



Finance and Administration Committee Meeting

(Joint meeting with Fitchburg State University Foundation Audit Committee
and FSU Foundation Supporting Organization, Inc.)

Tuesday, October 16, 2012 at 10 a.m.

President's Conference Room, Sanders Building
300 Highland Avenue, Fitchburg, MA

Board of Trustees

Tuesday, October 16, 2012 at 12:15 p.m.

Hammond Tower 314, Hammond Hall, 160 Pearl Street, Fitchburg, MA

Robert V. Antonucci

PRESIDENT

Briefing

TO: Board of Trustees

FROM: Dr. Robert V. Antonucci, President

RE: Finance and Administration Committee and Full Board Meetings

OVERVIEW

We are ready to begin our series of trustee meetings for the new academic year. The university is off to another exciting start. We held a host of events for new and returning students, parents, faculty, librarians, and staff. The campus looks beautiful and we anticipate another successful year.

I enclose a combined packet that includes materials for the Finance and Administration Committee meeting with the Foundation Audit Committee and the FSU Supporting Organization, Inc. on **October 16 at 10 a.m.** as well as the **full Board meeting at 12:15 p.m.** The major agenda item is presentation of the FY2012 audit report.

The trustees meeting will be held in the Hammond Tower 214 meeting room in Hammond Hall. Parking will be reserved in the Sanders lot.

This meeting will be the first meeting for newly appointed Board members Donald Irving and Michael Mahan. We wish them much success in the future and extend our appreciation to them for their time and effort in helping guide the university.

The complete schedule for **October 16** is as follows:

10:00 a.m.	Finance and Administration	President's Conference Room
11:00 a.m.	Hammond Hall Ribbon Cutting	Hammond Tower Entrance
11:45 a.m.	Lunch	Hammond Tower 314
12:15 p.m.	Board of Trustees	Hammond Tower 214

Following the Hammond Hall ribbon cutting ceremony, there will be building tours available.

AGENDA

- I. Call to Order by Chairman Carol T. Vittorioso**
- II. Public Comments**
- III. Consideration and Approval of the Minutes from the May 8, 2012 and July 25, 2012 Meetings**
- IV. Finance and Administration Committee – Anthony Mercadante, Chair**

1. FY2012 Audit – **VOTE - (04-12/13)**

The Finance and Administration committee will meet on Tuesday, October 16, 2012, at 10 a.m. along with members of the Fitchburg State University Foundation Audit Committee and the foundation's Supporting Organization, Inc. The audit is enclosed for your review. Jay Kaufman will report on the review of the audit. An executive summary is included and I am pleased to report the financial condition of the university is sound and all trends are healthy. Anthony Mercadante will make a full report to the Board when we meet at 12:15.

Audit Enclosures:

- a. FSU Report on Audits of Financial Statements and Supplemental Information Years Ended June 30, 2012 and 2011.
- b. FSU Report on Independent Auditor's Report on Management's Assertions on Compliance with Specified Requirements Applicable to the Massachusetts Office of Student Financial Assistance Program Cluster for Year Ended June 30, 2012.

- V. Accept the President's Goals for FY2013 – VOTE – (05-12/13)**

The goals I have set for this year will be given as a separate handout at the meeting. The purpose is to highlight the major initiatives we will focus on. In May we will review the progress and measure the degree of completion.

Included in the packet is a summary of last year's goals as reviewed by the executive committee in July. This constituted the appraisal process and was submitted to the Commissioner of Higher Education.

- VI. Hammond Building – VOTE – (06-12/13)**

We are proposing a vote to begin the third phase of the Hammond renovation project. The summary sheets provide the details of the project. We will bring the Board up to date on the progress being made.

VII. Parking Expansion – VOTE – (07-12/13)

We are also proposing a vote to improve parking in the Ross Street lot and at McKay Arts Academy. The summary sheet provides the details of the project.

VIII. Conflict of Interest Statements

Each year Board members are asked to complete a Conflict of Interest statement. The form has not changed and is included.

IX. President's Report

- a) NEASC Update
- b) Assessment of the opening of the University
- c) Anti-Violence Policy
- d) Board of Trustee's Self-Assessment
- e) Board subcommittees for 2012/2013

X. Executive Session

An executive session is requested to discuss buildings and contracts. Open session will not reconvene following the conclusion of executive session.

Enclosures

- Residence Hall Occupancy – Fall Semester 2012/2013
- Letter from Commissioner Freeland regarding the President's evaluation
- Letter from Chairman Vittorioso re: President evaluation
- President's Goals and Performance
- September 26, 2012 letter from James B. Cox
- News Articles
- Welcome Back Celebration Brochure

XI. Adjournment

If you have any questions or material prior to the meeting please give Carol, Kelli or me a call.

**Next Meeting
Tuesday, November 27, 2012
12:00 p.m.
President's Conference Room**

AGENDA

Robert V. Antonucci

PRESIDENT

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING**Tuesday, October 16, 2012****12:15 p.m.****Hammond Tower 214****Hammond Hall****160 Pearl Street, Fitchburg, MA 01420****AGENDA**

- I.** Call to Order
- II.** Public Comments
- III.** Consideration of minutes from previous meetings

- a) May 8, 2012
- b) July 25, 2012

IV. Finance and Administration Committee Report – Anthony Mercadante, Chair

- a) FY2012 Audit – **VOTE – (04-12/13)**

V. Accept the President's Goals for FY2013 – **VOTE – (05-12/13)****VI.** Hammond Building Phase III – **VOTE – (06-12/13)****VII.** Parking Expansion – **VOTE (07-12/13)****VIII.** Conflict of Interest Statements**IX.** President's Report – Dr. Robert V. Antonucci

- a) NEASC Update
- b) Opening of University
- c) Anti-Violence Policy
- d) Board of Trustees self-assessment
- e) Board subcommittees for 2012/2013

X. Executive Session

An executive session is requested to discuss Building and Contracts. Open session will not reconvene following the conclusion of executive session.

XI. Adjournment**Future Meeting****Tuesday, November 27, 2012****12:00 p.m.****President's Conference Room**

MINUTES

May 8, 2012 & July 25, 2012

Minutes of Meeting Held on May 8, 2012 at 4:00 p.m.

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING

Tuesday, May 8, 2012

4:00 p.m.

President's Conference Room

300 Highland Avenue, Fitchburg, MA 01420

Sanders Building

Trustees Present: Robert Babineau, Jr., Anna Maria Clementi, Martin F. Connors, Jr., Matthew Costello, Anthony Mercadante, Frank O'Donnell, Robert Pontbriand, Carol Vittorioso

Trustees Absent: David Mullaney, Gladys Rodriguez-Parker, Cynthia Stevens

Also Present: Robert V. Antonucci, Robin Bowen, Jay Bry, Cathy Canney, Gail Doiron, Nathan Gregoire, Chris Hendry, Kelli Lundgren, Jessica Murdoch, Henry Parkinson, Michael Shanley, Steve Swartz

The meeting was called to order by Chairman Vittorioso at 4:00 p.m.

Chairman Vittorioso opened the meeting requesting any public comments.

Mr. Robert Pontbriand stated that this was his last meeting as a Trustee as his second term would expire in July, 2012. Robert said it has been a great privilege to serve the #1 institution. He thanked the Board, the president and all his colleagues at the university and mentioned he was proud of all that has been accomplished over his 10 years of service. The president thanked Mr. Pontbriand for dedicated service to the Board.

The consideration of the Board of Trustees minutes from April 11, 2012 were presented.

Upon a motion duly noted by Mr. Pontbriand and seconded by Mr. Connors it was

Voted: to approve the minutes of the meeting held on April 11, 2012 as presented.
(8-0)

The president requested that the FY2013 Budget be presented as the first topic.

The president referred to page six of the budget packet. The university has a modest budget of \$83,336,834, which has been tentatively approved. The final budget should be available by the start of the 2012-2013 academic year. The largest expenses show on the Operating Expense pie chart on page eight of the budget packet, which are salaries and benefits. The university has frozen most positions or they have been left unfilled, with the exception of faculty positions. The largest revenue source is tuition and fees, followed by state appropriation.

We currently have \$14 million in assets available from the MMDT for the science facility, renovations of educational buildings, technology improvements, etc. The president stated this is more than we've had in the past. We will have a \$1.7 million deficit, but we have reserves from short-term cash investments that will cover the deficit.

President Antonucci then said the Finance and Administration sub-committee met and they are requesting a \$400 fee increase as well as a \$10 technology fee increase for day school students for the fall semester 2012. The president then pointed out the fee comparison chart on page seven of the budget packet. Fitchburg State will be second in total tuition and fees, but our fee increase is one of the lowest across the state universities.

The president referred to the pie charts stating that approximately 40 percent of the operating expenses are salaries and benefits, which are fixed costs per the collective bargaining agreements. We are receiving money to cover the collective bargaining costs. He also pointed out that the university will retain the out-of-state tuition in the amount of \$1.4 million, which makes a difference for us. The president said we may not need our reserve funds because of the mild winter. We saved money on heat, snowplowing, electricity, etc. We will receive the re-calculated budget in September, but it is not likely that the Senate will supply any additional monies. He stated as far as the fee increase proposed, the president said that all of the universities have settled on fee increases, with the exception of one, and that our proposed increase is one of the lower ones requested.

Dr. Babineau asked about the in-state vs. out-of-state tuition. The president clarified that out-of-state tuition is more than in-state tuition. Universities are able to retain the out-of-state tuition; however, less than 10 percent of our students are out-of-state residents.

Currently we pay \$32 million in salaries based on 580-600 full-time faculty and staff members. The budgeted salary numbers have collective bargaining increases built into them as appropriated. The state is funding the collective bargaining fees of \$1.6 million as part of a state-wide negotiated contract. This is the first time this has happened.

Ms. Clementi asked how we compare to other institutions as far as salaries. The president said all the state universities are comparable. The only variation would be if there was a different number of tenured faculty or people that have been at their institution for a long time.

Mr. Costello questioned why we don't have more funds for scholarships? The president stated that we could have chosen to raise fees and offer financial aid or keep fees as is and not offer financial aid.

Mr. Costello asked for clarification on the technology fee increase. The president said technology costs continue to rise and in order to stay current, we need to increase the fee by a nominal amount. Mr. Steve Swartz responded by providing an example that Apple has discontinued the white Mac Book, which a large number of our faculty members have. The only option is to purchase the Mac Book Pro models, which makes the costs of laptops rise by 20 percent.

Mr. Costello stated he was concerned with the trends of rising fees and questioned how affordable Fitchburg State is. The burden is on the students, and Fitchburg State being toward the top of the fee chart is concerning. The president agreed that it is a constant struggle trying to balance the budget. Increasing fees balances the drop in state appropriation. We base the budget on 3,400 students. Generally we have 800 freshman and 400 transfer students included in this number. We have no problems with Nursing or Communications Media enrollment, however, enrollment is not growing as it has in the past, but we are still okay. We have to

work a little harder on recruiting.

Mr. Michael Shanley added that there seems to be a marketing issue with the city of Fitchburg as it is not as attractive as other state universities. Framingham State is our biggest competitor as it is closer to Boston and is a higher socioeconomic area. They have attributes we are unable to match. There is a misconception of Fitchburg having a high crime rate, when, in actuality, Boston University and several others are comparable to the crime rate here. We are constantly fighting the battle because of poor public perception.

President Antonucci stated that we currently have 857 deposits for next year. These are committed students.

Ms. Vittorioso asked if there were any additional questions. There were none.

Upon a motion duly noted by Mr. Connors and seconded by Mr. Mercadante it was

Voted: to accept the recommendation and increase the day school fees \$400 and the
(8-0) technology fee \$10 as presented for FY2013.

Upon a motion duly noted by Mr. Connors and seconded by Mr. Mercadante it was

Voted: to accept the recommendation and increase the GCE Undergraduate and
(8-0) Graduate fees as presented for FY2013.

Upon a motion duly noted by Mr. Mercadante and seconded by Dr. Babineau it was

Voted: to accept the recommendation and increase the Extended Campus fees
(8-0) as presented for FY2013.

Upon a motion duly noted by Mr. Connors and seconded by Mr. Mercadante it was

Voted: to accept the FY2013 budget as presented.
(8-0)

Upon a motion duly noted by Mr. Pontbriand and seconded by Mr. Mercadante it was

Voted: to accept the recommendation to roll forward the ongoing capital project funds
(8-0) into the FY2013 budget.

The president then mentioned the vote for the new “pub” space in Hammond. A vote is required to change the name to Falcon Hub and to renew the beer and wine license with the new capacity. He said the Falcon Hub is a place for students/staff to hold events. It is student run, so there is a sense of responsibility on their part. The president then introduced Dr. Henry (Hank) Parkinson to provide additional information.

Dr. Parkinson stated the Falcon Hub’s capacity has been increased from 180 to 300. In order to renew the license and change the name, we need a Board vote approving both. The Pub was renamed by the SGA and other students to better reflect a place to convene. Beer and wine

are not always available; the Hub is not open “just to be open.” It is a place that is primarily open for events such as sports games, dances, karaoke, elections, etc. In general, the Hub is open three times a week. Students must submit requests to utilize the space so that adequate staffing is available to staff it. The Hub is typically open on weekdays as most students are not here on the weekends. Dr. Parkinson said the Hub is an 18+ facility and therefore all people are carded at the door and all students are trained to check I.D.s. The license resides in Dr. Parkinson’s name and stipulates that the Hub must close by 1:00 a.m., but generally it closes by midnight.

Chairman Vittorioso asked if there were any questions. There were none.

Upon a motion duly noted by Mr. Pontbriand and seconded by Mr. Costello it was

Voted: to approve the Falcon Hub license and name change as presented.
(8-0)

The president then presented the recommendations for the FY2013 Board of Trustees slate of officers. Recommended are:

- Chairman – Carol T. Vittorioso
- Vice Chairman – Martin F. Connors, Jr.
- Clerk – Anna Maria Clementi

Upon a motion duly noted by Mr. Pontbriand and seconded by Mr. Costello it was

Voted: to approve the FY2013 Board of Trustees slate of officers as presented.
(8-0)

Ms. Vittorioso mentioned she will be holding a meeting before the fall semester begins to recommend members for the sub-committees, consisting of the Academic Affairs Committee, the Student Affairs Committee, the Finance and Administration Committee.

The president noted the notifications and the enclosures in the book:

- Trust Fund Report
- Executive Summary
- Quarterlies
- News articles
- Undergraduate Conference Brochure
- Honors Convocation Brochure

President Antonucci then gave his report. He reminded everyone of the upcoming commencements on Thursday, May 17 for graduates and Saturday, May 19 for undergraduates. He stated these are exciting events for the entire campus community. Please let Ms. Lundgren know if you plan on attending.

The president also mentioned the last day of classes is Friday, May 11 and typically this is a very busy time of year with student celebrations. The university is working very closely with Fitchburg police to keep our students safe. Most of the students are responsible, however, there are usually a few that may get out of hand. Most incidents occur off-campus and involve

open container violations. The Fitchburg police try not to bother students unless things get out of hand. It was noted that every school has these issues as students are celebrating either a graduation or the end of the year, which is expected. A letter was emailed to students from the Fitchburg police chief asking for cooperation as well as extending congratulations.

Mr. Costello then thanked the Board and the president for their guidance and support during his time as the Student Trustee. He enjoyed his time and learned a great deal in this capacity.

The president then thanked Mr. Costello for representing the Board as the Student Trustee and wished him well. He then welcomed Mr. Nathan Gregoire as the newly-elected Student Trustee.

The president said anyone interested in the Fitchburg State golf tournament in July, please let us know. He also mentioned the Capital Campaign Closing Event was a success. The venue was beautiful and all ran seamlessly.

With no further business before the Board, the meeting was adjourned at 4:50 p.m.

Respectfully submitted:

Anna Maria Clementi, Clerk
Board of Trustees

Minutes of Meeting Held on July 25, 2012 at 8:00 a.m.

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING
Wednesday, July 25, 2012
8:00 a.m.
President's Conference Room
300 Highland Avenue, Fitchburg, MA 01420
Sanders Building

Trustees Present: Robert Babineau, Jr., Anna Maria Clementi, Nathan Gregoire, Robert Pontbriand, Cynthia Stevens, Carol Vittorioso

Trustees Via Phone: Frank O'Donnell, Gladys Rodriguez-Parker

Trustees Absent: Martin F. Connors, Jr., David Mullaney, Anthony Mercadante

Also Present: Robert V. Antonucci, Robin Bowen, Jay Bry, Gail Doiron, Chris Hendry, Kelli Lundgren, Jessica Murdoch, Michael Shanley, Paul Weizer

The meeting was called to order by Chairman Vittorioso at 8:05 a.m.

Chairman Vittorioso opened the meeting requesting any public comments. There were none.

The first topic of discussion was the Gaming proposal. President Antonucci explained that calling a meeting was necessary because the Gaming proposal needed to be submitted to the Board of Higher Education in a timely manner. He also stated that we have not submitted a proposal in years and this is an exciting time as Fitchburg State would be the first public institution in New England to offer a Game Design degree program.

Dr. Robin Bowen then explained the rationale behind the proposal, stating the new major is consistent with our mission, vision and core values and will support the following goals:

- Combines education with liberal arts and sciences
- Includes co-curricular opportunities, i.e. internships, practicums
- Supports growth within the Commonwealth
- Prepares students for a global society through innovation and program development
- Provides innovative uses of technology
- Builds partnerships within the community through pairing with MassDIGI and game studios

Dr. Bowen stated we currently have strong faculty teaching gaming electives, and it is financially feasible.

Dr. Bowen then explained the approval process stating that the Communications Media Curriculum Committee, the ACC (All College Committee) and the President had all given their approval. With the Board of Trustee approval today, the proposal would be sent to public institutions for any comments, and then would be submitted to the Board of Higher Education. There would then be a representative of the BHE that would visit the campus and a representative of the university would also attend a meeting at the BHE to answer any questions. Dr. Bowen is currently working on the proposal to the BHE and expects

implementation of the program in September 2013.

Ms. Vittorioso asked for clarification regarding public comments. Dr. Bowen stated we have received very positive feedback and doesn't foresee any issues.

President Antonucci added that there are 29 institutions involved in new degree programs and he doesn't believe there have ever been any negative comments.

Ms. Clementi then asked within the private sector, which campus has a stronger gaming program. Dr. Bowen stated Becker was ranked in the top 10 in the USA. She stated this is an attractive option in the Commonwealth and there has been a 50 percent increase in one year in the gaming area.

Mr. Nathan Gregoire joined the meeting at 8:12 a.m. At this time, the President swore him in as the new student Trustee.

With regard to the Gaming proposal, Ms. Vittorioso inquired whether we would need to hire new faculty for this program or do we currently have qualified staff on hand. Dr. Bowen stated we do have two qualified professors, but it is unclear whether they will apply. It is anticipated that we will need 3.75 to 4 full time faculty to staff the program once fully implemented. This includes one faculty member per year for the first three years, which has been built into the budget.

Mr. Gregoire stated that he is a member of the ACC and was present during the presentation of the program. He said it was very well presented and feels it would be a great way for Fitchburg State to expand its offerings. He also feels it would bring in a pool of students for this major.

Dr. Babineau also commented on the proposal saying it would be great to be the only public institution to offer a Game Design major. He stated there is no doubt that the future is here and this is an opportunity for growth.

Mr. Frank O'Donnell stated if this is marketed correctly, it would be a great program.

Ms. Vittorioso then called for a roll call vote, which is required when Board members are participating via conference call.

Upon a motion duly noted by Mr. Pontbriand and seconded by Dr. Stevens it was:

Voted: to approve the proposal to offer a Game Design Degree for submission to the
(8-0) State Board of Higher Education.

The second item of discussion was the annual performance review of the President. Ms. Vittorioso summarized the procedure letting the Board members know that every year the Board is required to evaluate the President's performance and submit it to the BHE (due September 15). She mentioned there are certain criteria to follow, including:

- I. Institutional leadership and management skills

2. Personal attributes, including trust and integrity
3. Fund raising
4. Internal relationships/campus climate
5. External relationships/leadership in the community

Chairman Vittorioso then made reference to the evaluation, which was broken out into the five criteria, although two were combined as they seemed to relate to each other. This was discussed and it was decided to mention the leadership team was revamped due to key retirements as well as the former VPAA became President of another institution. Ms. Vittorioso said should the Board members vote to approve the performance review, it will be sent to Commissioner Freeland at the BHE with a cover letter from the Chairman.

President Antonucci mentioned that the leadership team played a role in his achievements and that he couldn't have done it alone. He stated it is really an assessment of the leadership team and he thanked them as well as the Board. The President also mentioned the Board is not authorized to provide the President with an increase. Non-unit personnel have not received increases yet as we are waiting for direction from the BHE.

Upon a motion duly noted by Mr. Pontbriand and seconded by Dr. Stevens it was voted by roll call:

Voted: to approve submission of the President's performance evaluation from period
(8-0) July 1, 2011 to June 30, 2012. In addition, the Board directs the Executive Committee to grant a salary increase to the President in accordance with the parameters set by the Massachusetts Board of Higher Education.

Next, the Board discussed the 2012-2013 Board of Trustee meeting schedule. The proposed dates for the meetings are October 16, 2012, November 27, 2012, February 5, 2013 and April 30, 2013. Additional meetings would be scheduled if needed (finance and tenure meetings).

Upon a motion duly noted by Mr. Pontbriand and seconded by Mr. Gregoire it was voted by roll call:

Voted: to approve the meeting schedule for the 2012-2013 academic year.
(8-0)

President Antonucci then gave his report. He mentioned the football players move in on August 10. The summer is moving fast and we are almost ready for another year.

He also mentioned the construction is moving along on campus. Mr. Jay Bry gave the following update on projects:

- The science building is progressing
- Hammond phase I and IB should be completed by the end of August
- Phase 2 (roof and air handlers) should be completed in the fall
- Miller garden is moving along
- The Exercise and Sports Science lab is nearing completion

- The football locker room renovation is nearing completion
- The Student and Academic Life office renovations are underway
- The English Studies department is scheduled to move back into Miller on August 15th

The President mentioned we have Upward Bound students on campus and in August we will have approximately 700 people on campus for a youth conference. The residence halls open September 3.

