and that class schedules be provided to the supervisors to enable them to determine that there are no conflicts between class and work schedules.

Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications and campus policies. In our sample of five students, we noted three instances in which student time sheets were not specific as to the time of day that was worked and therefore we were unable to determine if the student worked during a scheduled class.

Cause:

Fitchburg State University did not adequately monitor its policies and procedures governing the Federal Work Study Program requirement that students not work during scheduled class times.

Effect:

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

Auditor's Recommendation:

We recommend that Fitchburg State University emphasize to Federal Work Study supervisors the importance of more complete timesheets to document and ensure that students do not work during scheduled class hours.

Questioned Costs:

None

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Views of Responsible Officials and Corrective Actions:

The University had previously recognized a potential issue regarding the recording of shift start and end times. As a result, a remedy to this had been implemented prior to this finding. Effective the start of the 2015-2016 academic year, all FWS employees and supervisors are required to utilize the electronic SSTA timesheets which now incorporates a mandatory "punch" style of reporting. "Punch" timesheets require that start and end times be reported for each shift.

Contact: Denise Brindle
Director of Financial Aid

Implementation dates: Fall, 2015.

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

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

The University has completed corrective action on the finding noted below from the OMB Circular A-133 Single Audit report for the year ended June 30, 2014.

Federal Work Study Program (84.033)

Federal Award Number: P033A131863

Award Year: 2014

U.S. Department of Education

Finding Reference: 2014-01

Fitchburg State University did not adequately monitor its policies and procedures governing the Federal Work Study Program requirement that students not work during scheduled class times.

Status:

The Office of Student Financial Aid updated their policies and procedures to reflect that students cannot work during scheduled class times regardless of early release or class cancellation. This was included in the Federal Work Study Supervisors Manual as well as in the agreement the supervisors sign annually. Appropriate University personnel were made aware of existing policies and procedures regarding the Federal Work Study Program employment practices.