The golf tournament went exceptionally well with total revenue to date at \$94,810. Everyone's support is appreciated.

On September 20, the President stated he will be visiting the NEASC office to complete the report and we anticipate receiving a 10-year accredited renewal.

President Antonucci said the current admissions deposits aren't quite where they should be at this time. We are approximately 200 payments short. We are at 103 percent in residence halls, and still have some triples; we are in good shape.

With no further business before the Board, the meeting was adjourned at 9:06 a.m.

Respectfully submitted:

Anna Maria Clementi, Clerk
Board of Trustees

Finance and
Admin. Agenda

Robert V. Antonucci

PRESIDENT

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES**Finance and Administration Committee Meeting****Joint meeting with Fitchburg State University Foundation Audit Committee
& FSU Foundation Supporting Organization, Inc.****Tuesday, October 16, 2012****10:00 a.m.****President's Conference Room, Sanders Administration Bldg.
300 Highland Avenue, Fitchburg, MA 01420****AGENDA**

- I.** Call to Order, Anthony Mercadante, Chair
- II.** Consideration of minutes from previous meeting

- a) April 24, 2012

- III.** Audit Presentation

The University and Foundation audits have been completed. The staff from Ercolini & Company will be at the meeting to discuss the audit process.

- a) FY2012 Audit – **VOTE – (04-12/13)**

- IV.** Adjournment

Minutes of Meeting Held on April 24, 2012 at 3:00 p.m.

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING
Finance Committee
Wednesday, April 24, 2012
3:00 p.m.
President's Conference Room
300 Highland Avenue, Fitchburg, MA 01420
Sanders Building

Committee Members Present: Anna Maria Clementi, Carol Vittorioso

Committee Members Absent: Robert Pontbriand

Also Present: Robert V. Antonucci, Robin Bowen, Jay Bry, Gail Doiron,
Kelli Lundgren, Michael Shanley

The meeting was called to order by Chairman Vittorioso at 3:05 p.m.

The consideration of the Board of Trustees minutes from January 23, 2012 was presented.

Upon a motion duly noted by Ms. Clementi and seconded by Ms. Vittorioso it was

Voted: to approve the minutes of the meeting held on January 23, 2012 as
(2-0) presented.

President Antonucci then referenced the FY2013 budget packet. He stated he was in Boston recently, which gave him an idea of where we currently stand for FY13. The final budget will not be available until September, but more information will be available in May. He also mentioned this has been the easiest year as we know the basic allocation. The house and government included the collective bargaining funds of the three unions.

The President then referenced page two of the budget packet, which forecasts revenue totaling \$83,336,834. While the budget only provided for level funding, it did include reserve funds of \$1.5 million to cover the recently approved collective bargaining agreements. We are also proposing a \$400 student fee increase based on 3,400 FTE. The additional revenue would be \$1.3 million. The President said enrollment looks good currently, but we won't know final numbers until September. The housing numbers are down a bit, which is not good news.

There was a question whether on-campus housing included Leominster and Fitchburg. President Antonucci stated that yes, the policy had changed and Leominster is included for on-campus housing, which has been a great recruiting tool.

The President then referenced page three of the packet, which outlines revenue sources, operating expenses, and investments. The budget includes \$1.5 million in unrestricted net assets. We are in great fiscal shape. Salaries and benefits are the majority of the operating expenses; however, tuition and fees help in that area. The investment summary chart shows the investments being transferred from the Commonfund into two local investment firms; Rollstone Bank and Trust and Enterprise Bank along with the national firm of Northern Trust.

We anticipate the transfer will be complete in approximately one month.

On page four of the packet, the President referenced the Massachusetts Municipal Depository Trust (MMDT), where we typically manage short time cash needs; however as part of our investment review, we have begun to move some of these funds to local institutions that have a high return. Projects are currently under review and will be presented to the Board at a later date.

Also referenced is the Technology Improvement Program. In order to offer our students the most current technology, we are also asking for a \$10 increase in technology fees.

President Antonucci then referenced the FY2011 to FY2013 Operating Budget chart. This is a balanced budget with a \$400 fee increase based on 3400 FTE.

The FY2013 State University Tuition and Fee Comparison chart shows each proposed university increase.

President Antonucci noted that the \$1.5 million in unrestricted assets comes from investments. We currently have \$12 million in MMDT of which \$1.5 million would come in as liquid assets. He said we watch the budget very closely and spend and invest wisely. We are currently hiring 20 new faculty members, which limits the number of adjuncts hired.

Ms. Clementi asked if tenured faculty affects the budget. President Antonucci answered that every rank comes with a salary increase according to the collective bargaining agreement. Along with these increases, there are also post tenure reviews that may allow for another 3-6 percent increase on a four-year cycle. These increases are built into the budget.

The President presented the fee increase to the students and they understand why there is an increase; however they do like to see how they will benefit from the increase. They have certain requests, such as not reducing the recreation center hours, more choices at Holmes Dining Hall, etc.

The President informed the Board that MSBC is looking for requests for bonds and we would like to take advantage of that to complete the third phase of the Hammond Building renovation. We have expressed an interest and will come back to the Board before moving forward. Phase three will renovate the library and will cost approximately \$10 million and the fourth phase will be completed with approximately another \$10 million. Students are happy with the renovations and these much-needed updates make this a very nice building.

Ms. Clementi asked about the possibility of student loan rates rising. It appears they may double from 3.4 percent to 6.8 percent. The President stated that 70 percent of our students that get Financial Aid have loans.

President Antonucci then moved on to the vote recommendations. The votes will be brought forward to the full Board at the May 8 meeting, where Ms. Vittorioso and Ms. Clementi will provide a report.

Upon a motion duly noted by Ms. Clementi and seconded by Ms. Vittorioso it was

Voted: to accept the recommendation of a \$400 Student fee increase and a \$10
(2-0) Technology Fee increase as presented.

Upon a motion duly noted by Ms. Clementi and seconded by Ms. Vittorioso it was

Voted: to accept the recommendation of a \$8.00 per credit tuition increase and a \$2.00
(2-0) per credit capital fee increase for GCE Undergraduate students as presented.
And a \$10.00 per credit tuition increase and \$2.00 per credit capital fee increase
for GCE graduate students.

Upon a motion duly noted by Ms. Clementi and seconded by Ms. Vittorioso it was

Voted: to accept the recommendation of an increase of up to \$30 maximum to the
(2-0) Extended Campus program rate as presented.

Upon a motion duly noted by Ms. Clementi and seconded by Ms. Vittorioso it was

Voted: to accept the recommendation to approve the FY2013 budget as presented.
(2-0)

Upon a motion duly noted by Ms. Clementi and seconded by Ms. Vittorioso it was

Voted: to accept the recommendation to approve that on-going capital projects roll
(2-0) forward into the FY2013 university budget as presented.

President Antonucci thanked the Board and mentioned the university is in good shape.

With no further business before the Board, the meeting was adjourned at 3:35 p.m.

Respectfully submitted:

Carol Vittorioso
Ex-Officio, Finance and Administration
Board of Trustees

FSU Executive

Summary

Robert V. Antonucci

PRESIDENT

Fitchburg State University**Executive Summary****Report on Audits of Financial Statements and Supplemental Information****Years Ended June 30, 2012 and 2011**

- The University received an unqualified report from its auditors and there were no issues or findings that arose during the audit.
- The Management's Discussion and Analysis provides a broad overview of the financial position and fiscal activities of the University and includes ratio analysis in key areas.

Statements of Net Position (pages 3 - 5):

- Total assets increased by \$31 million to \$156.4 million. Total liabilities increased by \$6.3 million to \$49.1 due primarily to the 2012 bond issue for the Hammond Campus Center renovations.
- Current unrestricted cash decreased by \$7.6 million due to additional funds invested that are now classified as noncurrent assets and an increase in current restricted cash needed to satisfy year end payables.
- Capital assets increased to approximately \$103.2 million net of current period depreciation of \$4.3 million.
- Total debt from bond issues is \$31.2 million. All amounts outstanding for capital leases were satisfied in fiscal 2012. The bonds were issued for various construction projects. The capital leases funded network and phone system installations and other equipment purchases. See Notes 12 & 13, beginning on page 41.
- Invested in capital assets; net of related debt increased by \$20.7 million. Capital projects increased by \$8.2 million.

Statement of Revenues, Expenses and Changes in Net Position (pages 6 - 7):

- Total revenue for the year was \$99.7 million.
- Tuition and fee revenue increased by 2.3%. Scholarships and scholarship allowances are consistent with the prior year.
- Auxiliary revenue, which represents operation of the residence halls, increased slightly and does not include fees charged for the student housing facility owned and operated by the FSU Supporting Organization, Inc.
- General appropriations decreased 3.5%. Capital appropriations received totaled \$6.8 million.
- Total expenditures, exclusive of depreciation increased by 3.3% to \$70.1 million, primarily due to increased payroll and fringe benefit charges, auxiliary expenses and utility expenses.
- Instructional expenditures represent 41% of total operating expenditures, exclusive of depreciation and scholarships. 85.5% of Instructional expenditures relate to payroll and benefit costs.
- Institutional support consist of the day to day operational support of the institution, excluding plant operations and represents 10% of total operating expenses exclusive of depreciation and scholarships.
- Operations and maintenance of plant expenditures totaled \$11.4 million.
- There was an overall increase in net assets of \$24.7 million for the fiscal year.

Statement of Cash Flows (pages 8 - 10):

- Total cash at June 30, 2012 was \$33.2 million and includes \$3.4 million in unspent bond proceeds for the Hammond Campus Center project.
- Cash received from operations (before appropriations) was \$47.7 million. Cash expended for operations was \$61.2 million, resulting in an operating loss of \$14 million, which was offset by appropriations of \$22.2 million net of tuition amounts reverted to the state.
- Acquisitions of property and equipment totaled \$25.7 million and do not include \$14.8 million spent by DCAM on the University's behalf for the Science Center Modernization project.

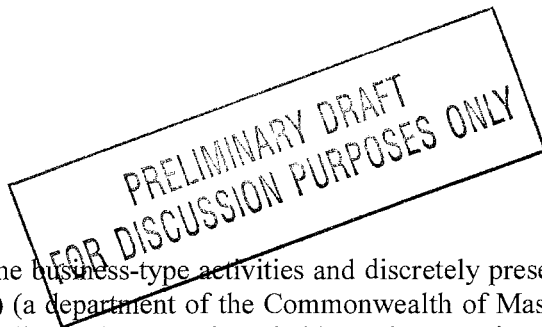
Notes to the Financials Statements (pages 11 - 64):

- Most of the notes are standard disclosures. Note 1, which outlines the University's significant accounting policies, spans pages 11 through 20.
- Note 5, beginning on page 33, details the property and equipment held by the University.
- Details relating to University debt (capital leases and bond issues) are in Notes 12 & 13, beginning on page 41.

Auditor's Letter

October XX, 2012

To the Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts



We have audited 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, 2012, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon dated October XX, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 31, 2012, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement, and to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Fitchburg State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Fitchburg State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Fitchburg State University's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Fitchburg State University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Fitchburg State University's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing Fitchburg State University's financial statements and report, such as Fitchburg State University's Comprehensive Annual Financial Report presented to the Government Finance Officers Association of the United States and Canada, does not extend beyond the financial information identified in the report. We do not have any responsibility or obligation to perform any procedures to corroborate other information contained in these documents. If management decides to prepare a Comprehensive Annual Financial Report for the year ended June 30, 2012, we will, however, read your Comprehensive Annual Financial Report and report to you anything that comes to our attention that causes us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of presentation, appearing in Fitchburg State University's financial statements for the year ended June 30, 2012.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in May, 2012.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. This letter communicates any significant findings as a result of our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fitchburg State University are described in Note 1 to the financial statements.

During the fiscal year ended June 30, 2012, Fitchburg State University adopted the following new Governmental Accounting Standard (GASB):

Statement No. 65 - Items Previously Reported as Assets and Liabilities

The University's election to early adopt GASB Statement No. 65 resulted in debt issuance costs, net of amortization no longer being reflected as an asset on the Statement of Net Position, but instead these costs are now expensed as incurred on the Statement of Revenues, Expenses and Changes in Net Position. As a result of the University's election to early adopt this Statement, the University wrote-off, in fiscal 2012, the unamortized balance of debt issuance costs as of June 30, 2011 and expensed the debt issuance costs incurred in fiscal 2012 associated with a new Interagency debt issuance in fiscal 2012. The effect of adopting this Statement on prior years was not material to the University's financial statements. Accordingly, the prior period financial statements presented were not restated. Instead, an adjustment for the effect on prior periods was included as an increase in expenses in the 2012 Statement of Revenues, Expenses and Changes in Net Position. In addition, the effect of adopting GASB Statement No. 65 in fiscal 2012 was not material.

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Audit Findings - continued

Qualitative Aspects of Accounting Practices - continued

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FOR DISCUSSION PURPOSES ONLY

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are management's estimate of the allowance for doubtful collections of accounts receivable and the discount percentage used by management to record the present value of the accounts receivable and deferred inflow of resources associated with the service concession arrangement.

Management's estimate of the allowance for doubtful collections of accounts receivable is principally based on its historical experience and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used by management to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the discount percentage used to record the present value related to the service concession arrangement is based upon an estimate of its incremental borrowing rate for an institution of its nature and credit quality. We evaluated the key factors and assumptions used by management in determining that a 5% discount rate is reasonable, in all material respects, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures related to the University's cash and cash equivalents, and investments found in Note 2 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October XX, 2012.

Significant Audit Findings - continued

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

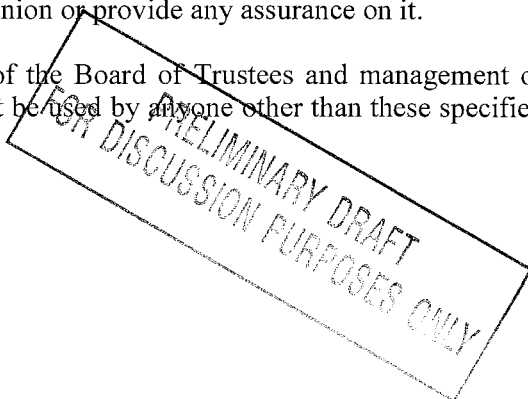
Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the supplementary information to determine that the supplementary information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the supplementary information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. The statistical section was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we did not express an opinion or provide any assurance on it.

This information is intended solely for the information and use of the Board of Trustees and management of Fitchburg State University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ercolini & Company LLP



Entity: Fitchburg State University

Statement of Financial Position Date: June 30, 2012

Completed by: Jeff Caputi

Date: 10/1/2012

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered clearly trivial (documented at **Step 5** of NPO-CX-2.1). This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. Before evaluating the effect of uncorrected misstatements, the auditor should reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. The auditor needs to be familiar with the guidance in section 1112 before completing this form.

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Workpaper Reference	Financial Statement Effect—Amount of Over (Under) Statement of:								
				Total Assets	Total Liabilities	Deferred Inflows of Resources	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital	
Capitalized interest	P	should be expensed	H-02c	\$33,000						-\$33,000	\$33,000	\$0
Deferred bond costs	F	Effect of GASB 65 adoption	H-04.1b							\$173,235	-\$173,235	\$0
Net investment in capital assets	F	Debt service reserve deducted from bond proceeds overstated	15-00B				\$96,475					\$0
Unrestricted Net Assets	F	Understated as a result of the above	15-00B				-\$96,475					\$0
												\$0
Total				\$33,000	\$0	\$0	\$0	\$0	\$140,235	-\$140,235	\$0	\$0
Less Audit Adjustments Subsequently Booked												
Unadjusted AD—Current Year (Iron Curtain Method)				\$33,000	\$0	\$0	\$0	\$0	\$140,235	-\$140,235	\$0	\$0
Effect of Unadjusted AD—Prior Years												
Combined Current and Prior Year AD (Rollover Method)				\$33,000	\$0	\$0	\$0	\$0	\$140,235	-\$140,235	\$0	\$0
Financial Statement Caption Totals				\$156,383,743	\$49,112,003	\$2,419,630	\$104,852,110	\$99,673,004	\$74,950,860	\$24,722,144	\$6,883,027	\$0
Current Year AD as % of FS Captions (Iron Curtain Method)				0.02%	0.00%	0.00%	0.00%	0.00%	0.19%	-0.57%	0.00%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.02%	0.00%	0.00%	0.00%	0.00%	0.19%	-0.57%	0.00%	0.00%

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, cause the financial statements taken as a whole to be materially misstated.

Qualitative Considerations in Evaluating Materiality

The judgment about whether a misstatement is material is influenced by qualitative considerations as well as quantitative considerations. The following are examples of qualitative considerations which are discussed further under "Qualitative Considerations" at section 1112.

1. Effect on other financial statement components (that is, the pervasiveness of the misstatement).
2. Effect of the misstatement on the overall trend of the change in net assets, such as a misstatement that reverses a downward trend of contributions or changes a decrease in net assets to an increase in net assets.
3. Significance of the financial statement element or portion of the organization's activities affected by the misstatement.
4. Effect of misstatement on the organization's compliance with loan covenants, other contractual agreements, or regulatory provisions.
5. The existence of statutory or regulatory requirements affecting materiality thresholds.
6. A misstatement that affects management's compensation (for example, meeting a contribution target might trigger a bonus).
7. The sensitivity of the circumstances (such as implications of misstatements involving fraud, possible violations of laws and regulations, violations of contractual provisions, or conflicts of interest).
8. The effects of misclassifications that could be significant to the financial statements users.
9. Significance of the misstatement or disclosures in relation to known user needs.
10. The character of the misstatement (for example, the precision of the audit differences).
11. Motivation of management.
12. Offsetting effects of individually significant misstatements.
13. Potential effect on future periods.
14. Cost of making the correction.
15. Risk of possible additional undetected misstatements.

Section 1112

FSU Audit Vote

Fitchburg State University
REQUEST FOR BOARD ACTION

TO: Board of Trustees	DATE: October 16, 2012
FROM: The President	REQUEST NUMBER: 04-12/13
SUBJECT: FY2012 Audit Report	

It is requested that the Board of Trustees of Fitchburg State University accept the Audit Report for the fiscal year ending June 30, 2012.

Fitchburg State University

Audit Enclosures:

- A.** FSU Report on Audits of Financial Statements and Supplemental Information Years Ended June 30, 2012 and 2011.
- B.** FSU Report on Independent Auditor's Report on Management's Assertions on Compliance with Specified Requirements Applicable to the Massachusetts Office of Student Financial Assistance Program Cluster for Year Ended June 30, 2012.

Tab A

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

REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

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

REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2012 AND 2011

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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, 2012, 2011 and 2010. 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 fifteen community colleges comprise public higher education in Massachusetts. The University offers approximately 49 undergraduate degree programs in eighteen academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During fiscal 2012, there were approximately 3,700 full-time students and thousands of part-time students enrolled in degree programs, for a combined full-time equivalent enrollment of approximately 5,100. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education (DGCE). The University awarded approximately 1,250 graduate and undergraduate degrees in fiscal 2012. 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 2012 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 \$23.5 million in fiscal 2012. In addition, the University received \$6.7 million in capital appropriations to fund various renovation projects. General appropriations were \$24.3 million in fiscal 2011 and \$21.4 million in fiscal 2010.
- Fees were increased to fund academic and capital initiatives. Total mandatory per semester fees were \$3,665, \$3,415, and \$2,965 in fiscal 2012, 2011 and 2009, respectively. Fees were also increased for undergraduate continuing education students. Tuition, which is controlled by the Commonwealth, has not increased since the fall of 2001 and remains at \$485 per semester for in-state students.
- The University expended \$25.7 million from current funds for capital additions in fiscal 2012. Projects completed during the year included the Highland Avenue closure project, renovation to the Weston Auditorium lobby and renovations to the Conlon roof and lobby. An additional \$14.8 million was spent on the University's behalf by the Massachusetts Division of Capital Asset Management (DCAM) for the Science Center modernization project. Projects remaining in process at June 30, 2012 include the Hammond Campus Center renovations, the Science Center modernization project and continued renovations to Miller Hall.
- Total assets at the end of fiscal 2012 were \$156.4 million and exceeded liabilities and deferred inflows of resources of \$51.5 million by \$104.9 million (i.e. net position). Unrestricted net position available to support short-term operations totaled \$19.6 million, of which \$8.6 million has been designated for specific purposes.

- Total operating, non-operating, and gift revenue for fiscal 2012 was \$99.7 million, while expenses totaled \$75.0 million, resulting in an increase to net position of \$24.7 million. The increase in net position includes a 2.3% increase in student tuition and fee revenues.
- The consolidated financial information of the Fitchburg State University Foundation, Inc. is included in the University's financial statements as a component unit of the University. It is important to reiterate that the Foundation is a separate organization. Foundation funds are largely restricted, and unrestricted funds can only be expended by vote of the Board of Directors of the Foundation.

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 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, has been incorporated throughout this document.

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 of resources of the University, with the difference reported as net position. Assets, liabilities and deferred inflows 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, 2012, 2011 and 2010, are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets	\$ 21,669	\$ 29,673	\$ 20,743
Capital assets, net	103,170	66,192	55,386
Other	<u>31,545</u>	<u>29,702</u>	<u>16,708</u>
Total Assets	<u>156,384</u>	<u>125,567</u>	<u>92,837</u>
Liabilities			
Current liabilities	14,786	13,817	10,659
Long term liabilities	<u>34,326</u>	<u>28,999</u>	<u>14,258</u>
Total Liabilities	<u>49,112</u>	<u>42,816</u>	<u>24,917</u>
Deferred Inflows of Resources	<u>2,420</u>	<u>2,621</u>	<u>978</u>
Net Position			
Net investment in capital assets	72,858	52,187	43,904
Restricted:			
Nonexpendable	448	458	470
Expendable	11,908	6,129	4,263
Unrestricted:			
Designated	8,594	8,488	8,135
Undesignated	<u>11,044</u>	<u>12,868</u>	<u>10,170</u>
Total net position	<u>\$ 104,852</u>	<u>\$ 80,130</u>	<u>\$ 66,942</u>

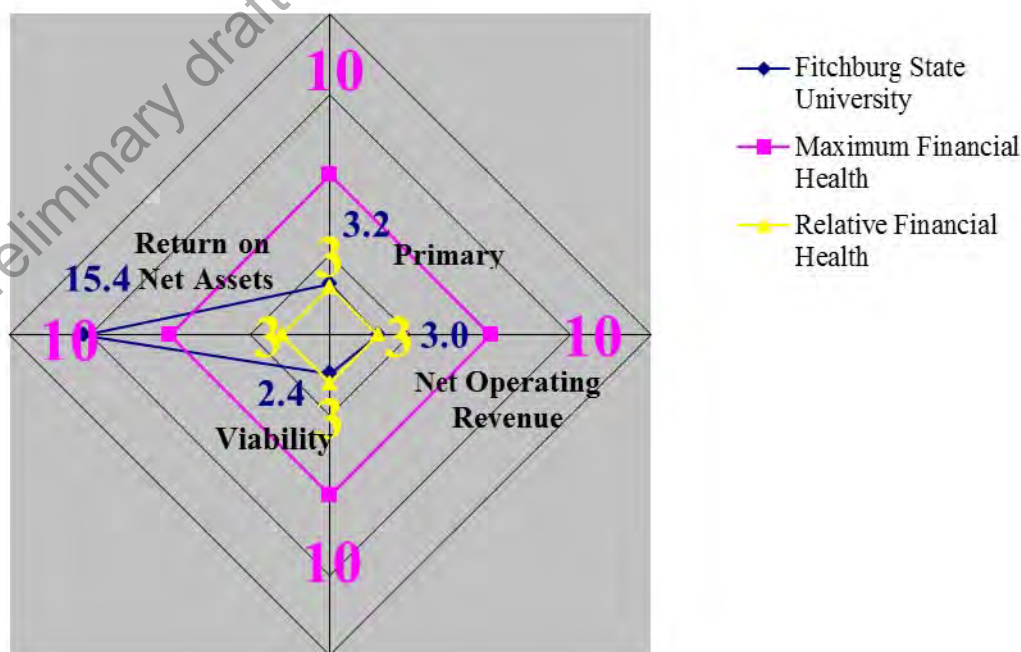
Current assets consist primarily of cash and cash equivalents (92.5%). Other assets include non current restricted cash and cash equivalents, investments in marketable securities and loans receivable. Capital assets are used to provide services to students, faculty and staff. These assets are not available for current or future spending. Current liabilities primarily include trade accounts and salaries payable, 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 of resources represent the acquisition of net assets applicable to future periods and are distinct from assets and liabilities. The increase in net position over the past three periods is indicative of the capital improvement initiatives undertaken during this time.

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

- **Current Ratio:** 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 \$21.7 million are sufficient to cover current liabilities of \$14.8 million. The University's current ratio at June 30 is 1.5 to 1 for 2012, 2.2 to 1 for 2011, and 1.9 to 1 for 2010.

- **Return on Net Position Ratio:** Net position represents the residual interest in the University's assets 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, 2012, 2011 and 2010 was 30.8%, 19.7% and 19.0%, respectively. The ratio remains well above industry benchmarks.
- **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, 2012, 2011 and 2010 was 42.2%, 37.8% and 33.1%, respectively. An improving trend indicates the University has been able to increase its expendable net position in proportion to the rate of growth in total operating expenditures.
- **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, 2012, 2011 and 2010 was 98.1%, 72.5% and 65.0%, respectively.
- In order to assess and evaluate the total financial health of an institution, core financial ratios are weighted and combined into a single factor called the Composite Financial Index (CFI). When calculated, a strength factor of three indicates a relatively healthy institution that can sustain moderate growth with expendable net position exceeding debt levels, although not by excessive amounts. The University's CFI at June 30, 2012, 2011 and 2010 was 5.3, 4.6 and 5.4, respectively. The following graph illustrates the four core financial ratios after they have been weighted and strength factors calculated.

Composite Financial Index



Statement of Revenues, Expenses and Changes in Net 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, 2012, 2011 and 2010. 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).

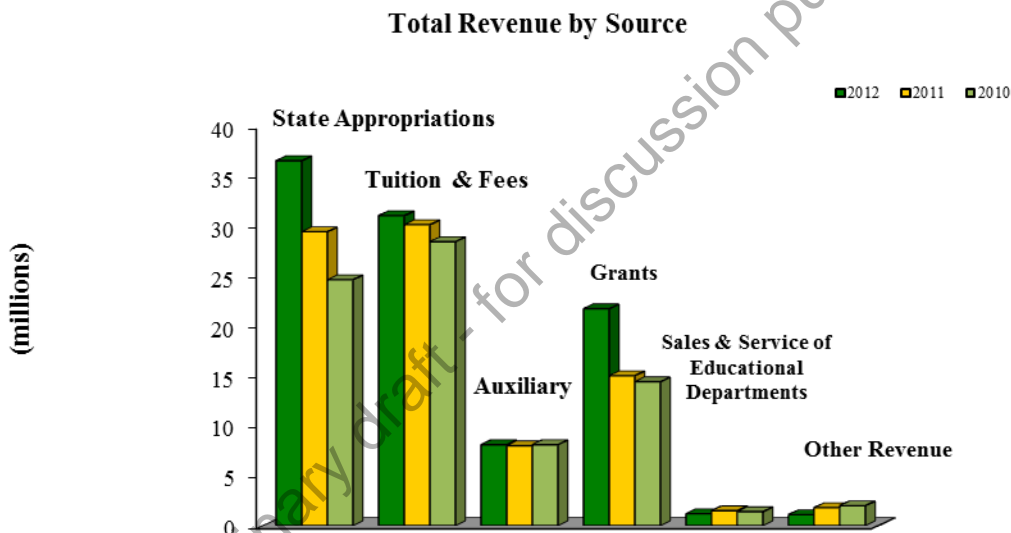
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Operating revenues:</u>			
Tuition & fees (net)	\$ 30,681	\$ 29,985	\$ 28,372
Grants	6,688	9,714	12,780
Sales & service of educational department	1,188	1,458	1,416
Auxiliary	8,117	8,043	8,047
Other operating revenue	<u>687</u>	<u>712</u>	<u>680</u>
Total operating revenue	<u>47,361</u>	<u>49,912</u>	<u>51,295</u>
<u>Operating expenses:</u>			
Instruction	28,023	27,139	25,682
Research & public service	505	524	517
Academic support	4,761	4,807	4,361
Student services	8,598	8,031	7,445
Scholarships	1,519	1,619	1,609
Institutional support	6,866	6,768	5,988
Operations & maintenance	11,445	10,881	10,818
Depreciation	4,270	4,241	4,010
Auxiliary	<u>8,460</u>	<u>8,049</u>	<u>7,412</u>
Total operating expenses	<u>74,447</u>	<u>72,059</u>	<u>67,842</u>
Net operating loss	<u>(27,086)</u>	<u>(22,147)</u>	<u>(16,547)</u>
<u>Non-operating revenue & expenses:</u>			
State appropriations	29,797	29,333	24,622
Gifts	1	3	1
Investment income	611	1,123	1,329
Interest expense	(255)	(583)	(385)
State capital appropriations	6,768	140	-
Capital gifts & grants	15,135	5,319	1,684
Interagency transfers	<u>(249)</u>	<u>-</u>	<u>-</u>
Total non-operating revenue	<u>51,808</u>	<u>35,335</u>	<u>27,251</u>
<u>Increase in net position</u>	<u>24,722</u>	<u>13,188</u>	<u>10,704</u>
Net position, beginning of the year	<u>80,130</u>	<u>66,942</u>	<u>56,238</u>
Net position, end of the year	\$ <u>104,852</u>	\$ <u>80,130</u>	\$ <u>66,942</u>

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. Non-state employees who are paid from trust funds, grants or other sources receive the same fringe benefits. The University reimburses the Commonwealth for the benefit costs associated with these employees. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2012, 2011 and 2010 was 33.0%, 31.8% and 26.4%, respectively. The current fringe benefit rate includes group medical insurance (22.9%); retirement (9.0%) and terminal leave (1.1%).

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Commonwealth general appropriations	\$ 23,468	\$ 24,315	\$ 21,429
Appropriations to cover fringe benefits provided to employees of the Commonwealth	<u>7,592</u>	<u>7,486</u>	<u>5,581</u>
	31,060	31,801	27,010
Tuition remitted back to the Commonwealth	<u>(1,263)</u>	<u>(2,468)</u>	<u>(2,388)</u>
Net appropriations	29,797	29,333	24,622
Additional state capital appropriations	<u>6,768</u>	<u>140</u>	<u>-</u>
Total appropriations	<u>\$ 36,565</u>	<u>\$ 29,473</u>	<u>\$ 24,622</u>

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, 2012, 2011 and 2010 was \$99.7, \$85.8 and \$78.9 million, respectively.



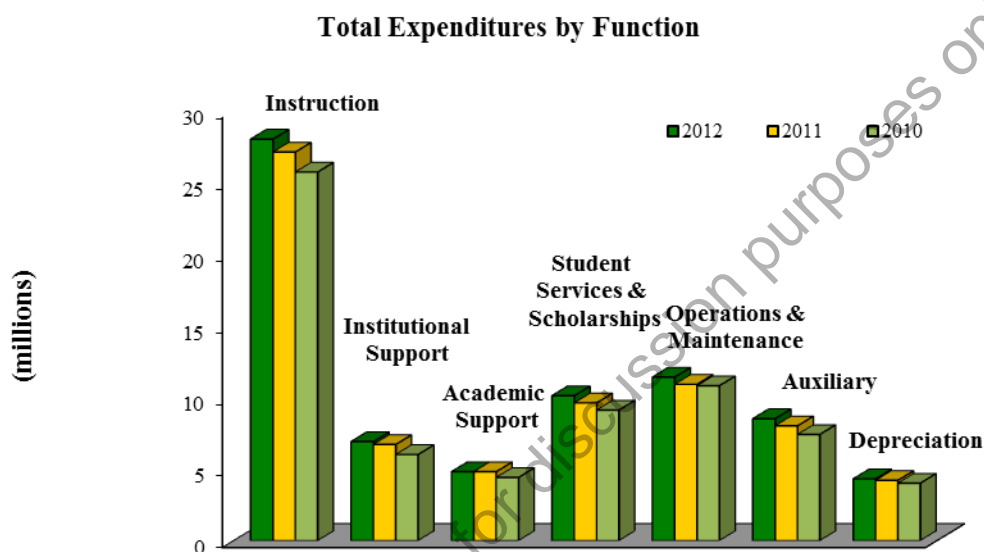
For the fiscal year ended June 30, 2012, total appropriations increased by 24.1% due the receipt of \$6.8 million in capital appropriations. General appropriations were reduced by 3.5% from 2011 funding levels. The reduction represents the change in the amount of tuition remitted back to the Commonwealth. Beginning in fiscal 2012, the University retains all out of state tuition collected and general appropriations were reduced accordingly. Even with this change, state support 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 2012 that percentage is now 39.9%. 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 (2.3%) is due to increases in student fees. During fiscal year 2012, 2011 and 2010, in-state tuition and fees for full time resident students was \$8,320, \$7,953 and \$7,385 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2012, 2011 and 2010 was \$4,150, \$3,900 and \$3,450 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 100% capacity.

Grant revenue is made up of federal, state and private grants. In fiscal 2011 the University received \$3.1 million in ARRA stabilization funds to help offset decreases in state appropriations. Those funds were used to fund faculty payroll and fringe benefit costs and are now depleted. ARRA funds awarded in fiscal 2012 amounted to \$210,343. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs. Grant revenue also includes \$15.1 million in capital grant funds used primarily for the construction of the new science building.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2012, 2011 and 2010 were \$75.0, \$72.6 and \$68.2 million, respectively.



Total expenditures, exclusive of depreciation, increased by 3.3% primarily due to increases in payroll, fringe benefit and utility costs. The most significant area of expense remains Instruction, which represents 37.6% of total operating expenses. Faculty payroll (\$18.0 million) and related benefits (\$5.9 million) represent approximately 85.5% 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 \$4.3, \$4.2 and \$4.0 million in depreciation expense for 2012, 2011 and 2010, respectively.

State appropriations are a significant source of funding for the University. According to the Governmental Accounting Standards Board (GASB), 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, 2012, 2011 and 2010.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tuition & fees revenue, net	\$ 30,681	\$ 29,985	\$ 28,372
Other operating revenue	<u>16,680</u>	<u>19,927</u>	<u>22,923</u>
Total operating revenue	47,361	49,912	51,295
Operating expenses	<u>(74,447)</u>	<u>(72,059)</u>	<u>(67,842)</u>
Operating loss	(27,086)	(22,147)	(16,547)
Total state appropriations	29,797	29,333	24,622
Other revenue (expense), net	<u>22,011</u>	<u>6,002</u>	<u>2,629</u>
Increase in net position	\$ <u>24,722</u>	\$ <u>13,188</u>	\$ <u>10,704</u>

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, 2012, 2011 and 2010, the University's net operating revenues ratio was 4.0%, 9.6% and 11.7%, respectively.

Statement of Cash Flows

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

The following are the University's statements of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash received from operations	\$ 47,691	\$ 50,760	\$ 50,918
Cash expended for operations	<u>(61,682)</u>	<u>(59,930)</u>	<u>(57,112)</u>
Net cash used by operations	(13,991)	(9,170)	(6,194)
Net cash provided by non-capital financing activities	22,199	21,850	19,043
Net cash used by capital and related financing activities	(13,222)	6,822	(5,895)
Net cash (used) provided by investing activities	<u>(3,504)</u>	<u>294</u>	<u>1,563</u>
Net increase (decrease) in cash and equivalents	(8,518)	19,796	8,517
Cash and equivalents, beginning of the year	<u>41,686</u>	<u>21,890</u>	<u>13,373</u>
Cash and equivalents, end of the year	\$ <u>33,168</u>	\$ <u>41,686</u>	\$ <u>21,890</u>

The University's cash and cash equivalents decreased by approximately \$8.5 million during fiscal 2012, resulting in the cash and cash equivalents balance of \$33.1 million at fiscal year end. The decrease is primarily due to construction costs related to the renovation of the Hammond Campus Center. Non-capital 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 the Massachusetts Municipal Depository Trust (MMDT), a short-term money management vehicle provided by the Commonwealth.

Capital Assets

Capital assets consist of land, land improvements, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2012, net capital assets increased to \$103.2 million after depreciation expense of \$4.3 million. During the current fiscal year there were \$41.2 million in additions to capital assets. Major capital initiatives either continuing or undertaken during 2012 include:

- Continuing construction for the Science Center Modernization project, \$21.5 million (to date)
- Continuing renovation of the Hammond Campus Center, \$22.6 million (to date)
- Miller Hall renovations, \$3 million (to date)
- Highland Avenue closure, \$943,000

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, 2012, 2011 and 2010 was 9.8, 3.1 and 1.3, 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 thirty five days based on market conditions. The interest rate on the MSCBA debt is based on an increasing coupon rate ranging from 3.00% 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, 2012 and is inclusive of any bond premiums or discounts.

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service	Debt Outstanding	Maturity
MDFA	Recreation Center	1997	\$6,000,000	DSF	1.44%	\$213,456	\$3,845,302	2023
MSCBA	Holmes Dining Hall Renovations	2005	\$1,090,000	DSF	4.31%	\$81,319	\$800,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	\$4,020,000	DSF	4.30%	\$303,594	\$2,940,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	\$2,060,000	DSF	4.47%	\$161,812	\$1,697,670	2026
MSCBA	Hammond Campus Center Renovations	2011	\$15,935,656	DSF & operating funds	3.44%	\$1,105,512	\$15,272,961	2030
MSCBA	Hammond Campus Center Renovations	2012	\$7,043,416	DSF & operating funds	3.41%	-	\$7,020,705	2031
Total			\$36,149,072			\$1,865,693	\$31,576,638	

The University acquired equipment through capital lease agreements with various financing companies. The capital lease agreements allowed for the acquisition of telephone, printing and computer equipment, software and implementation costs, and various other furniture and equipment costs. Capital lease agreements were generally paid from operating funds and had terms ranging from three to five years. The following table summarizes the various capital lease agreements, interest rates, debt service and amounts outstanding at June 30, 2012.

Financing Agreement	Equipment Acquisition	Initial Lease Year	Original Amount Financed	Funding Source	Interest Rate	Debt Service	Debt Outstanding	Maturity
1	Residence Hall Furniture	2009	\$499,938	Operating funds	2.85%	\$340,544	-	2014
2	Telephone, computer and other	2005 to 2009	\$538,455	Operating funds	3.27% - 6.29%	\$66,339	-	2010-2012
Total			\$1,038,393			\$406,883	-	

For the fiscal years ended June 30, 2012, 2011 and 2010, the total debt (current and long term) attributable to interagency payments, capital leases and bond premiums amounted to \$31.6, \$26.1 and \$11.2 million, respectively.

Additional information on Fitchburg State University's long term debt activity can be found in footnotes 12 and 13 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, 2012, 2011 and 2010, the University's viability ratio was 1.0, 1.0 and 2.0, 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, 2012, 2011 and 2010, the University's debt burden was 3.2%, 2.2% and 4.3%, respectively.

Looking Forward

The renaissance of the Fitchburg State University campus continues, with the new Science Center rapidly taking shape and on target to open in the fall of 2013. The structural steel framing was completed in December and interior construction is well underway. The \$57 million project is within budget and construction is ahead of schedule. The building now represents a striking new presence on North Street. At the same time the Hammond Campus Center is undergoing major renovations which, when complete, will create a new identifiable entrance to the campus, improve circulation through the building and provide an accessible pathway to the campus quadrangle. Phase I was completed for the opening of the fall 2012 semester. Phase II renovations will begin in the fall of 2012 and will include the replacement of the entire roof and associated mechanical infrastructure. Phase III renovations will begin thereafter with continued renovations to various office suites, meeting rooms and student activity areas. Other projects scheduled for completion in fiscal 2013 include various academic office renovations, renovations to the Edgerly Plaza and the Highland Gateway project.

The University continues the initiative to reduce its carbon footprint by investing in energy efficient programs and processes. Fiscal 2012 was the first full year of operation for the solar photovoltaic systems (PV) installed on the Anthony and Sanders administration buildings. The PV systems produced over 98,000 kilowatts of electricity, saving the University significant energy costs. Future plans for additional solar PV systems include seeking power purchase agreements with third party vendors that will allow the University to install additional units on various campus buildings without the upfront costs. This will provide electricity to the campus at a cost that is reduced from what is normally available through the energy grid. The Hammond renovation project was designed

according to LEED commercial interior standards. Leadership in Energy and Environmental Design (LEED) is an independent rating system for evaluating building sustainability under the direction of the United States Green Building Council (USGC) and includes factors such as water use reduction, energy star appliances, lighting controls and occupancy sensors. The application for LEED certification for the Hammond building will be submitted to the USGC in the fall of 2012. If successful this will be the second major facility on campus to receive LEED certification.

The University continues to employ innovative uses of technology to maximize student learning. The University completed the deployment of virtual workstations and replaced existing classroom systems with new high definition technology to create numerous “smart classrooms” across campus. In the coming year the University will be upgrading its electronic security with a new intrusion prevention system, redesigning the University’s backup systems in preparation for cloud storage and instituting electronic testing using iPad technology for the Nursing program. In addition, the University will be implementing a new mobile website and applications for students, faculty and staff.

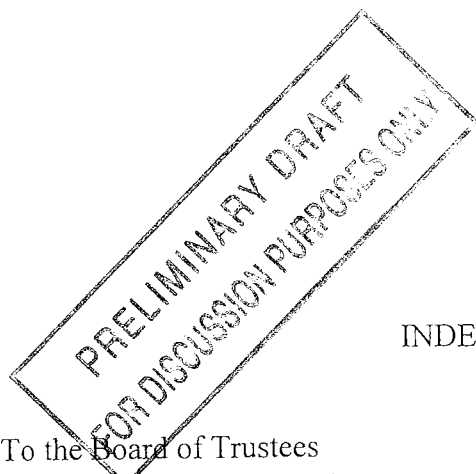
The University completed its NEASC accreditation process and now awaits its final report from the New England Association of Schools and Colleges (NEASC). The goal is to receive another ten year accreditation based on the self-study completed this past year. The process was labor intensive but offered a valuable opportunity to examine the University’s mission as well as its strengths and weaknesses based on a focused, standard set of criteria. The initial exit reviews were positive. A closing meeting with the NEASC evaluation team is scheduled for the fall of 2012 and a final determination will be issued thereafter.

Finally, the Board of Trustees recently approved a proposal to offer a new Game Design degree. If approved by the Department of Higher Education, Fitchburg State University will be the only public institution in New England to offer the degree. The degree will prepare students to enter an industry that has not only shown growth over the last five years but is also well established in the Commonwealth. The Gaming industry in Massachusetts currently employs approximately 1,300 people and there are upwards of 110 companies across the state identifying themselves as participants in the sector. The University expects to implement the new program in September 2013 with an anticipated initial enrollment of sixteen to thirty two students.

Fitchburg State University continues to be a leader in public education in Massachusetts. The commitment to excellence in teaching and learning prepares its students to lead and serve by fostering lifelong learning, global responsibility and civic engagement. By partnering with the local community, as well as collaborating with local businesses, industries, school districts and other segments of state government, the institution has been able to accomplish, in just a few years, what could have taken decades. A commitment to innovative thinking coupled with strategic use of limited resources has transformed a once aging campus into a modern facility with state of the art technologies. As a community resource, Fitchburg State University continues to provide leadership and support to the economic, environmental, social and cultural needs of North Central Massachusetts and the Commonwealth of Massachusetts.

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 Robert V. Antonucci, President, Fitchburg State University, 160 Pearl Street, Fitchburg, Massachusetts, 01420.



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts

We have audited the accompanying financial statements of the business-type activities of Fitchburg State University (the University) (a department of the Commonwealth of Massachusetts) as of and for the years ended June 30, 2012 and 2011, and the discretely presented component unit as of and for the years ended June 30, 2012 and 2011, which collectively comprise Fitchburg State University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fitchburg State University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of Fitchburg State University and its discretely presented component unit are intended to present the respective financial position, results of operations and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of 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, 2012 and 2011, the change in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Fitchburg State University as of June 30, 2012 and 2011, and the respective results of operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in fiscal 2012, the University elected to early implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

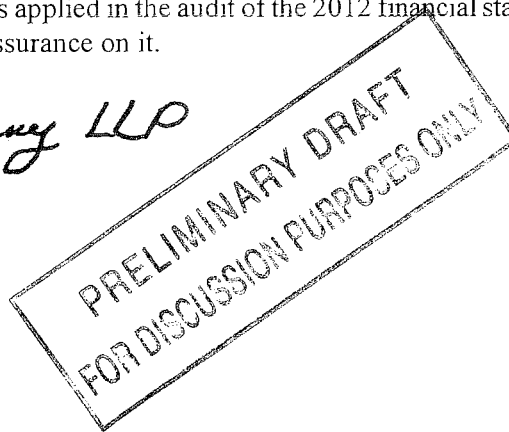
In accordance with Government Auditing Standards, we have also issued a report dated October XX, 2012 on our consideration of Fitchburg State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2012. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2012 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The residence hall fund and residence hall damage fund activity on pages 79 and 80, and the statistical section on pages 81 through 85 are presented for purposes of additional analysis and are not a required part of the 2012 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 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 financial statements or to the 2012 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 are fairly stated in all material respects in relation to the 2012 financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the 2012 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Ercolini & Company LLP

Boston, Massachusetts
October XX, 2012



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

STATEMENTS OF NET POSITION

JUNE 30, 2012 AND 2011

ASSETS	Component Unit Fitchburg State University Foundation, Inc.		Component Unit Fitchburg State University Foundation, Inc.	
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
<u>Current Assets</u>				
Cash and cash equivalents	\$ 14,861,891	\$ 2,415,022	\$ 22,481,590	\$ 2,270,542
Restricted cash and cash equivalents	5,188,966	-	3,867,412	-
Investments	-	3,148,963	-	2,996,227
Accounts receivable, net	1,488,663	37,452	3,045,758	10,911
Contributions receivable, net	-	190,173	-	1,396,439
Loans receivable - current portion	2,406	-	4,189	-
Other current assets	<u>127,261</u>	<u>75,727</u>	<u>273,857</u>	<u>33,665</u>
Total current assets	<u>21,669,187</u>	<u>5,867,337</u>	<u>29,672,806</u>	<u>6,707,784</u>
<u>Noncurrent Assets</u>				
Restricted cash and cash equivalents	13,116,648	-	15,336,664	-
Investments	15,284,234	-	11,142,978	-
Endowment investments	749,353	8,414,597	699,432	7,122,220
Contributions receivable, net	-	153,627	-	104,426
Accounts receivable, net of current portion	424,805	-	408,721	-
Loans receivable, net of current portion	1,962,680	-	1,937,582	-
Capital assets, net	103,169,734	4,771,627	66,192,103	4,815,752
Other noncurrent assets	<u>7,102</u>	<u>155,104</u>	<u>177,185</u>	<u>153,737</u>
Total noncurrent assets	<u>134,714,556</u>	<u>13,494,955</u>	<u>95,894,665</u>	<u>12,196,135</u>
Total assets	<u>156,383,743</u>	<u>19,362,292</u>	<u>125,567,471</u>	<u>18,903,919</u>

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

STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2012 AND 2011

**PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY**

LIABILITIES	<u>2012</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2012</u>	<u>2011</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2011</u>
<u>Current Liabilities</u>				
Interagency payables - current portion	\$ 1,323,735	\$ -	\$ 1,146,738	\$ -
Accounts payable and accrued liabilities	3,335,788	72,033	2,488,414	80,981
Accounts payable - construction	2,722,077	-	2,495,246	-
Accrued workers' compensation - current portion	133,668	-	148,183	-
Compensated absences - current portion	2,584,870	-	2,664,148	-
Faculty payroll accrual	2,840,378	-	2,624,441	-
Revenue received in advance	1,404,623	65,224	1,642,678	22,405
Capital leases - current portion	-	-	166,275	-
Long-term debt - current portion	-	154,816	-	150,153
Deposits	292,725	-	259,160	-
Bank line of credit	-	-	-	-
Other current liabilities	<u>148,296</u>	<u>-</u>	<u>182,007</u>	<u>-</u>
Total current liabilities	<u>14,786,160</u>	<u>292,073</u>	<u>13,817,290</u>	<u>253,539</u>
<u>Noncurrent Liabilities</u>				
Interagency payables, net of current portion	30,252,903	-	24,553,224	-
Accrued workers' compensation, net of current portion	544,849	-	604,015	-
Compensated absences, net of current portion	1,625,283	-	1,709,652	-
Rebate payable	-	-	17,993	-
Capital leases, net of current portion	-	-	231,978	-
Long-term debt, net of current portion	-	3,497,560	-	3,653,458
Loan payable - federal financial assistance programs	<u>1,902,808</u>	<u>-</u>	<u>1,882,087</u>	<u>-</u>
Total noncurrent liabilities	<u>34,325,843</u>	<u>3,497,560</u>	<u>28,998,949</u>	<u>3,653,458</u>
Total liabilities	<u>49,112,003</u>	<u>3,789,633</u>	<u>42,816,239</u>	<u>3,906,997</u>
DEFERRED INFLOWS OF RESOURCES				
Service concession arrangement	<u>2,419,630</u>	<u>-</u>	<u>2,621,266</u>	<u>-</u>
Total deferred inflows of resources	<u>2,419,630</u>	<u>-</u>	<u>2,621,266</u>	<u>-</u>

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

STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NET POSITION	<u>2012</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2012</u>	<u>2011</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2011</u>
Net investment in capital assets	\$ 72,858,018	\$ 1,119,251	\$ 52,186,987	\$ 1,012,141
Restricted for:				
Non-expendable				
Scholarships and fellowships	448,121	4,219,397	458,004	4,078,595
Cultural programs	-	2,612,069	-	2,563,762
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	84,931	-	80,095
Expendable				
Scholarships and fellowships	452,425	1,684,771	428,682	1,632,517
Cultural programs	-	1,172,367	-	1,090,192
Loans	259,783	-	256,995	-
Capital projects	8,723,917	-	491,442	-
Debt service	2,470,739	-	4,950,776	-
Other	930	266,100	930	327,139
Unrestricted	<u>19,638,177</u>	<u>2,820,799</u>	<u>21,356,150</u>	<u>2,619,507</u>
Total net position	<u>\$ 104,852,110</u>	<u>\$ 15,572,659</u>	<u>\$ 80,129,966</u>	<u>\$ 14,996,922</u>

FITCHBURG STATE UNIVERSITY

(a department of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2012 AND 2011

		Component Unit Fitchburg State University Foundation, Inc.		Component Unit Fitchburg State University Foundation, Inc.
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
<u>OPERATING REVENUES</u>				
Student tuition and fees	\$ 34,957,350	\$ -	\$ 34,909,405	\$ -
Student fees restricted for repayment of Interagency payables	2,278,715	-	1,453,795	-
Less: Scholarship allowances	(6,555,554)	-	(6,377,904)	-
Net student tuition and fees	30,680,511	-	29,985,296	-
Federal grants and contracts	5,953,575	-	6,282,893	-
State and local grants and contracts	276,885	47,836	88,284	44,036
Stimulus grants	210,343	-	3,098,023	-
Nongovernmental grants and contracts	247,111	-	244,867	-
Sales and services of educational departments	1,188,283	616,283	1,457,855	654,575
Gifts and contributions	-	3,451,722	-	3,313,136
Auxiliary enterprises:				
Residential life	8,086,217	198,537	8,010,522	200,120
Alcohol awareness and other programs	31,360	-	32,400	-
Other operating revenues	<u>686,557</u>	<u>4,836</u>	<u>712,028</u>	<u>6,909</u>
Total operating revenues	<u>47,360,842</u>	<u>4,319,214</u>	<u>49,912,168</u>	<u>4,218,776</u>
<u>OPERATING EXPENSES</u>				
Educational and general:				
Instruction	28,023,197	2,915,898	27,138,609	2,896,430
Research	35,654	-	68,156	-
Public service	469,699	191,187	456,372	237,621
Academic support	4,761,045	20,782	4,806,942	13,985
Student services	8,598,075	135,624	8,030,813	127,590
Institutional support	6,866,058	339,698	6,767,632	313,982
Operations and maintenance of plant	11,444,608	45,019	10,881,270	69,092
Depreciation and amortization	4,269,822	104,910	4,241,022	101,729
Scholarships and awards	1,518,783	228,509	1,618,980	228,695
Auxiliary enterprises:				
Residential life	8,431,071	55,733	8,018,729	46,399
Alcohol awareness and other programs	<u>28,502</u>	<u>-</u>	<u>30,185</u>	<u>-</u>
Total operating expenses	<u>74,446,514</u>	<u>4,037,360</u>	<u>72,058,710</u>	<u>4,035,523</u>
Operating income (loss)	(27,085,672)	<u>281,854</u>	(22,146,542)	<u>183,253</u>

FITCHBURG STATE UNIVERSITY

(a department of the Commonwealth of Massachusetts)

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

YEARS ENDED JUNE 30, 2012 AND 2011

		Component Unit Fitchburg State University Foundation, Inc.		Component Unit Fitchburg State University Foundation, Inc.
<u>NONOPERATING REVENUES (EXPENSES)</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
State appropriations	\$ 29,797,174	\$ -	\$ 29,332,885	\$ -
Gifts	75	-	2,740	-
Investment income (loss), net of investment expense	509,941	116,770	1,008,505	437,376
Investment income (loss) on restricted assets	101,431	305,286	114,426	1,099,417
Interest expense on Interagency payables and capital asset related debt	(254,909)	(197,369)	(583,060)	(228,580)
Net nonoperating revenues before capital and endowment additions	<u>30,153,712</u>	<u>224,687</u>	<u>29,875,496</u>	<u>1,308,213</u>
<u>INCOME BEFORE CAPITAL AND ENDOWMENT ADDITIONS</u>	<u>3,068,040</u>	<u>506,541</u>	<u>7,728,954</u>	<u>1,491,466</u>
State capital appropriations	6,768,104	-	140,046	-
Capital grants	15,135,437	-	5,319,402	-
Transfers (to)/from state agencies	(249,437)	-	-	-
Private gifts for endowment purposes	-	69,196	-	150,716
Total capital and endowment additions	<u>21,654,104</u>	<u>69,196</u>	<u>5,459,448</u>	<u>150,716</u>
<u>INCREASE (DECREASE) IN NET POSITION</u>	<u>24,722,144</u>	<u>575,737</u>	<u>13,188,402</u>	<u>1,642,182</u>
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>80,129,966</u>	<u>14,996,922</u>	<u>66,941,564</u>	<u>13,354,740</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$ 104,852,110</u>	<u>\$ 15,572,659</u>	<u>\$ 80,129,966</u>	<u>\$ 14,996,922</u>

FITCHBURG STATE UNIVERSITY

(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>2012</u>	<u>2011</u>
Tuition and fees	\$ 30,922,198	\$ 29,920,906
Research grants and contracts	5,983,030	6,545,425
Stimulus funds	537,717	3,147,054
Payments to suppliers	(16,529,167)	(17,001,488)
Payments to utilities	(4,464,061)	(4,075,803)
Payments to employees	(36,191,851)	(34,404,372)
Payments for benefits	(2,643,013)	(2,449,114)
Payments for scholarships	(1,557,085)	(1,653,433)
Loans issued to students	(296,504)	(281,579)
Collection of loans to students	252,099	250,169
Auxiliary enterprise receipts:		
Residential life	8,091,540	8,022,787
Alcohol awareness program	31,360	32,400
Receipts from sales and services of educational departments	1,188,968	2,133,342
Other payments	(145)	(64,703)
Other receipts	<u>683,743</u>	<u>708,171</u>
 Net cash provided by (used in) operating activities	 (13,991,171)	 (9,170,238)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	23,467,647	24,314,689
Tuition remitted to State	(1,269,170)	(2,467,840)
Gifts from grants for other than capital purposes	<u>75</u>	<u>2,740</u>
 Net cash provided by (used in) noncapital financing activities	 <u>22,198,552</u>	 <u>21,849,589</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State capital appropriations	6,768,104	140,046
Loan programs net funds received	23,509	34,418
Capital grants	1,172,153	573,382
Interagency payable proceeds received	7,043,416	15,935,656
Payments for capital assets	(25,681,938)	(8,194,122)
Principal paid on capital debt and leases	(1,457,350)	(981,453)
Interest paid on Interagency payables and capital leases	(815,226)	(507,920)
Bond issuance costs	(43,416)	(178,440)
Transfers to other state agencies	(249,437)	-
Refund of arbitrage account	<u>17,998</u>	<u>-</u>
 Net cash provided by (used in) capital and related financing activities	 (13,222,187)	 <u>6,821,567</u>

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

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

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

CASH FLOWS FROM INVESTING ACTIVITIES

	<u>2012</u>	<u>2011</u>
Purchase of investments	(\$ 17,173,199)	(\$ 575,000)
Proceeds from sale of investments	13,340,503	575,000
Earnings on investments	<u>329,341</u>	<u>294,358</u>
Net cash provided by (used in) investing activities	(3,503,355)	294,358
Net increase (decrease) in cash and cash equivalents	(8,518,161)	19,795,276
Cash and cash equivalents - beginning of year	<u>41,685,666</u>	<u>21,890,390</u>
Cash and cash equivalents - end of year	<u>\$ 33,167,505</u>	<u>\$ 41,685,666</u>

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

Operating loss	(\$ 27,085,672)	(\$ 22,146,542)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Bad debt expense	84,899	47,067
Depreciation and amortization	4,269,822	4,241,022
Miscellaneous other	44,324	-
Fringe benefits paid by the Commonwealth of Massachusetts	7,592,339	7,486,036
Changes in assets and liabilities:		
Receivables	318,582	162,305
Other current and noncurrent assets	350,088	207,012
Accounts payable and accrued liabilities	736,942	(96,610)
Accrued workers' compensation	(73,681)	91,093
Compensated absences	(163,647)	358,761
Accrued faculty payroll	215,937	135,887
Revenue received in advance	(238,054)	439,468
Other current liabilities	(33,710)	(4,014)
Deposits	33,565	(60,690)
Loans to students	(42,905)	(31,033)
Net cash used in operating activities	<u>(\$ 13,991,171)</u>	<u>(\$ 9,170,238)</u>

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

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

	<u>2012</u>	<u>2011</u>
Acquisition of capital assets	\$ 41,247,453	\$ 15,046,875
Accounts payable thereon:		
Beginning of year	2,495,246	516,138
End of year	(2,722,077)	(2,495,246)
Capital grants from DCAM	(14,781,397)	(4,873,645)
Net interest earned and incurred, capitalized in construction in progress	(557,287)	-
 Payments for capital assets	 <u>\$ 25,681,938</u>	 <u>\$ 8,194,122</u>
 Unrealized gain (loss) on investments	 <u>\$ 358,481</u>	 <u>\$ 738,899</u>
 Fringe benefits paid by the Commonwealth of Massachusetts	 <u>\$ 7,592,339</u>	 <u>\$ 7,486,036</u>
 Capital grants - amortization of deferred inflows of resources - service concession arrangement	 <u>\$ 201,636</u>	 <u>\$ 172,374</u>

RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 14,861,891	\$ 22,481,590
Restricted cash and cash equivalents	5,188,966	3,867,412
Noncurrent assets:		
Restricted cash and cash equivalents	<u>13,116,648</u>	<u>15,336,664</u>
 Total cash and cash equivalents	 <u>\$ 33,167,505</u>	 <u>\$ 41,685,666</u>

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.

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

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. During fiscal 2011, the Commonwealth of Massachusetts approved a name change from Fitchburg State College Foundation, Inc. to Fitchburg State University Foundation, Inc. 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. The University provides, at no cost, certain administrative services to the Foundation.

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. During fiscal 2011, the Commonwealth of Massachusetts approved a name change from FSC Foundation Supporting Organization, Inc. to FSU Foundation Supporting Organization, Inc. 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, 2012, has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and the

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Summary of significant accounting policies - continued

Organization - continued

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 the year ended June 30, 2012, FSU Foundation distributed a net amount of \$357,102 to the University for both restricted and unrestricted purposes. During 2012, FSU Foundation distributed scholarships and awards in the amount of \$228,509 directly to students and faculty of the University, and incurred an additional \$3,649,118 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 the year ended June 30, 2011, FSU Foundation distributed a net amount of \$355,744 to the University for both restricted and unrestricted purposes. During 2011, FSU Foundation distributed scholarships and awards in the amount of \$228,695 directly to students and faculty of the University, and incurred an additional \$3,679,664 in support of its mission in other ways.

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.

I. Summary of significant accounting policies - continued

Basis of presentation - continued

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 four 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.
- **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.

1. Summary of significant accounting policies - continued**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. Investments also include pooled investment funds with Commonfund at June 30, 2011 which are valued at fair value based upon estimated net asset values provided by the management of Commonfund. These pooled investment funds are primarily invested in marketable debt and equity securities. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets.

Dividends, interest and net gains or losses on investments are reported in the Statements of Revenues, Expenses and Changes in Net 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, 2012 and 2011, the University had \$405,660 and \$395,530, respectively, in endowment income available for authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

Massachusetts General Law, Chapter 15 grants authority to the University 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.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

1. Summary of significant accounting policies - continued

Cash and cash equivalents and investments - continued

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 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 \$31,109 and \$22,272 for the years ended June 30, 2012 and 2011. The Foundation's investment expense amounted to \$78,095 and \$42,923 for the years ended June 30, 2012 and 2011, 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 support these programs. Loan payments received from students made under the Perkins and NSL programs may be re-loaned

1. Summary of significant accounting policies - continued

Loans receivable and payable - continued

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 \$1,521,862 and \$1,511,094 for Perkins and \$380,946 and \$370,993 for NSL at June 30, 2012 and 2011, 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. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The 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.

1. Summary of significant accounting policies - continued

Capital assets - continued

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, 2012 and 2011 were \$4,936,561 and \$4,704,606, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**YEARS ENDED JUNE 30, 2012 AND 2011****1. Summary of significant accounting policies - continued****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, 2012 and 2011.

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 2012 and 2011, total interest costs incurred were accounted for as follows:

	<u>2012</u>	<u>2011</u>
Total interest costs incurred	\$ 937,831	\$ 600,446
Less: Interest income on unused funds from tax exempt borrowings	-	-
Rebate payable increase (decrease)	(17,993)	28
Bond premium amortization	(107,642)	(17,414)
	812,196	583,060
Less: Capitalized portion of net interest earned and incurred	(557,287)	-
Interest expense	<u>\$ 254,909</u>	<u>\$ 583,060</u>

1. Summary of significant accounting policies - continued

Fringe benefits

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

Tax status

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

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

Recent accounting pronouncements

Recently adopted accounting pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that (i) reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources; or (ii) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. GASB Statement No. 65 is effective for financial statements for periods beginning after December 15, 2012. The University elected to early adopt the requirements of this Statement in fiscal 2012. The effect of adopting this Statement on prior years was not material to the University's financial statements. Accordingly, the prior period presented has not been restated. Instead, an adjustment for the effect on prior periods has been included as an increase in expenses in the accompanying 2012 statement of revenues, expenses and changes in net position. In addition, the effect of adopting GASB Statement No. 65 in the current fiscal year was not material.

FITCHBURG STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Summary of significant accounting policies - continued

Recent accounting pronouncements - continued

Recent accounting pronouncements not yet adopted

In November, 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement also amends the criteria and adds new criteria related to requirements for blending of component units in certain circumstances. In addition, the Statement clarifies the reporting of equity interests in legally separate organizations. GASB Statement No. 61 is effective for financial statements for periods beginning after June 15, 2012. Management has not yet determined the impact on the University's financial statements that will result from the adoption of this Statement in fiscal 2013.

In June, 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The requirements of GASB Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2014 with earlier application encouraged. The University is currently evaluating the impact of this GASB Statement on its fiscal year 2015 financial statements.

2. Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2012 and 2011:

	<u>2012</u>		
	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Noncurrent Restricted</u>
Cash and money market accounts	\$ 3,927,038	\$ 271,537	\$ 38,610
Cash equivalents held by MDFA *	-	200,796	398,578
Cash equivalents held by MSCBA ***	-	2,382,741	11,369,112
Massachusetts Municipal Depository Trust	8,744,777	1,801,216	1,310,348
Massachusetts State Treasurer **	2,189,281	532,676	-
Petty cash	<u>795</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,861,891</u>	<u>\$ 5,188,966</u>	<u>\$ 13,116,648</u>

FITCHBURG STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

**PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY**

2. Cash and cash equivalents, and investments - continued

	2011		
	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Noncurrent Restricted</u>
Cash and money market accounts	\$ 1,966,465	\$ 238,370	\$ 41,463
Cash equivalents held by MDFA *	-	195,091	414,106
Cash and cash equivalents held by MSCBA ***	-	1,271,600	13,686,794
Massachusetts Municipal Depository Trust	18,839,560	1,961,717	466,488
Massachusetts State Treasurer **	1,674,770	200,634	727,813
Petty cash	<u>795</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,481,590</u>	<u>\$ 3,867,412</u>	<u>\$ 15,336,664</u>

* 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 13). 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 \$2,189,281 and \$1,674,770 at June 30, 2012 and 2011, respectively, for University funds and \$532,676 and \$200,634 at June 30, 2012 and 2011, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year end. At June 30, 2011, cash held for the benefit of the University by the State Treasurer also includes other restricted funds in the amount of \$727,813.

*** 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 13). 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 \$412,281 at June 30, 2012. 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, 2012, the fund's investment securities had a weighted average maturity of 48 days. The fund was not rated for average credit quality at June 30, 2012.

Money market funds include the Dreyfus Cash Management Fund Institutional Class in the aggregate amount of \$429,465 at June 30, 2012. 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'

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES

2. Cash and cash equivalents, and investments - continued

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, 2012, the fund's investment securities had a weighted average maturity of 41 days. The fund had an average credit quality rating of AAAM at June 30, 2012.

Money market funds include the Northern Institutional Diversified Assets Portfolio in the aggregate amount of \$231,481 at June 30, 2012. 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, 2012, the fund's investment securities had a weighted average maturity of 49 days. The fund was not rated for average credit quality at June 30, 2012.

Money market funds include the JPMorgan Prime Money Market Fund in the aggregate amount of \$879,048 at June 30, 2011. The JPMorgan Prime Money Market Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, repurchase agreements and reverse repurchase agreements, taxable municipal obligations and funding agreements issued by banks and highly rated U.S. insurance companies. The fund aims to provide the highest possible level of current income while still maintaining liquidity and preserving capital. At June 30, 2011, the fund's investment securities had a weighted average maturity of 43 days. The fund had an average credit quality rating of AAAM at June 30, 2011.

Money market funds include the State Street Institutional Liquid Reserves Fund in the aggregate amount of \$879,225 at June 30, 2011. The State Street Institutional Liquid Reserves Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, variable and floating rate notes and repurchase agreements. The fund seeks to maximize current income to the extent consistent with preservation of capital and liquidity and the maintenance of a stable \$1.00 per share net asset value, by investing in U.S. dollar-denominated money market securities. At June 30, 2011, the fund's investment securities had a weighted average maturity of 33 days. The fund had an average credit quality rating of AAAM at June 30, 2011.

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.

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

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. As of June 30, 2012 and 2011, all of the University's bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits are fully collateralized under an agreement with Sovereign Bank.

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, 2012 and 2011, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$11,856,341 and \$21,267,765, respectively. At June 30, 2012, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 37% at 30 days or less; 30% at 31-90 days; 21% at 91-180 days; and 12% at 181 - 397 days. At June 30, 2012, approximately 91% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 9% 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 \$599,374 and \$609,197 at June 30, 2012 and 2011, 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 June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, the fund's investment securities maintain a weighted average maturity of 52 and 57 days, respectively.

FITCHBURG STATE UNIVERSITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

2. Cash and cash equivalents, and investments - continued

Credit risk - continued

At June 30, 2012, certain of the University's funds are held at MSCBA. Of the total, \$9,200,398 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$4,551,455 is invested in various funds as listed below:

<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>	
Federal Home Loan						
Banks discount notes	\$ 283,739	\$ 283,739	\$ -	\$ -	\$ -	AAA
Massachusetts ST Bonds	1,449,777	-	-	485,614	964,163	AAA
Commercial Paper (GE Cap. Corp.)	<u>2,817,939</u>	<u>2,817,939</u>	-	-	-	P-1
Total	<u>\$4,551,455</u>	<u>\$3,101,678</u>	<u>\$ -</u>	<u>\$ 485,614</u>	<u>\$ 964,163</u>	

At June 30, 2011, certain of the University's funds are held at MSCBA. Of the total, \$12,975,441 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$1,982,953 is invested in various funds as listed below:

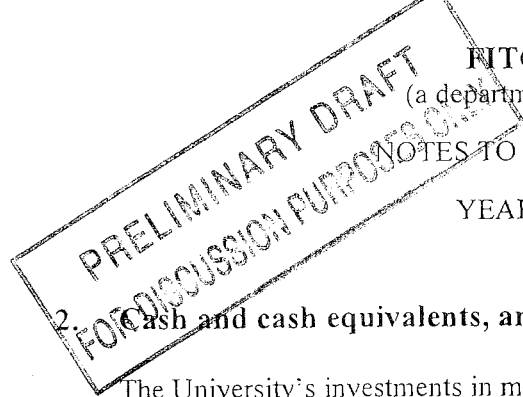
<u>Investment Type</u>	<u>Investment Maturities (in years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
Fannie Mae Corporation discount note	\$ 388,335	\$ 388,335	\$ -	\$ -	\$ -	AAA
Federal Home Loan						
Banks discount note	144,841	144,841	-	-	-	AAA
Massachusetts ST Bonds	485,614	-	-	485,614	-	AAA
Massachusetts ST Bonds	<u>964,163</u>	-	-	-	<u>964,163</u>	AAA
Total	<u>\$1,982,953</u>	<u>\$ 533,176</u>	<u>\$ -</u>	<u>\$ 485,614</u>	<u>\$ 964,163</u>	

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011



2. Cash and cash equivalents, and investments - continued

The University's investments in marketable securities are represented by the following at June 30, 2012:

	<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>
<u>Noncurrent:</u>		
U.S. Treasury Notes and Government Securities	\$ 978,593	\$ 977,054
Corporate Debt Securities	2,127,725	2,128,344
Equity Securities	4,723,558	4,810,925
Mutual Funds	<u>8,111,935</u>	<u>8,117,264</u>
	<u>\$ 15,941,811</u>	<u>\$ 16,033,587</u>

The University's investments are represented by the following at June 30, 2011:

	<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>
<u>Noncurrent:</u>		
Commonfund (pooled investment funds):		
Intermediate Term Fund	\$ 1,850,648	\$ 1,800,504
Multi-Strategy Equity Fund	3,000,000	3,074,307
High Quality Bond Fund	6,646,563	6,928,538
Bank of America Corporation common stock (3,564 shares)	<u>7,257</u>	<u>39,061</u>
	<u>\$ 11,504,468</u>	<u>\$ 11,842,410</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

2. Cash and cash equivalents, and investments - continued

At June 30, 2012, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
U.S. Treasury Notes and Government Securities 2.000% to 3.500%	\$ 977,054	\$ -	\$ 840,667	\$ 136,387	\$ -	AA+
Corporate Debt Securities 3.625% to 4.300%	135,866	-	-	135,866	-	AA
Corporate Debt Securities 1.625% to 4.650%	445,698	75,803	240,363	129,532	-	AA+
Corporate Debt Securities 1.750% to 3.000%	60,486	-	60,486	-	-	AA-
Corporate Debt Securities 1.375% to 6.000%	774,046	66,410	571,076	136,560	-	A
Corporate Debt Securities 1.875% to 5.625%	325,313	-	257,681	67,632	-	A+
Corporate Debt Securities 2.300% to 5.700%	<u>386,935</u>	<u>-</u>	<u>254,333</u>	<u>132,602</u>	<u>-</u>	A-
Total	<u>\$ 3,105,398</u>	<u>\$ 142,213</u>	<u>\$2,224,606</u>	<u>\$ 738,579</u>	<u>\$ -</u>	

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

	<u>2012</u>	<u>2011</u>
Investments	\$ 15,284,234	\$ 11,142,978
Endowment investments	<u>749,353</u>	<u>699,432</u>
	<u>\$ 16,033,587</u>	<u>\$ 11,842,410</u>

The Intermediate Term Fund invests in high-quality fixed income securities with maturities generally ranging from 1-3 years. The fund may, however, invest in high-quality fixed income securities with maturities ranging from one day to 30 years. The fund's objective is to exceed the performance of the Merrill Lynch 1-3 Year Treasury Index. At June 30, 2011, the fund's investment securities had a weighted average life of 2.9 years and an effective duration of 1.6 years. The fund had an average credit quality rating of AA as of June 30, 2011.

FITCHBURG STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

2. Cash and cash equivalents, and investments - continued

The Multi-Strategy Equity Fund invests in equity securities across strategies in proportions that are considered to be optimal for a fully diversified equity portfolio. The fund's objective is to add value over long time periods, above the return of the U.S. equity market as measured by the Standard & Poor's 500 Index.

The High Quality Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The fund's assets are primarily invested in U.S. government agency securities, mortgages, corporate bonds and commercial mortgage backed securities. The fund's objective is to exceed the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index. As of June 30, 2011, the fund's investment securities had a weighted average life of 9.5 years and an effective duration of 4.3 years. The fund had an average credit quality rating of AA as of June 30, 2011.

FSU Foundation's cash and cash equivalents consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cash and other demand deposits	\$ 987,961	\$ 1,886,488
Money Market Funds	<u>1,427,061</u>	<u>384,054</u>
	<u>\$ 2,415,022</u>	<u>\$ 2,270,542</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 and the Fidelity Bank LifeDesign Business Cash Management Money Market account in the amounts of \$176,183, \$18,726, \$229,444, and \$1,002,708 at June 30, 2012 and \$154,884, \$31,140, \$198,030, and \$0 at June 30, 2011, respectively.

The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Included in cash and equivalents at June 30, 2012 are overnight repurchase agreements in the amounts of \$666,004 and \$163,488 each at an interest rate of .11% per annum. Included in cash and equivalents at June 30, 2011 are overnight repurchase agreements in the amounts of \$1,624,569 and \$124,540 each at an interest rate of .15% per annum. At June 30, 2012 and 2011, overnight repurchase agreements were fully collateralized under an agreement between Sovereign Bank and the University. At June 30, 2012 and 2011, 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, and Fidelity Bank LifeDesign Business Cash Management Money Market account, amounted to \$1,427,061 and \$384,054, respectively.

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

During the first half of fiscal 2011, FSU Foundation liquidated all of its investments held by Commonfund, with the exception of Commonfund Realty Investors, LLC, and transferred the proceeds to three new professional investment management firms.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

2. Cash and cash equivalents, and investments - continued

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

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 5,117,423	\$ 5,718,022	\$ 4,503,714	\$ 4,833,905
Preferred stock	241,230	252,630	201,927	203,862
Mutual funds	2,756,745	2,718,124	2,681,710	2,775,217
Corporate bonds	1,326,493	1,353,076	907,401	900,809
U.S. government securities	1,516,359	1,521,708	1,406,291	1,404,654
Commonfund Realty Investors, LLC	-	-	-	-
	<u>\$ 10,958,250</u>	<u>\$ 11,563,560</u>	<u>\$ 9,701,043</u>	<u>\$10,118,447</u>

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

	<u>2012</u>	<u>2011</u>
Current assets:		
Investments	\$ 3,148,963	\$ 2,996,227
Noncurrent assets:		
Investments	-	-
Endowment investments	<u>8,414,597</u>	<u>7,122,220</u>
	<u>\$ 11,563,560</u>	<u>\$ 10,118,447</u>

At June 30, 2012, net unrealized gains in FSU Foundation's investment portfolio amounted to \$605,310. At June 30, 2011, net unrealized gains in FSU Foundation's investment portfolio amounted to \$417,404.

At June 30, 2012 and 2011, respectively, equities include securities in the consumer goods sector which represent 13% of the fair value of FSU Foundation's investment portfolio.

At June 30, 2012 and 2011, 8% and 9%, respectively, of the fair value of FSU Foundation's investment portfolio represents foreign investments.

Investments held by FSU Foundation with an equivalent fair value of \$1,907,000 at June 30, 2012 collateralize certain debt agreements (see Notes 14 and 15).

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

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PRELIMINARY DRAFT
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2. Cash and cash equivalents, and investments - continued

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 markets. In the opinion of management of FSU Foundation, the decline in fair value of this investment was considered to be other-than-temporary.

At June 30, 2012, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

	Maturity				
	<u>Within 1 year</u>	<u>1 - 5 Years</u>	<u>5-10 Years</u>	<u>More Than 10 Years</u>	<u>Total</u>
Corporate bonds	\$ 31,123	\$ 1,023,533	\$ 298,420	\$ -	\$ 1,353,076
U.S. government securities	<u>275,981</u>	<u>1,139,751</u>	<u>105,976</u>	<u>-</u>	<u>1,521,708</u>
	<u>\$ 307,104</u>	<u>\$ 2,163,284</u>	<u>\$ 404,396</u>	<u>\$ -</u>	<u>\$ 2,874,784</u>

The following table presents the gross unrealized losses and fair values of the FSU Foundation's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2012.

<u>Description of Investments</u>	<u>Less than 12 months</u>		<u>12 months or greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equities	\$ 1,231,326	\$ 187,535	\$ 401,306	\$ 101,798	\$ 1,632,632	\$ 289,333
Preferred stocks	24,490	37	12,595	261	37,085	298
Mutual funds	1,247,510	76,652	382,160	23,874	1,629,670	100,526
Corporate bonds	87,394	1,767	278,016	8,631	365,410	10,398
U.S. government securities	<u>218,528</u>	<u>4,593</u>	<u>448,403</u>	<u>13,658</u>	<u>666,931</u>	<u>18,251</u>
Total	<u>\$ 2,809,248</u>	<u>\$ 270,584</u>	<u>\$ 1,522,480</u>	<u>\$ 148,222</u>	<u>\$ 4,331,728</u>	<u>\$ 418,806</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

2. Cash and cash equivalents, and investments - continued

The following table presents the gross unrealized losses and fair values of FSU Foundation's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2011.

<u>Description of Investments</u>	<u>Less than 12 months</u>		<u>12 months or greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equities	\$ 1,011,122	\$ 60,586	\$ -	\$ -	\$ 1,011,122	\$ 60,586
Preferred stocks	59,968	254	-	-	59,968	254
Mutual funds	532,545	11,618	-	-	532,545	11,618
Corporate bonds	672,487	9,625	-	-	672,487	9,625
U.S. government securities	<u>592,793</u>	<u>7,208</u>	<u>-</u>	<u>-</u>	<u>592,793</u>	<u>7,208</u>
Total	<u>\$ 2,868,915</u>	<u>\$ 89,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,868,915</u>	<u>\$ 89,291</u>

Equities and preferred stocks

FSU Foundation has ninety-seven investments in equities of which thirty-three were in an unrealized loss position at June 30, 2012. FSU Foundation also has nineteen investments in preferred stocks of which three were in an unrealized loss position at June 30, 2012. The fluctuation in the equity securities and preferred stocks reflects general economic conditions and current changes in the industries of the companies in which the securities are held. FSU Foundation has evaluated the severity and duration of the impairments. Based on that evaluation and FSU Foundation's ability and intent to hold these investments for a reasonable period of time sufficient for a recovery of fair value, FSU Foundation does not consider these investments to be other-than-temporarily impaired at June 30, 2012.

Mutual funds

FSU Foundation has twenty mutual fund investments of which eleven are in an unrealized loss position at June 30, 2012. The mutual funds are invested in equities and debt securities of companies in diverse industries and reflect current general economic conditions. FSU Foundation has evaluated the severity and duration of the impairments. Based on that evaluation and FSU Foundation's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, FSU Foundation does not consider these investments to be other-than-temporarily impaired at June 30, 2012.

Corporate bonds

At June 30, 2012, FSU Foundation's investments in corporate debt securities were in the form of interest bearing securities of top-rated corporate issuers. FSU Foundation has forty-four corporate debt security investments of which fourteen are in an unrealized loss position at June 30, 2012. The securities in an unrealized loss position are comprised of fixed-rate debt securities of varying maturities. The value of fixed income securities is sensitive to interest rate fluctuations and the credit rating of the issuer.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

2. Cash and cash equivalents, and investments - continued

Corporate bonds - continued

There have been no indications of default on interest or principal payments by the issuers. FSU Foundation does not intend to sell nor does it believe it would be required to sell the corporate bonds before their anticipated market value recovery. Accordingly, FSU Foundation does not consider these investments to be other-than-temporarily impaired at June 30, 2012.

U.S. government obligations

FSU Foundation has twenty U.S. government investment securities at June 30, 2012, of which eleven were in an unrealized loss position as a result of interest rate fluctuations. The contractual terms of the investments do not allow the issuer to settle the securities at a price less than the amortized cost of the investment. FSU Foundation does not intend to sell nor does it believe it would be required to sell these investment securities before their anticipated market value recovery. Accordingly, FSU Foundation does not consider the investments to be other-than-temporarily impaired at June 30, 2012.

Investment securities and real estate investments are exposed to various risks, such as interest rate, market, and credit risks. Real estate investments are exposed to additional risks based on investment concentrations by specific property type and geographic area. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the University's and FSU Foundation's investment account balances.

3. Accounts and contributions receivable

The University's accounts receivable include the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Student accounts receivable	\$ 1,338,026	\$ 1,441,540
Parking and other fines receivable	103,868	114,395
Commissions receivable	34,000	147,434
Grants receivable (see Note 26)	234,871	407,713
Compass receivable, including accrued interest of \$16,084 and \$58,724 (see Note 11)	424,805	1,589,146
Miscellaneous other receivable	<u>12,512</u>	<u>6,881</u>
	2,148,082	3,707,109
Less allowance for doubtful accounts	(234,614)	(252,630)
	<u>\$ 1,913,468</u>	<u>\$ 3,454,479</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

3. Accounts and contributions receivable - continued

FSU Foundation's contributions receivable consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 193,290	\$ 1,406,930
Receivable in one to five years	155,525	102,350
Receivable in one to five years	<u>2,000</u>	<u>3,000</u>
	350,815	1,512,280
Discount on pledges	(7,015)	(11,415)
	<u>\$ 343,800</u>	<u>\$ 1,500,865</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 3.5%.

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

	<u>2012</u>	<u>2011</u>
Measured at fair value	\$ 338,415	\$ 382,835
Measured at net realizable value	<u>5,385</u>	<u>1,118,030</u>
	<u>\$ 343,800</u>	<u>\$ 1,500,865</u>

4. Loans receivable

Loans receivable include the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Perkins loans receivable	\$ 1,607,827	\$ 1,580,099
Nursing loans receivable	354,853	357,483
Emergency student loans receivable	<u>3,762</u>	<u>5,086</u>
	1,966,442	1,942,668
Less allowance for doubtful accounts	(1,356)	(897)
	<u>\$ 1,965,086</u>	<u>\$ 1,941,771</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

5. Capital assets

Capital assets activity of the University for the year ended June 30, 2012 is as follows:

Capital assets:	Totals June 30, 2011	Additions	Reclassifications* and Reductions	Totals June 30, 2012
<u>Non-depreciable capital assets</u>				
Land	\$ 5,130,841	\$ -	\$ -	\$ 5,130,841
Construction in progress	<u>11,305,864</u>	<u>36,883,503</u>	<u>(672,570)</u>	<u>47,516,797</u>
Total non-depreciable assets	<u>16,436,705</u>	<u>36,883,503</u>	<u>(672,570)</u>	<u>52,647,638</u>
<u>Depreciable capital assets</u>				
Land improvements	9,897,777	1,221,230	49,901	11,168,908
Buildings	44,491,325	-	-	44,491,325
Building improvements	37,869,570	2,674,990	622,669	41,167,229
Equipment	14,409,407	361,518	-	14,770,925
Furniture	597,676	-	-	597,676
Library materials	<u>341,394</u>	<u>106,212</u>	<u>(51,627)</u>	<u>395,979</u>
Total depreciable assets	<u>107,607,149</u>	<u>4,363,950</u>	<u>620,943</u>	<u>112,592,042</u>
Total capital assets	<u>124,043,854</u>	<u>41,247,453</u>	<u>(51,627)</u>	<u>165,239,680</u>
Less: accumulated depreciation				
Land improvements	2,001,795	526,667	-	2,528,462
Buildings	35,160,770	732,031	-	35,892,801
Building improvements	8,963,099	1,964,338	-	10,927,437
Equipment	11,469,286	862,592	-	12,331,878
Furniture	256,801	132,567	-	389,368
Library materials	<u>-</u>	<u>51,627</u>	<u>(51,627)</u>	<u>-</u>
Total accumulated depreciation	<u>57,851,751</u>	<u>4,269,822</u>	<u>(51,627)</u>	<u>62,069,946</u>
Capital assets, net	<u>\$ 66,192,103</u>	<u>\$ 36,977,631</u>	<u>\$ -</u>	<u>\$103,169,734</u>

As of June 30, 2012, capital assets of the University with a cost of approximately \$23,845,000 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, 2012.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

5. Capital assets - continued

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments were not material at June 30, 2012 and totaled approximately \$1,250,000 at June 30, 2011.

Capital assets activity of the University for the year ended June 30, 2011 is as follows:

Capital assets:	Totals		Reclassifications*	Totals
	<u>June 30, 2010</u>	<u>Additions</u>	<u>and</u>	<u>June 30, 2011</u>
			<u>Reductions</u>	
<u>Non-depreciable capital assets</u>				
Land	\$ 4,597,544	\$ 145,221	\$ 388,076	\$ 5,130,841
Construction in progress	<u>3,294,351</u>	<u>9,430,189</u>	<u>(1,418,676)</u>	<u>11,305,864</u>
Total non-depreciable assets	<u>7,891,895</u>	<u>9,575,410</u>	<u>(1,030,600)</u>	<u>16,436,705</u>
<u>Depreciable capital assets</u>				
Land improvements	9,774,974	122,803	-	9,897,777
Buildings	44,491,325	-	-	44,491,325
Building improvements	31,818,695	5,020,275	1,030,600	37,869,570
Equipment	14,135,610	273,797	-	14,409,407
Furniture	597,676	-	-	597,676
Library materials	<u>320,942</u>	<u>54,590</u>	<u>(34,138)</u>	<u>341,394</u>
Total depreciable assets	<u>101,139,222</u>	<u>5,471,465</u>	<u>996,462</u>	<u>107,607,149</u>
Total capital assets	<u>109,031,117</u>	<u>15,046,875</u>	<u>(34,138)</u>	<u>124,043,854</u>
Less: accumulated depreciation				
Land improvements	1,509,465	492,330	-	2,001,795
Buildings	34,232,098	928,672	-	35,160,770
Building improvements	7,269,548	1,693,551	-	8,963,099
Equipment	10,509,522	959,764	-	11,469,286
Furniture	124,234	132,567	-	256,801
Library materials	<u>-</u>	<u>34,138</u>	<u>(34,138)</u>	<u>-</u>
Total accumulated depreciation	<u>53,644,867</u>	<u>4,241,022</u>	<u>(34,138)</u>	<u>57,851,751</u>
Capital assets, net	<u>\$ 55,386,250</u>	<u>\$10,805,853</u>	<u>\$ -</u>	<u>\$ 66,192,103</u>

As of June 30, 2011, capital assets of the University with a cost of approximately \$20,661,000 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, 2011.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

5. Capital assets - continued

The University has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the University's financial statements for the years ended June 30, 2012 and 2011, respectively.

Capital assets activity of FSU Foundation for the year ended June 30, 2012 is as follows:

	Totals <u>June 30, 2011</u>	<u>Additions</u>	Reclassifications and <u>Reductions</u>	Totals <u>June 30, 2012</u>
Capital assets:				
Real estate under lease to the University:				
Land	\$ 402,663	\$ -	\$ -	\$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	<u>100,452</u>	<u>-</u>	<u>-</u>	<u>100,452</u>
	<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
Building	434,225	-	-	434,225
Building improvements	<u>28,600</u>	<u>-</u>	<u>-</u>	<u>28,600</u>
	<u>716,380</u>	<u>-</u>	<u>-</u>	<u>716,380</u>
Other:				
Land	1,610,041	57,315	-	1,667,356
Land improvements	61,899	-	-	61,899
Buildings	556,478	-	-	556,478
Building improvements	39,569	-	-	39,569
Equipment	438,530	-	-	438,530
Furniture and fixtures	22,287	-	-	22,287
Library materials	<u>6,570</u>	<u>-</u>	<u>-</u>	<u>6,570</u>
	<u>2,735,374</u>	<u>57,315</u>	<u>-</u>	<u>2,792,689</u>
Total capital assets	<u>5,512,593</u>	<u>57,315</u>	<u>-</u>	<u>5,569,908</u>
Less: accumulated depreciation				
Real estate under lease to the University:				
Land	-	-	-	-
Building	188,225	38,943	-	227,168
Building improvements	<u>20,927</u>	<u>5,023</u>	<u>-</u>	<u>25,950</u>
	<u>209,152</u>	<u>43,966</u>	<u>-</u>	<u>253,118</u>
Real estate used for student housing:				
Land	-	-	-	-
Building	44,327	10,856	-	55,183
Building improvements	<u>2,622</u>	<u>1,430</u>	<u>-</u>	<u>4,052</u>
	<u>46,949</u>	<u>12,286</u>	<u>-</u>	<u>59,235</u>

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YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
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5. Capital assets - continued

	<u>Totals</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reclassifications</u> <u>and</u> <u>Reductions</u>	<u>Totals</u> <u>June 30, 2012</u>
Other:				
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	38,945	3,095	-	42,040
Buildings	40,289	13,911	-	54,200
Building improvements	4,021	1,979	-	6,000
Equipment	350,449	21,705	-	372,154
Furniture and fixtures	5,065	3,184	-	8,249
Library materials	<u>1,971</u>	<u>1,314</u>	<u>-</u>	<u>3,285</u>
	<u>440,740</u>	<u>45,188</u>	<u>-</u>	<u>485,928</u>
 Total accumulated depreciation	 <u>696,841</u>	 <u>101,440</u>	 <u>-</u>	 <u>798,281</u>
 Capital assets, net	 <u>\$ 4,815,752</u>	 <u>(\$ 44,125)</u>	 <u>\$ -</u>	 <u>\$ 4,771,627</u>

Non-depreciable capital assets of FSU Foundation totaled \$2,323,574 at June 30, 2012 and consisted of land.

In fiscal 2012, the FSU Foundation acquired a property in close proximity to the Fitchburg State University campus consistent with the FSU Foundation's mission and the University's strategic plan which includes campus expansion and additional green space. The property, which included land and a building, was purchased for an aggregate cost of \$57,315. The University subsequently razed the building and created green space. The land is being held for future use and development to further enhance the resources available for the University and City communities.

At June 30, 2012, capital assets of FSU Foundation with a cost of approximately \$331,000 were fully depreciated and still in service.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

5. Capital assets - continued

Capital assets activity of FSU Foundation for the year ended June 30, 2011 is as follows:

Capital assets:	<u>Totals</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reclassifications</u> <u>and</u> <u>Reductions</u>	<u>Totals</u> <u>June 30, 2011</u>
Real estate under lease to the University:				
Land	\$ 402,663	\$ -	\$ -	\$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	<u>100,452</u>	<u>-</u>	<u>-</u>	<u>100,452</u>
	<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
Building	434,225	-	-	434,225
Building improvements	<u>28,600</u>	<u>-</u>	<u>-</u>	<u>28,600</u>
	<u>716,380</u>	<u>-</u>	<u>-</u>	<u>716,380</u>
Other:				
Land	1,733,311	-	(123,270)	1,610,041
Land improvements	61,899	-	-	61,899
Buildings	556,478	-	-	556,478
Building improvements	39,569	-	-	39,569
Equipment	403,453	35,077	-	438,530
Furniture and fixtures	22,287	-	-	22,287
Library materials	<u>6,570</u>	<u>-</u>	<u>-</u>	<u>6,570</u>
	<u>2,823,567</u>	<u>35,077</u>	<u>(123,270)</u>	<u>2,735,374</u>
Total capital assets	<u>5,600,786</u>	<u>35,077</u>	<u>(123,270)</u>	<u>5,512,593</u>

FITCHBURG STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

5. Capital assets - continued

	<u>Totals</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reclassifications</u> <u>and</u> <u>Reductions</u>	<u>Totals</u> <u>June 30, 2011</u>
Less: accumulated depreciation				
Real estate under lease to the University:				
Land	\$ -	\$ -	\$ -	\$ -
Building	149,282	38,943	-	188,225
Building improvements	<u>15,905</u>	<u>5,022</u>	<u>-</u>	<u>20,927</u>
	<u>165,187</u>	<u>43,965</u>	<u>-</u>	<u>209,152</u>
Real estate used for student housing:				
Land	-	-	-	-
Building	33,471	10,856	-	44,327
Building improvements	<u>1,191</u>	<u>1,431</u>	<u>-</u>	<u>2,622</u>
	<u>34,662</u>	<u>12,287</u>	<u>-</u>	<u>46,949</u>
Other:				
Land	-	-	-	-
Land improvements	35,850	3,095	-	38,945
Buildings	26,377	13,912	-	40,289
Building improvements	2,043	1,978	-	4,021
Equipment	331,923	18,526	-	350,449
Furniture and fixtures	1,882	3,183	-	5,065
Library materials	<u>657</u>	<u>1,314</u>	<u>-</u>	<u>1,971</u>
	<u>398,732</u>	<u>42,008</u>	<u>-</u>	<u>440,740</u>
Total accumulated depreciation	<u>598,581</u>	<u>98,260</u>	<u>-</u>	<u>696,841</u>
Capital assets, net	<u>\$ 5,002,205</u>	<u>(\$ 63,183)</u>	<u>(\$ 123,270)</u>	<u>\$ 4,815,752</u>

Non-depreciable capital assets of FSU Foundation totaled \$2,266,259 at June 30, 2011 and consisted of land.

During fiscal 2011, the FSU Foundation sold a property acquired in fiscal 2010 at a cost of \$123,270. 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 \$120,000 less closing costs of \$1,130. A loss of \$4,400 was recorded from the sale of the property.

As of June 30, 2011, capital assets of FSU Foundation with a cost of approximately \$331,000 were fully depreciated and still in service.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Accounts payable - trade	\$ 1,229,723	\$ 824,761
Salaries and fringe benefits payable	1,503,689	1,280,844
Accrued interest payable	248,734	132,481
Tuition due State	<u>353,642</u>	<u>250,328</u>
	<u>\$ 3,335,788</u>	<u>\$ 2,488,414</u>

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, 2012 and 2011. Based upon the Commonwealth's analyses, \$678,517 and \$752,198 of accrued workers' compensation has been recorded as a liability at June 30, 2012 and 2011, respectively.

8. Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Vacation time payable	\$ 1,943,664	\$ 2,101,884
Sick time payable	<u>2,266,489</u>	<u>2,271,916</u>
Total	<u>\$ 4,210,153</u>	<u>\$ 4,373,800</u>
Amount representing obligations due to employees funded through sources other than State appropriations	\$ 247,931	\$ 253,387
Amount representing obligations for employees compensated through State appropriations	<u>3,962,222</u>	<u>4,120,413</u>
Total	<u>\$ 4,210,153</u>	<u>\$ 4,373,800</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Accrued compensated absences - continued

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 \$23,600,399 and \$25,476,563 at June 30, 2012 and 2011, respectively. (See Note 1, Compensated absences).

9. Faculty payroll accrual

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Fitchburg State University pay all faculty over the twelve month period from September through August. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's State appropriation. The total amount due at June 30, 2012 of \$2,840,378 will be paid from the University's fiscal 2013 State appropriations. The total amount due at June 30, 2011 of \$2,624,441 was paid from the University's fiscal 2012 State appropriations.

10. Revenue received in advance

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

Revenue received in advance includes the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Tuition, fees and professional development	\$ 854,360	\$ 674,582
Grants	534,490	958,796
Other	<u>15,773</u>	<u>9,300</u>
	<u>\$ 1,404,623</u>	<u>\$ 1,642,678</u>

11. Deferred inflows of resources

Deferred inflows of resources at June 30, 2012 and 2011 in the amounts of \$2,419,630 and \$2,621,266, 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 ten 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 August 1, 2010 and provides for the extension of the arrangement to June 30, 2024 and payments to the University totaling \$2,000,000. 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; \$200,000 in fiscal 2016; \$50,000 in fiscal 2020; and \$50,000

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

11. Deferred inflows of resources - continued

in fiscal 2022. As of June 30, 2012, the University has received the first and second 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 \$1,200,000 from Compass in fiscal 2012 which was applied as follows: interest income - \$78,299; and a reduction of the account receivable - \$1,121,701. The University received \$300,000 from Compass in fiscal 2011 which was applied as follows: interest income - \$15,159; and a reduction of the accounts receivable - \$284,841. At June 30, 2012, the accompanying statement of net position includes a remaining receivable from Compass in the amount of \$424,805, which includes accrued interest receivable of \$16,084 (see Note 3). At June 30, 2011, the accompanying statement of net position includes a remaining accounts receivable from Compass in the amount of \$1,589,146, which includes accrued interest receivable of \$58,724 (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 \$201,636 and \$172,374, respectively, has been recognized in capital grants revenue in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2012 and 2011.

12. Capital lease obligations

During fiscal year 2001, the University acquired, through a capital lease arrangement, computer software and hardware for a student records system. Payments under the lease agreement were due each year on March 27 and September 27 for a ten year period commencing on March 27, 2001. The scheduled semi-annual payments were approximately \$334,000. In September 2004, \$255,920 remaining in the acquisition escrow upon completion of the project covered by this lease agreement was applied to the principal portion of the outstanding lease payments. The remaining lease payments were then recomputed based on the reduced principal balance. Commencing on March 27, 2005, the semi-annual lease payments were approximately \$308,000 for the remainder of the lease term. The University utilized an interest rate of 5.85% per year which was determined to be applicable at the inception of the lease. The lease was satisfied in full during fiscal 2011.

In June 2005, the University entered into a noncancellable capital lease for printing equipment. The lease had a term of five years and required monthly payments of \$913. The asset and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 5.86% determined to be applicable at the inception of the lease. The lease was satisfied in full during fiscal 2011.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

12. Capital lease obligations - continued

During fiscal 2007, the University entered into a noncancellable capital lease for an upgrade to its network system hardware and software. The lease had a term of five years and required quarterly payments of \$106,607 which commenced on September 30, 2007 and were to continue through June 30, 2012. The University prepaid the lease in full during fiscal 2010. The asset and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 5.13% which was determined to be applicable at the inception of the lease. In connection with this capital lease, the University entered into a maintenance and ongoing support agreement with a term of five years which commenced on July 1, 2007. In order to obtain favorable pricing terms, the University agreed to prepay the entire cost of the contract totaling \$1,059,020. The University paid \$500,000 prior to June 30, 2007 and the balance of \$559,020 in July, 2007. Of the total payments made, \$211,803 is included in other current assets at June 30, 2011. The balance of the prepaid cost of the contract was fully amortized to expense in fiscal 2012.

During fiscal 2007, the University entered into a noncancellable capital lease for a telephone messaging system. The lease had a term of four years and required monthly payments of \$1,806 which commenced in August, 2006. The asset and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 6.29% which was determined to be applicable at the inception of the lease. The lease was satisfied in full during fiscal 2011.

During fiscal 2009, the University entered into two noncancellable capital leases for various building wiring and cabling and equipment. The leases had terms of three years and required aggregate quarterly payments of \$11,350 which commenced on March 31, 2009 and continued through December 31, 2011. The assets and capital lease obligations were recorded at the present value of the future minimum lease payments based upon an interest rate of 4.25% which was determined to be applicable at the inception of the leases. The leases were satisfied in full during fiscal 2012.

During fiscal 2009, the University entered into two noncancellable capital leases for various building wiring and cabling and furniture. The leases had terms of three years and required aggregate quarterly payments of \$14,546 which commenced on June 30, 2009 and continued through March 31, 2012. The assets and capital lease obligations were recorded at the present value of the future minimum lease payments based upon an interest rate of 3.27% which was determined to be applicable at the inception of the leases. The leases were satisfied in full during fiscal 2012.

During fiscal 2010, the University entered into a noncancellable capital lease for furniture. The lease had a term of five years and required quarterly payments of \$26,909 which commenced on September 30, 2009 and was scheduled to continue through September 30, 2014. The assets and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 2.85% which was determined to be applicable at the inception of the lease. The lease was satisfied in full during fiscal 2012, pursuant to an early pay out agreement with the lender.

Capital lease assets were secured by the related assets.

FITCHBURG STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

12. Capital lease obligations - continued

The University's assets held under capital leases at June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Voice, data and video cable system	\$ -	\$ 1,182,652
Building wiring and cabling	-	130,126
Equipment	-	65,000
Furniture	-	597,675
	<u>\$ -</u>	<u>\$ 1,975,453</u>

The assets under capital leases were being depreciated over their useful lives and the depreciation on these assets is included in depreciation expense. The accumulated depreciation on these leased assets amounted to \$1,139,343 at June 30, 2011. Depreciation expense totaled \$213,427 for 2011.

During fiscal 2012, voice, data and video cable system, building wiring and cabling, equipment and furniture totaling \$1,975,453 were no longer subject to capital leases.

During fiscal 2011, equipment and the student records system totaling \$5,315,910 was no longer subject to a capital lease.

13. 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.

FITCHBURG STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

13. Interagency payables - continued

MDFA - continued

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 MDFA	(98,707)
Net proceeds	<u>\$ 5,398,394</u>

The University is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2012 of \$200,796 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 initial deposit of \$502,899, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the 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. Furthermore, during fiscal 2011, an additional amount of \$9,968 was released from the debt service reserve and used to redeem portions of the outstanding debt obligation. The outstanding principal balance of this Interagency payable at June 30, 2012 and 2011 was \$3,845,302 and \$4,037,685, respectively.

Interest on the debt is paid every thirty-five days at a floating rate of interest subject to market conditions. The interest rate is determined by MDFA conducting a true auction of their debt issuance every thirty-five days, in which the University's obligation is pooled with other higher education institutions within the Commonwealth who have debt funded through MDFA. The most recent auctioned interest rate in effect at June 30, 2012 and 2011 was 0.530% and 0.504%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.837% (2012) and 0.831% (2011) of the outstanding principal balance, calculated and payable every thirty-five days when the rate is auctioned. The effective interest rate (including annual program expenses) for 2012 and 2011 amounted to 1.44% and 1.32%, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

13. Interagency payables - continued

MDFA - continued

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

For the year ending June 30,	<u>Principal</u>	<u>Estimated Interest (1)</u>	<u>Total</u>
2013	\$ 200,797	\$ 19,302	\$ 220,099
2014	219,204	18,140	237,344
2015	232,356	16,908	249,264
2016	246,298	15,603	261,901
2017	261,076	14,219	275,295
2018-2022	1,560,010	47,254	1,607,264
2023-2024	<u>769,717</u>	<u>5,860</u>	<u>775,577</u>
	3,489,458	137,286	3,626,744
Balance of restricted cash held for debt principal	<u>355,844</u>	<u>-</u>	<u>355,844</u>
Total	<u>\$ 3,845,302</u>	<u>\$ 137,286</u>	<u>\$ 3,982,588</u>

- (1) The interest rate in effect at June 30, 2012 of 0.530% was used to calculate the estimated interest on the debt obligation of \$3,845,302. 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

13. Interagency payables - continued

MSCBA - continued

As of June 30, 2012 and 2011, the MSCBA held debt service reserve funds in the amount of \$138,898 and \$388,335, respectively. 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 refunding by the MSCBA had no impact on the debt of the University. The University expects to benefit from interest savings on the bond refunding. The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2012 and 2011 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, 2012 and 2011, the effective interest rate on this debt was 4.31% and 4.26%, respectively. The outstanding balance of this Interagency payable was \$3,740,000 and \$3,955,000 at June 30, 2012 and 2011, 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>
2013	\$ 220,000	\$ 165,088	\$ 385,088
2014	235,000	156,232	391,232
2015	240,000	146,904	386,904
2016	255,000	137,260	392,260
2017	260,000	127,164	387,164
2018-2022	1,480,000	319,198	1,799,198
2023-2025	<u>1,050,000</u>	<u>33,522</u>	<u>1,083,522</u>
Total	<u>\$ 3,740,000</u>	<u>\$ 1,085,368</u>	<u>\$ 4,825,368</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, 2012 and 2011, 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

13. Interagency payables - continued

MSCBA - continued

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.5% 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, 2012 and 2011, the effective interest rate on this debt was 4.47% and 4.25%, respectively. The outstanding balance of this Interagency payable was \$1,697,670 and \$1,783,353 at June 30, 2012 and 2011, 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>
2013	\$ 85,000	\$ 77,813	\$ 162,813
2014	90,000	73,563	163,563
2015	95,000	69,963	164,963
2016	95,000	65,450	160,450
2017	100,000	60,700	160,700
2018-2022	575,000	232,700	807,700
2023-2026	<u>580,000</u>	<u>74,250</u>	<u>654,250</u>
	1,620,000	654,439	2,274,439
Plus: Unamortized premiums	<u>77,670</u>	<u>-</u>	<u>77,670</u>
Total	<u>\$ 1,697,670</u>	<u>\$ 654,439</u>	<u>\$ 2,352,109</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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

13. Interagency payables - continued

MSCBA - continued

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

	<u>2011</u>
Debt issue	\$ 15,935,656
Amount held by MSCBA for debt service reserve fund (included in restricted cash and cash equivalents - noncurrent)	(1,449,777)
Debt issuance costs	(178,440)
Other miscellaneous expense	(439)
Net proceeds	<u>\$ 14,307,000</u>

As of June 30, 2012 and 2011, unexpended net proceeds amounted to \$564,105 and \$12,833,282, respectively.

As of June 30, 2012, amounts held by MSCBA related to the debt issue and the Project are as follows:

	<u>2012</u>	<u>2011</u>
Unexpended debt proceeds	\$ 564,105	\$ 12,833,282
Debt service reserve fund	<u>1,449,777</u>	<u>1,449,777</u>
	<u>\$ 2,013,882</u>	<u>\$ 14,283,059</u>

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Restricted cash and cash equivalents:		
Current	\$ 115,498	\$ 1,271,600
Noncurrent	<u>1,898,384</u>	<u>13,011,459</u>
	<u>\$ 2,013,882</u>	<u>\$ 14,283,059</u>

The University is required to make annual principal payments on this debt each May 1 which commenced in fiscal 2012. 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

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YEARS ENDED JUNE 30, 2012 AND 2011

13. Interagency payables - continued

MSCBA - continued

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, 2012 and 2011, the effective interest rate on this debt was 3.44% and 3.22%, respectively. The outstanding balance of this Interagency payable was \$15,272,961 and \$15,923,924 at June 30, 2012 and 2011, 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>
2013	\$ 589,374	\$ 516,645	\$ 1,106,019
2014	607,033	498,964	1,105,997
2015	631,315	474,683	1,105,998
2016	655,596	449,430	1,105,026
2017	682,085	423,207	1,105,292
2018-2022	3,878,390	1,733,999	5,612,389
2023-2027	4,653,185	979,649	5,632,834
2028-2030	<u>3,264,735</u>	<u>148,217</u>	<u>3,412,952</u>
	14,961,713	5,224,794	20,186,507
Plus: Unamortized premiums	<u>311,248</u>	<u>-</u>	<u>311,248</u>
Total	<u>\$ 15,272,961</u>	<u>\$ 5,224,794</u>	<u>\$ 20,497,755</u>

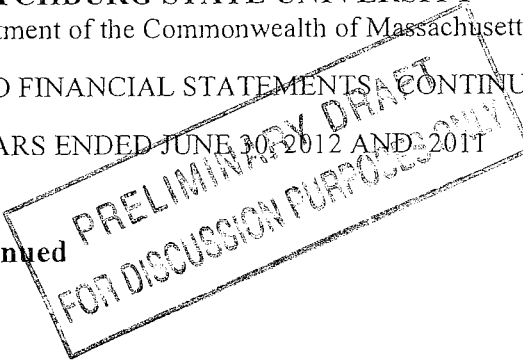
During December, 2011, the University signed a financing agreement to receive \$7,043,416 from a Massachusetts State College Building Authority (MSCBA) bond issuance. These funds, net of bond issuance costs, are being used for renovations to the Hammond Campus Center. This obligation will be repaid solely 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 net proceeds of the borrowing deposited by MSCBA on behalf of the University were as follows:

	<u>2012</u>
Debt issue	\$ 7,043,416
Debt issuance costs	(<u>43,416</u>)
Net proceeds	<u>\$ 7,000,000</u>

As of June 30, 2012, unexpended net proceeds amounted to \$2,817,939, which is held by the MSCBA.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011



13. Interagency payables - continued

MSCBA - continued

The amounts held by MSCBA are included in the accompanying statement of net position at June 30, 2012 as follows:

	<u>2012</u>
Restricted cash and cash equivalents:	
Current	\$ 1,783,450
Noncurrent	<u>1,034,489</u>
	<u>\$ 2,817,939</u>

The University is required to make annual principal payments on this debt each May 1 commencing 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 5.00% over the term of the debt to maturity. For the year ended June 30, 2012, the effective interest rate on this debt was 3.41%. The outstanding balance of this Interagency payable was \$7,020,705 at June 30, 2012, 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>
2013	\$ 120,000	\$ 391,736	\$ 511,736
2014	220,000	292,050	512,050
2015	230,000	281,050	511,050
2016	240,000	269,550	509,550
2017	250,000	257,550	507,550
2018-2022	1,450,000	1,103,450	2,553,450
2023-2027	1,815,000	733,500	2,548,500
2028-2031	<u>1,810,000</u>	<u>231,750</u>	<u>2,041,750</u>
	6,135,000	3,560,636	9,695,636
Plus: Unamortized premiums	<u>885,705</u>	<u>-</u>	<u>885,705</u>
Total	<u>\$ 7,020,705</u>	<u>\$ 3,560,636</u>	<u>\$ 10,581,341</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, 2012, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$8,636,293, of which \$483,793 is included in current restricted cash and cash equivalents

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

13. Interagency payables - continued

MSCBA - continued

and \$8,152,500 is included in noncurrent restricted cash and cash equivalents in the accompanying 2012 statement of net position. As of June 30, 2011, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$142,159 which is included in noncurrent restricted cash and cash equivalents in the accompanying 2011 statement of net position.

14. FSU Foundation long term debt

FSU Foundation's long-term debt consists of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
First mortgage notes payable	\$ 3,008,325	\$ 3,121,795
Notes payable - bank	<u>644,051</u>	<u>681,816</u>
	3,652,376	3,803,611
Less current portion	<u>154,816</u>	<u>150,153</u>
	<u>\$ 3,497,560</u>	<u>\$ 3,653,458</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 twenty years and provides for a fixed rate of interest of 5.75% per annum for the first ten years of the loan term. Thereafter, the interest rate will be fixed at the Federal Home Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final ten years of the term of the loan plus 118 basis points. The loan requires monthly installments of principal and interest of \$3,862. The monthly installments of principal and interest during the final ten years of the loan term shall be determined based on the interest rate then in effect to provide for the amortization of the then outstanding loan principal over the remaining term of the loan. The note matures on April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2012 and 2011, the outstanding principal balance of this mortgage note payable amounted to \$482,848 and \$500,402, 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 23). The University is currently using the property for its print services, maintenance, and shipping and receiving and financial services.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

14. FSU Foundation long term debt ~~continued~~

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 twenty years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The 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 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, 2012 and 2011, the outstanding principal balance of this first mortgage note payable amounted to \$1,538,180 and \$1,612,542, 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 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, 2012 and 2011, the Foundation Supporting Organization has total cash balances of \$81,665 and \$81,194, 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 ten years, expiring on February 27, 2019, and provides for a fixed rate of interest of 5.74% per annum. The note requires monthly installments of principal and interest of \$4,714 based on a twenty-five year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

14. FSU Foundation long term debt - continued

As of June 30, 2012 and 2011, the outstanding principal balance of this first mortgage loan amounted to \$700,292 and \$716,105, 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 located at 161 - 181 Main Street in Fitchburg, Massachusetts and an assignment of leases and rents on this property. 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 Supporting Organization also provides 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. At June 30, 2012 and 2011, the Foundation Supporting Organization has total cash balances of \$81,665 and \$81,194, respectively, held at WCU which serve as additional collateral for both WCU loans to the Foundation Supporting Organization.

The mortgage note has a term of ten years, expiring on February 19, 2020, and provides for a fixed rate of interest of 6.03% per annum. The note requires monthly installments of principal and interest of \$1,939 based on a twenty-five year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Foundation Supporting Organization to WCU.

As of June 30, 2012 and 2011, the outstanding principal balance of the mortgage loan amounted to \$287,005 and \$292,746, respectively.

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

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

At June 30, 2012 and 2011, the outstanding principal balance of this note payable amounted to \$16,081 and \$42,590, respectively.

In May, 2007, the Foundation Supporting Organization acquired land and a building consisting of six apartment units at a total cost of \$504,479, including related acquisition costs. The Foundation Supporting Organization also acquired an adjacent parcel of land at a cost of \$183,301. The properties are located in the area surrounding the Fitchburg State 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 \$1,592,000 at June 30, 2012. In addition, payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

14. FSU Foundation long term debt - continued

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

At June 30, 2012 and 2011, the outstanding principal balance of this note payable amounted to \$627,970 and \$639,226, respectively.

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

For the year ending June 30,	<u>Principal</u>	<u>Estimated Interest (1)</u>	<u>Total</u>
2013	\$ 154,816	\$ 169,871	\$ 324,687
2014	145,394	162,939	308,333
2015	152,386	155,947	308,333
2016	159,423	148,910	308,333
2017	167,425	140,908	308,333
2018-2022	1,172,507	544,122	1,716,629
2023-2027	1,039,236	262,386	1,301,622
2028-2032	413,440	92,065	505,505
2033-2037	<u>247,749</u>	<u>15,270</u>	<u>263,019</u>
Total	<u>\$ 3,652,376</u>	<u>\$ 1,692,418</u>	<u>\$ 5,344,794</u>

- (1) The interest rates in effect at June 30, 2012 of 5.75%, 4.5%, 5.74%, and 6.03% on the first mortgage notes payable and 5% and 2.62% on the notes payable - bank were used to calculate the estimated interest on these debt obligations.

15. FSU Foundation line of credit

In March, 2011, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to \$250,000. At June 30, 2012 and 2011, there were no borrowings outstanding under the line of credit. The line of credit provides for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At both June 30, 2012 and 2011, the effective interest rates were 6% per annum. Borrowings are secured by investments with an equivalent fair value of \$315,000. The line of credit agreement expires on March 17, 2013. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

16. Long term liabilities

Long-term liability activity of the University for the year ended June 30, 2012 included the following:

	<u>Totals</u>			<u>Totals June 30, 2012</u>	
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Current</u>
				<u>Balance</u>	<u>Portion</u>
Interagency payables and capital leases:					
Interagency payables	\$ 25,699,962	\$ 7,043,416	\$ 1,166,740	\$ 31,576,638	\$ 1,323,735
Capital leases	<u>398,253</u>	<u>-</u>	<u>398,253</u>	<u>-</u>	<u>-</u>
Total	<u>26,098,215</u>	<u>7,043,416</u>	<u>1,564,993</u>	<u>31,576,638</u>	<u>1,323,735</u>
Other liabilities:					
Workers' compensation	752,198	74,502	148,183	678,517	133,668
Compensated absences	4,373,800	2,500,501	2,664,148	4,210,153	2,584,870
Rebate payable	17,993	5	17,998	-	-
Loan payable - federal financial assistance	<u>1,882,087</u>	<u>55,748</u>	<u>35,027</u>	<u>1,902,808</u>	<u>-</u>
Total other liabilities	<u>7,026,078</u>	<u>2,630,756</u>	<u>2,865,356</u>	<u>6,791,478</u>	<u>2,718,538</u>
Long term obligations	<u>\$ 33,124,293</u>	<u>\$ 9,674,172</u>	<u>\$ 4,430,349</u>	<u>\$ 38,368,116</u>	<u>\$ 4,042,273</u>

Long-term liability activity of the University for the year ended June 30, 2011 included the following:

	<u>Totals</u>			<u>Totals June 30, 2011</u>	
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Current</u>
				<u>Balance</u>	<u>Portion</u>
Interagency payables and capital leases:					
Interagency payables	\$ 10,265,737	\$ 15,935,656	\$ 501,431	\$ 25,699,962	\$ 1,146,738
Capital leases	<u>895,689</u>	<u>-</u>	<u>497,436</u>	<u>398,253</u>	<u>166,275</u>
Total	<u>11,161,426</u>	<u>15,935,656</u>	<u>998,867</u>	<u>26,098,215</u>	<u>1,313,013</u>
Other liabilities:					
Workers' compensation	661,105	221,331	130,238	752,198	148,183
Compensated absences	4,015,039	2,700,657	2,341,896	4,373,800	2,664,148
Rebate payable	17,965	28	-	17,993	-
Loan payable - federal financial assistance	<u>1,851,713</u>	<u>63,680</u>	<u>33,306</u>	<u>1,882,087</u>	<u>-</u>
Total other liabilities	<u>6,545,822</u>	<u>2,985,696</u>	<u>2,505,440</u>	<u>7,026,078</u>	<u>2,812,331</u>
Long term obligations	<u>\$ 17,707,248</u>	<u>\$ 18,921,352</u>	<u>\$ 3,504,307</u>	<u>\$ 33,124,293</u>	<u>\$ 4,125,344</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

16. Long-term liabilities - continued

Long-term liability activity of FSU Foundation for the year ended June 30, 2012 included the following:

	<u>Totals</u>			<u>Totals June 30, 2012</u>	
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Current</u>
				<u>Balance</u>	<u>Portion</u>
First mortgage notes payable	\$ 3,121,795	\$ -	\$ 113,470	\$ 3,008,325	\$ 120,708
Notes payable - bank	<u>681,816</u>	<u>-</u>	<u>37,765</u>	<u>644,051</u>	<u>34,108</u>
Long-term obligations	\$ <u>3,803,611</u>	\$ <u>-</u>	\$ <u>151,235</u>	\$ <u>3,652,376</u>	\$ <u>154,816</u>

Long-term liability activity of FSU Foundation for the year ended June 30, 2011 included the following:

	<u>Totals</u>			<u>Totals June 30, 2011</u>	
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Current</u>
				<u>Balance</u>	<u>Portion</u>
First mortgage notes Payable	\$ 3,224,841	\$ -	\$ 103,046	\$ 3,121,795	\$ 112,846
Notes payable - bank	<u>717,056</u>	<u>-</u>	<u>35,240</u>	<u>681,816</u>	<u>37,307</u>
Long-term obligations	\$ <u>3,941,897</u>	\$ <u>-</u>	\$ <u>138,286</u>	\$ <u>3,803,611</u>	\$ <u>150,153</u>

17. Unrestricted net position

Unrestricted net position is comprised of net assets that are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net assets are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Designated unrestricted net assets were \$8,594,372 and \$8,488,308 at June 30, 2012 and 2011, respectively. Undesignated unrestricted net assets were \$11,043,805 and \$12,867,842 at June 30, 2012 and 2011, respectively.

The unrestricted net position amount of \$19,638,177 includes the effect of deferring the recognition of revenue from the installment payments associated with the dining facilities service concession arrangement. The \$2,419,630 balance of the deferred inflow of resources at June 30, 2012 will be recognized as revenue and increase unrestricted net position over the remaining term of the arrangement.

18. Net position restricted by enabling legislation

Fitchburg State University Foundation, Inc.'s consolidated statements of net position as of June 30, 2012 and 2011 reflect a restricted net position of \$11,632,609 and \$11,365,274, respectively. Of these amounts, \$2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

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YEARS ENDED JUNE 30, 2012 AND 2011

19. Operating expenses

The University's operating expenses for the years ended June 30, 2012 and 2011, on a natural classification basis, are comprised of the following:

	<u>2012</u>	<u>2011</u>
Salaries:		
Faculty	\$ 18,023,091	\$ 17,381,110
Exempt wages	2,987,018	2,794,427
Non-exempt wages	15,376,023	14,868,032
Benefits	10,242,524	9,983,512
Scholarships (endowed)	1,557,085	1,653,433
Utilities	4,399,162	3,996,055
Supplies and other services	17,591,789	17,141,119
Depreciation	<u>4,269,822</u>	<u>4,241,022</u>
Total operating expenses	<u>\$ 74,446,514</u>	<u>\$ 72,058,710</u>

20. 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, 2012, 2011 and 2010 were as follows (See State appropriations under Note 25):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Commonwealth's retirement system Contributions	\$ 2,313,614	\$ 1,519,792	\$ 1,489,214
Employers share of health care premium	\$ 5,278,725	\$ 5,966,244	\$ 4,091,641

21. Retirement plan

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System (SERS). SERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 32A of the General Laws of the Commonwealth of Massachusetts assigns

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

21. Retirement plan - continued

the authority to establish and amend benefit provisions to the Massachusetts Legislature. The University is not required to contribute from its appropriation allocation or other University funds to SERS for employees compensated from State appropriations. For University employees covered by SERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate established by the State. The total amount of current funding by the State related to the University's employees was \$2,313,614, \$1,519,792 and \$1,489,214 during 2012, 2011 and 2010, respectively. Annual covered payroll was approximately 63%, 67% and 62% of total payroll for the University for the years ended June 30, 2012, 2011 and 2010, respectively.

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

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

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

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

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

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

Post Employment Other than Pensions

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. 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.

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YEARS ENDED JUNE 30, 2012 AND 2011

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

Post Employment Other than Pensions - continued

The Commonwealth's Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the 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, 2012 and 2011, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2012, 2011 and 2010 were \$10,242,524, \$9,983,512 and \$8,250,267, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

23. Lease and license agreements

As disclosed in Note 14, 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 ten years and provides for base rent of \$165,000 per year, payable in monthly installments of \$13,750, for the entire lease term. The 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, 2012 and 2011, rental income for the Foundation Supporting Organization amounted to

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

23. Lease and license agreements - continued

\$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</u> <u>June 30,</u>	<u>Amount</u>
2013	\$ 165,000
2014	165,000
2015	165,000
2016	165,000
2017	<u>20,625</u>
	<u>\$ 680,625</u>

On August 6, 2008, the Foundation Supporting Organization entered into a ten year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and shall expire on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provides for a base annual rent of \$17,625 for each of the first three years of the lease term, payable in monthly installments of \$1,469. Beginning with the fourth year of the lease there will be a 7.5% increase at the commencement of each three year period of the lease term, including the continuous period of any extensions thereof. 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. The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time after November 1, 2009 with the payment of two months' base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2012 and 2011, rent expense amounted to \$18,506 and \$17,625, respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 18,947
2014	18,947
2015	19,895
2016	20,368
2017	20,368
Later years	<u>28,685</u>
	<u>\$ 127,210</u>

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YEARS ENDED JUNE 30, 2012 AND 2011

23. Lease and license agreements - continued

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 aggregate annual license fees totaling \$178,336 payable, in arrears, in twelve equal monthly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the 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, 2012 and 2011, license fee income for the Foundation Supporting Organization amounted to \$178,336 and \$177,455, respectively. 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.

24. Donated equipment, materials and services

The value of donated equipment, materials and services received by the Foundation included in gifts and contributions for the year ended June 30, 2012 totaled \$2,844,900 and has been reflected in educational and general expenses as follows:

<u>Functional Expense Category</u>	<u>Nature of expense</u>	<u>Amount</u>
Speakers and cultural programs	Advertising	\$ 22,500
Equipment and maintenance	Computer software license	<u>2,822,400</u>
		<u>\$ 2,844,900</u>

The value of donated equipment, materials and services received by the Foundation included in gifts and contributions for the year ended June 30, 2011 totaled \$2,862,391. Of this amount, \$20,738 represents equipment that has been included in capital assets and the remainder of \$2,841,653 has been reflected in educational and general expenses as follows:

<u>Functional Expense Category</u>	<u>Nature of expense</u>	<u>Amount</u>
Speakers and cultural programs	Advertising	\$ 17,500
Equipment and maintenance	Computer software license and miscellaneous equipment	<u>2,824,153</u>
		<u>\$ 2,841,653</u>

FITCHBURG STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

24. Donated equipment, materials and services - continued

The computer software license expired on June 30, 2012. The Foundation is uncertain if the software will be utilized going forward. The software will be evaluated in Fall 2012. No new agreement is expected until after this evaluation is completed.

25. 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Gross State appropriations	\$ 30,235,751	\$ 24,454,735
Add: Fringe benefits for benefited employees on the Commonwealth payroll	7,592,339	7,486,036
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(1,262,812)	(2,467,840)
Net State appropriations	<u>\$ 36,565,278</u>	<u>\$ 29,472,931</u>

\$29,797,174 and \$29,332,885 represent appropriations for maintenance and payroll during 2012 and 2011, respectively, and \$6,768,104 and \$140,046 represents appropriations for capital improvements for 2012 and 2011, 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, 2012 and 2011.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

26. Stimulus grants

In fiscal years 2012 and 2011, Fitchburg State University, through the Department of Higher Education, was the subrecipient of \$210,343 and \$3,098,023, respectively, in stimulus grants as part of the American Recovery and Reinvestment Act of 2009 (ARRA). As of June 30, 2011, \$327,374 of the total awarded for fiscal 2011 is included in accounts receivable in the accompanying 2011 statement of net position. The funds awarded have been expended as follows:

	<u>2012</u>	<u>2011</u>
Regular employee compensation	\$ 143,098	\$ 2,311,522
Pension and insurance	49,970	779,676
Scholarship allowances	<u>17,275</u>	<u>6,825</u>
	<u>\$ 210,343</u>	<u>\$ 3,098,023</u>

27. 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 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 22).

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.

28. 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.

FITCHBURG STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

28. Commitments and contingencies - continued

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 the Department of Capital Asset Management (DCAM). The projects generally consist of renovations and improvements and have been recorded in the respective accounts.

29. 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, 2012 and 2011 were \$819,487 and \$994,887, respectively. 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.

30. 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 its Division of Capital Asset Management and Maintenance (DCAM) on behalf of the University entered into a lease agreement for the Civic Center with the City of Fitchburg and the Board of Trustees of the Civic Center. The lease commenced on October 1, 2007 and is for a term of 99 years. The lease provided for an initial nominal rent payment and is otherwise a net lease. Pursuant to the terms of the lease, the 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

FITCHBURG STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2012 AND 2011

30. Civic Center - continued

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 twenty-five years commencing on the date of the agreement. The sublease agreement is a net lease and, accordingly, FMC is responsible for all costs associated with the operations, management, and maintenance of the sublease premises as well as repairs and required capital improvements. The sublease premises consist of the facilities and related equipment associated with the operation of a public ice-skating rink program. The planetarium is not part of the sublease premises and it is not currently operational. FMC is also responsible for certain other payments for and on behalf of the 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 ten years of the sublease term, no percentage rent is required. Thereafter, for each of the years eleven through twenty-five, percentage rent at the rate of 1% of actual gross revenues shall be due and payable on a monthly basis. However, in no event shall the aggregate amount of percentage rent paid by FMC during the sublease term be less than \$107,155.

The 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.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

**SUPPLEMENTAL INFORMATION AND REPORTS
REQUIRED BY OMB CIRCULAR A-133**

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION
REQUIRED BY THE U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133**

To the Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts

We have audited the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University as of and for the year ended June 30, 2012, which collectively comprise Fitchburg State University's basic financial statements, and our report thereon dated October __, 2012, which appears on page 1, expressed an unqualified opinion on those financial statements. That opinion included an explanatory paragraph for the University's election to early implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our audit was conducted for the purpose of forming an opinion on the 2012 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 2012 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 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 financial statements or to the 2012 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 financial statements as a whole.

Ercolini & Company LLP

Boston, Massachusetts
October __, 2012

FITCHBURG STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Program 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	\$ 81,320
Subtotal Direct Programs			<u>81,320</u>
Total U.S. Department of Justice			<u>\$ 81,320</u>
National Science Foundation			
Direct Programs			
Biological Sciences	47.074	47	\$ 60,213
Subtotal Direct Programs			<u>60,213</u>
Total National Science Foundation			<u>\$ 60,213</u>
U.S. Department of Education			
Direct Programs			
<u>TRIO Cluster:</u>			
TRIO - Student Support Services	84.042	84	\$ 178,710
TRIO - Upward Bound	84.047	84	<u>323,516</u>
Total TRIO Cluster			<u>502,226</u>
<u>Student Financial Assistance Cluster:</u>			
Federal Supplemental Educational Opportunity Grants	84.007	84	246,510
Federal Work-Study Program	84.033	84	282,483
Federal Pell Grant Program	84.063	84	4,851,444
Nursing Student Loans	93.364	93	<u>52,400</u>
Total Student Financial Assistance Cluster			<u>5,432,837</u>
Subtotal Direct Programs			<u>5,935,063</u>

FITCHBURG STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

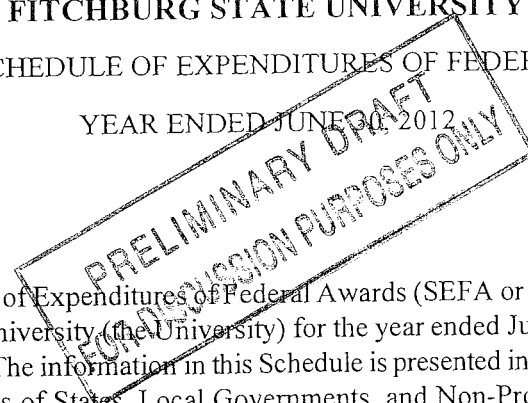
YEAR ENDED JUNE 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Agency or Pass through Agency Number	Federal Expenditures
U.S. Department of Education			
Pass-Through Programs			
MA Department of Higher Education			
<u>State Fiscal Stabilization Fund Cluster:</u>			
ARRA - State Fiscal			
Stabilization Fund (SFSF) - Education			
State Grants, Recovery Act	84.394	84	193,068
ARRA - State Fiscal			
Stabilization Fund (SFSF) - Government			
Services, Recovery Act	84.397	84	<u>17,275</u>
Total State Fiscal Stabilization Fund			
Cluster			<u>210,343</u>
Subtotal Pass-Through Programs			<u>210,343</u>
Total U.S. Department of Education			<u>\$ 6,145,406</u>
Total Federal Expenditures			<u>\$ 6,286,939</u>

FITCHBURG STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012



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, 2012 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.

2. Matching costs

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

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.

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 2012 totaled \$18,775,985.

5. Federal Perkins Loan Program

The Federal Perkins Loan Program (CFDA 84.038) is administered by Fitchburg State University. Fiscal year 2012 activity included loan repayments of \$213,559 and loan funds disbursed of \$241,287. Loans outstanding at June 30, 2012 totaled \$1,521,862.



**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
Fitchburg, Massachusetts

We have audited 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, 2012, which collectively comprise Fitchburg State University's basic financial statements and have issued our report thereon, dated October XX, 2012, which appears on page 1 and included an explanatory paragraph for the University's election to early implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Fitchburg State University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fitchburg State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

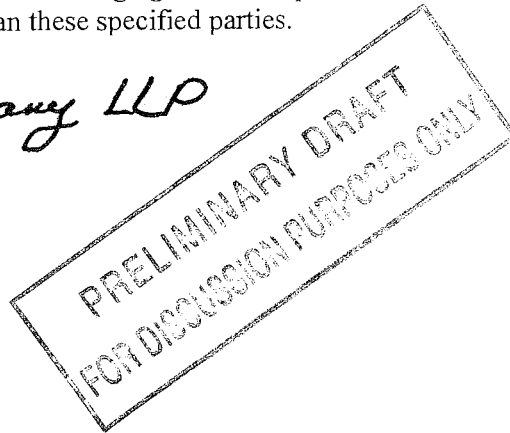
Compliance and Other Matters

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

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

Ercolini & Company LLP

Boston, Massachusetts
October XX, 2012





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts

Compliance

We have audited Fitchburg State University's compliance with the types of compliance requirements described in U.S. Office of Management and Budget 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fitchburg State University's management. Our responsibility is to express an opinion on Fitchburg State University's compliance based on our audit.

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. Our audit does not provide a legal determination of Fitchburg State University's compliance with those requirements.

In our opinion, Fitchburg State University complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Fitchburg State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Fitchburg State University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

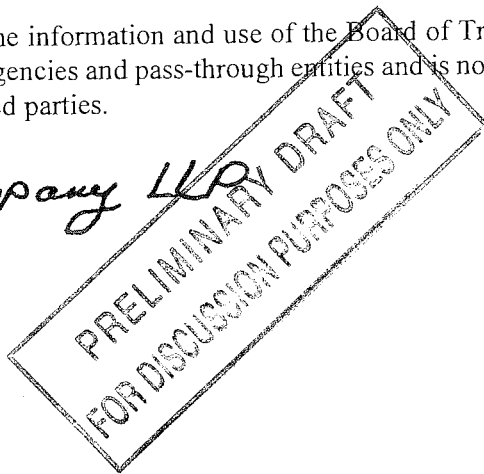
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

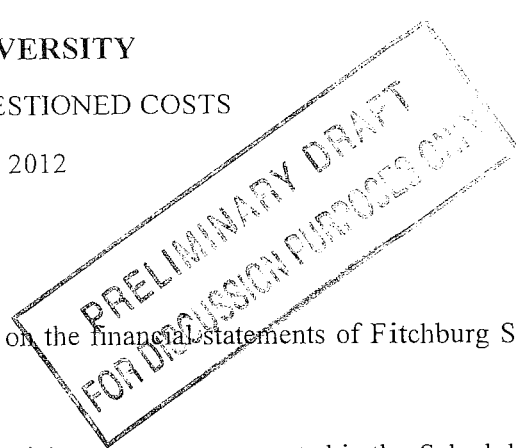
This report is intended solely for the information and use of the Board of Trustees, management, others within the University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ercoleini & Company LLP

Boston, Massachusetts
October __, 2012



FITCHBURG STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012



A. Summary of auditor's results

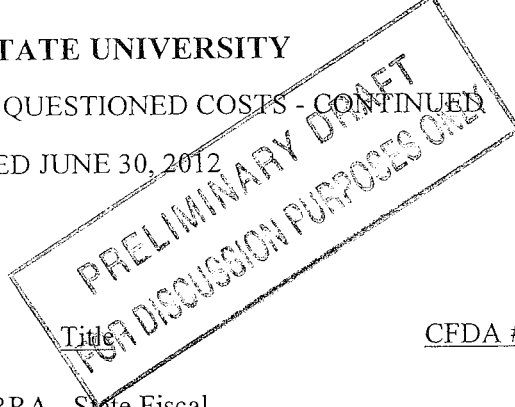
1. The auditor's report expresses an unqualified opinion on the financial statements of Fitchburg State University.
2. No material weaknesses relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No significant deficiencies relating to the 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 is 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 unqualified.
8. There were no audit findings disclosed relating to the major federal award programs for Fitchburg State University that are required to be reported in accordance with Section 510(a) of Circular A-133.
9. The programs tested as major federal programs for Fitchburg State University for the year ended June 30, 2012 are:

<u>Agency</u>	<u>Title</u>	<u>CFDA #</u>
<u>TRIO Cluster:</u>		
U.S. Department of Education	TRIO - Student Support Services	84.042
U.S. Department of Education	TRIO - Upward Bound	84.047
<u>State Fiscal Stabilization Fund Cluster:</u>		
U.S. Department of Education	ARRA - State Fiscal Stabilization Fund (SFS) - Education State Grants, Recovery Act	84.394

FITCHBURG STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

YEAR ENDED JUNE 30, 2012



A. Summary of auditor's results - continued

<u>Agency</u>	<u>Title</u>	<u>CFDA #</u>
U.S. Department of Education	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397
<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 B programs for Fitchburg State University was \$300,000.

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

B. Findings - audit of financial statements

None

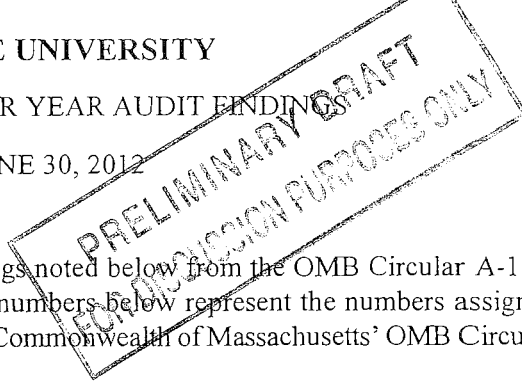
C. Findings and questioned costs - audit of major federal award programs

None

FITCHBURG STATE UNIVERSITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2012



The University has completed corrective action on the findings noted below from the OMB Circular A-133 Single Audit report for the year ended June 30, 2011. The finding numbers below represent the numbers assigned to the findings for Fitchburg State University as a part of the overall Commonwealth of Massachusetts' OMB Circular A-133 Single Audit for the year ended June 30, 2011.

Finding 2011-20:

U.S. Department of Education

Federal Work Study Program (84.033)

Federal Award Number: P033A101863 **Award Year:** 2011

Testing of one of five students disclosed that the student was paid a total of \$106.00 for 13.25 hours that were not supported by adequate documentation. Fitchburg State University (FIT) officials were unable to provide any documentation for a total of 5.25 hours paid as part of the January 3, 2011 and May 10, 2011 payrolls, and provided only the daily work schedules for a total of 8 hours paid as part of the December 28, 2010 and March 3, 2011 payrolls. The student's name on a daily work schedule does not meet the criteria of FIT's FWS payroll guidelines (no time-in and time-out entry in the computer system or student signature on a weekly time log or time card).

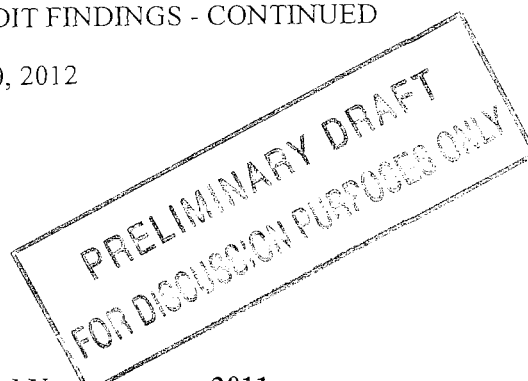
Status:

Fitchburg State University requires appropriate documentation for all payroll expenditures, including Federal Work Study payrolls. The University uses a combination of punch cards, sign in/sign out sheets and timecards. These procedures were not followed in one particular area. The supervisors in this area have since been retrained and timecards are now required. In addition, the University implemented the MASS HR self service time and attendance payroll system in August, 2011. The system requires each employee to electronically submit their work hours in order to be paid. Included in this initiative is the implementation of swipe card technology for Federal Work Study and Student workers which will ensure that payroll expenditures are properly documented. No findings related to documentation of payroll expenditures were noted during audit testing in 2012.

FITCHBURG STATE UNIVERSITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

YEAR ENDED JUNE 30, 2012



Finding 2011-21:

U.S. Department of Education

Federal Direct Student Loans (84.268)

Federal Award Number: P268K110208 **Award Year:** 2011

Fitchburg State University (FIT) contracts with the National Student Clearinghouse (NSC) to accurately report student status changes to the National Student Loan Data System (NSLDS) in a timely manner but does not verify with NSLDS that the correct enrollment status has been reported to NSLDS within the required 60-day timeframe. As a result, there is inadequate assurance that the enrollment status FIT reports to the NSC are being transmitted accurately and timely to NSLDS.

FIT does have policies and procedures for the submission of student enrollment data to NSLDS; however, it did not have adequate internal controls to ensure that all information was being reported and being reported in a timely manner. In addition, FIT does not have procedures in place, such as a reconciliation process, to ensure that the information sent to NSLDS from the NSC is accurate and being received timely.

FIT did not report to NSLDS (through NSC) status changes for five of the 25 students tested that dropped to less than half time enrollment during the audit period.

In addition, student status changes were not reported timely for an additional two of the 25 students tested. Specifically, one student withdrew in May 2011, after the May monthly submission to NSC, and was not reported to NSLDS until August 2011 which was 39 days beyond the 60-day limit to report per federal regulations. Additionally, one student withdrew in March 2011 and was not reported to NSLDS until May 2011 which was one day beyond the 60-day limit to report per federal regulations.

Status:

The matter of less than half time reporting was addressed with the updating, in September, 2011, of the Banner validation table. Course registration codes previously incorrectly counted in enrollment are no longer counted in enrollment. The matter of withdrawn student reporting was addressed with the implementation, in November, 2011, of a new file extraction and transmission process. Additional files are now batched and transmitted to the Clearinghouse (NSC) which capture all student enrollment changes on a monthly basis. While this process was being developed, withdrawn student status was manually reported to NSC. The University is reviewing data, on a current basis, to ensure that accurate enrollment data is being reported from NSC to NSLDS in a timely manner. No findings related to student status reporting were noted during audit testing in 2012.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

SUPPLEMENTAL INFORMATION - OTHER

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

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY

JUNE 30, 2012 AND 2011

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2012 are as follows:

Statements of Net Position

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Assets:		
Cash	\$ 642,224	\$ 104,552
Cash held by State Treasurer	139,857	-
Investments	1,138,511	-
Accounts receivable, net	<u>36,563</u>	<u>13,964</u>
Total assets	1,957,155	118,516
Liabilities:		
Accounts payable	66,027	-
Deposits	292,725	-
Salaries payable	93,892	-
Compensated absences	<u>97,637</u>	<u>-</u>
Total liabilities	<u>550,281</u>	<u>-</u>
Net position	<u>\$ 1,406,874</u>	<u>\$ 118,516</u>

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

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY - CONTINUED

JUNE 30, 2012 AND 2011

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, 2012, are as follows:

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Revenues:		
Student fees	\$ 7,903,226	\$ -
Interest	37,790	1,204
Investment income (loss)	35,633	1,205
Commissions	20,441	-
Rentals	38,054	-
Room damage assessments	-	14,889
Miscellaneous	<u>33,775</u>	<u>-</u>
Total revenues	<u>8,068,919</u>	<u>17,298</u>
Expenses:		
Regular employee compensation	1,110,812	-
Regular employee related expenses	8,842	-
Special employee/contract services	193,826	-
Pension and insurance	386,535	-
Facility operating supplies and related expenses	19,532	-
Administrative expenses	23,318	-
Energy and space rental	1,019,688	-
Consultant services	3,434	-
Operational services	19,736	-
Equipment purchases	68,502	-
Equipment lease - purchase, lease, rent, repair	19,951	-
Purchased client services and programs	860	-
Construction and improvements	478,003	8,987
Benefit program	38,301	-
Loans and special payments	5,003,675	-
Other - bad debt expense (recovery)	7,382	(142)
Information technology expenses	<u>19,829</u>	<u>-</u>
Total expenses	<u>8,422,226</u>	<u>8,845</u>
Transfers (in)/out:		
Interdepartmental rental income	(57,512)	-
Printing	3,471	-
Other	<u>340,545</u>	<u>-</u>
Total transfers	<u>286,504</u>	<u>-</u>
Total expenses and transfers	<u>8,708,730</u>	<u>8,845</u>
Increase (decrease) in net position	(639,811)	8,453
Net position - beginning of year	<u>2,046,685</u>	<u>110,063</u>
Net position - end of year	<u>\$ 1,406,874</u>	<u>\$ 118,516</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.

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

Supplemental Statistical Information - Unaudited

Schedule of Net Position by Category	Fiscal Year											
	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012*		
Net investment in capital assets	\$ 20,793,469	\$ 21,043,366	\$ 20,186,185	\$ 20,360,103	\$ 25,806,513	\$ 30,983,682	\$ 39,530,560	\$ 43,903,456	\$ 52,186,987	\$ 72,858,018		
Restricted-expendable	4,076,361	3,816,427	7,138,933	9,083,307	10,946,782	9,850,228	6,515,426	4,262,842	6,128,825	11,907,794		
Restricted-nonexpendable	521,361	576,826	588,587	597,461	600,377	511,206	437,045	470,158	458,004	448,121		
Unrestricted	6,881,233	9,583,813	11,085,627	14,253,916	12,699,422	11,914,978	9,755,072	18,305,109	21,356,150	19,638,177		
Total net position	\$ 32,272,424	\$ 35,022,432	\$ 38,999,332	\$ 44,294,787	\$ 50,053,094	\$ 53,260,094	\$ 56,238,103	\$ 66,941,564	\$ 80,129,966	\$ 104,852,110		

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

Sources and Uses of Funds

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Source of Revenue										
Student charges (net of scholarships)	\$ 13,943,385	\$ 16,035,993	\$ 18,083,828	\$ 20,877,997	\$ 22,942,610	\$ 25,033,128	\$ 26,737,289	\$ 28,372,042	\$ 29,985,296	\$ 30,680,511
Grants & contracts	3,081,004	3,962,244	3,831,266	3,486,257	3,656,979	3,951,007	4,483,292	6,112,586	6,616,044	6,477,571
Stimulus grants								6,666,991	3,098,023	210,343
Auxiliary enterprises	3,877,418	4,317,584	5,027,889	5,485,605	5,946,282	6,085,147	6,467,184	8,046,782	8,042,922	8,117,577
Other operating revenue	1,806,843	1,796,923	1,889,756	1,927,868	1,987,191	1,963,274	2,098,358	2,096,607	2,169,883	1,874,840
Total operating revenue	22,708,650	26,112,744	28,832,739	31,777,727	34,533,062	37,032,556	39,786,123	51,295,008	49,912,168	47,360,842
State appropriations	27,974,237	25,199,981	27,375,808	29,645,087	31,702,393	34,063,661	29,415,783	24,622,349	29,332,885	29,797,174
State capital appropriations	177,600	-	407,191	1,195,000	1,799,754	475,000	497,822	-	140,046	6,768,104
Capital grants	85,000	118,358	121,217	123,535	123,535	178,264	325,351	1,683,802	5,319,402	15,135,437
Other non-operating revenue	260,729	265,905	510,689	1,078,894	1,393,662	819,844	(179,115)	1,329,091	1,125,671	611,447
Total non-operating revenue	28,497,566	25,584,244	28,414,905	32,042,516	35,019,344	35,536,769	30,059,841	27,635,242	35,918,004	52,312,162
Total revenue	\$ 51,206,216	\$ 51,696,988	\$ 57,247,644	\$ 63,820,243	\$ 69,552,406	\$ 72,569,325	\$ 69,845,964	\$ 78,930,250	\$ 85,830,172	\$ 99,673,004

Functional Expense										
Instruction	\$ 19,366,094	\$ 18,019,813	\$ 18,847,979	\$ 22,856,426	\$ 24,193,071	\$ 26,699,550	\$ 25,010,246	\$ 25,682,331	\$ 27,138,609	\$ 28,023,197
Research	2,499	130,803	164,787	165,550	61,077	37,104	99,265	106,458	68,156	35,654
Public service	810,173	785,084	636,765	598,273	486,633	538,388	390,127	409,901	456,372	469,699
Academic support	4,553,718	4,301,883	4,607,796	4,631,842	5,108,978	5,344,027	4,538,538	4,361,103	4,806,942	4,761,045
Student services	5,772,833	5,426,794	5,980,391	6,560,972	7,022,806	7,478,709	7,299,258	7,445,019	8,030,813	8,598,075
Institutional support	5,998,902	6,764,298	7,179,198	6,169,474	6,648,295	7,228,110	6,464,395	5,988,283	6,767,632	6,866,038
Operations and maintenance of plant	5,911,344	5,944,096	7,246,710	8,185,991	9,699,216	11,040,391	11,306,190	10,818,202	10,881,270	11,444,608
Scholarships	760,798	926,658	949,222	971,606	1,198,719	1,280,862	1,456,842	1,608,419	1,618,980	1,518,783
Sub-total	43,176,361	42,299,429	45,612,848	50,140,134	54,418,795	59,667,141	56,564,861	56,419,716	59,768,774	61,717,119
Auxiliary enterprises	3,576,732	4,032,732	4,762,364	5,419,873	5,714,435	5,809,898	6,200,539	7,411,777	8,048,914	8,459,573
Total operating expense	46,753,093	46,331,652	50,375,212	55,560,007	60,133,230	65,477,039	62,765,400	63,831,493	67,817,688	70,176,692
Interest expense	146,440	198,855	307,292	316,491	548,265	657,783	545,680	384,861	583,060	254,909
Transfers (to)/from State Agencies	146,440	198,855	307,292	316,491	548,265	657,783	545,680	384,861	583,060	249,437
Total non-operating expense	\$ 46,899,533	\$ 46,530,507	\$ 50,682,504	\$ 55,876,498	\$ 60,681,495	\$ 66,134,822	\$ 63,311,080	\$ 64,216,354	\$ 68,400,748	\$ 70,681,038
Total expenses										

Note: This schedule does not include the component unit, like the Fitchburg State University Foundation, Inc.; total operating expense 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 investment in capital assets was labeled "invested in capital assets, net of related debt."*

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

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

Supplemental Statistical Information - Unaudited

Schedule of Capital Asset Information

	Academic Year
Land (acreage)	2012 222
Buildings (square feet)	
100 Instruction /classroom	90,826
200 Labs	86,881
300 Administrative	122,932
400 Study facilities	57,330
52x Athletic	48,778
5xx Other Special Use	7,864
600 General Use	122,783
700 Support facilities	20,048
800 Health Care	717
000 Unclassified	2,956
Unassigned/ unassignable	302,391
Total Sq Ft	863,506

Residence Halls
Rental space

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dormitories - # of residents	1,305	1,355	1,434	1,443	1,466	1,499	1,483	1,639	1,620	1,568

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

This was implemented in 2005; comparable statistics prior to this time are not available.

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

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

FITCHBURG STATE UNIVERSITY

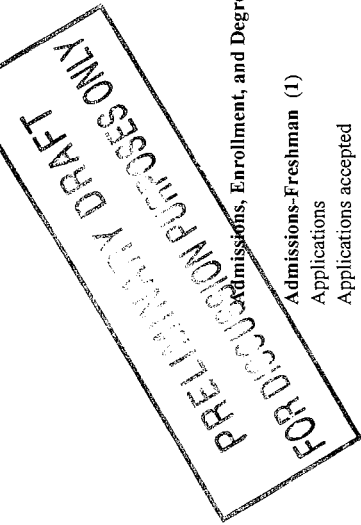
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Tuition & Mandatory Fees

		Academic Year									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Resident Undergraduate</i>											
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	2,718	3,216	3,618	4,032	4,572	5,022	5,430	5,930	6,830	7,330	7,330
<i>Total</i>	\$ 3,688	\$ 4,186	\$ 4,588	\$ 5,002	\$ 5,542	\$ 5,992	\$ 6,400	\$ 6,900	\$ 7,800	\$ 8,300	
<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	\$ 7,050
Mandatory Fees	2,718	3,216	3,618	4,032	4,572	5,022	5,430	5,930	6,830	7,330	7,330
<i>Total</i>	\$ 9,768	\$ 10,266	\$ 10,668	\$ 11,082	\$ 11,622	\$ 12,072	\$ 12,480	\$ 12,980	\$ 13,880	\$ 14,380	
<i>Resident Graduate</i>											
Tuition	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900
Mandatory Fees	117	432	432	510	510	653	653	720	762	762	762
<i>Total</i>	\$ 1,017	\$ 1,332	\$ 1,332	\$ 1,410	\$ 1,410	\$ 1,553	\$ 1,553	\$ 1,620	\$ 1,662	\$ 1,662	\$ 1,662

Note: Undergraduate tuition & 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Admissions-Freshman (1)										
Applications	3,289	3,861	3,514	3,859	3,880	4,057	4,342	4,572	4,193	3,814
Applications accepted	2,163	2,498	2,468	2,777	2,795	2,838	2,982	3,152	3,034	2,797
Accepted as a percentage of applications	66%	65%	70%	72%	72%	70%	69%	69%	72%	73%
Students enrolled (2)	887	988	1,016	1,007	1,086	1,067	1,133	1,163	1,085	1,053
Enrolled as a percentage of accepted	41%	40%	41%	36%	39%	38%	38%	37%	36%	38%

(1) Includes all undergraduate admissions including transfer students.

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

Annual

	Annual											
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12		
Enrollment												
Full-time equivalent	4,648	4,360	4,670	5,029	5,018	5,159	5,305	5,461	5,287	5,128		
Unduplicated credit headcount	13,107	11,302	11,272	12,578	11,906	11,756	12,140	11,855	11,784	11,623		
Percent undergraduate (3)	67%	70%	68%	68%	68%	57%	60%	41%	42%	42%		
Percent graduate	33%	30%	32%	32%	32%	43%	40%	59%	58%	58%		
(3) Percent undergraduate/graduate based on Fall semester registration, unduplicated headcount												

Fall Term

	Fall Term											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
Student Population Demographics (4)												
Percentage of men	37%	39%	38%	38%	38%	37%	39%	39%	39%	37%		
Percentage of women	63%	61%	62%	62%	62%	63%	61%	61%	61%	63%		
Percentage of African-American	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%		
Percentage of White	92%	92%	92%	92%	92%	92%	92%	92%	89%	89%		
Percentage of Latino	3%	3%	3%	3%	3%	3%	3%	3%	5%	5%		
Percentage of Other (5)	2%	2%	2%	2%	2%	2%	2%	2%	3%	3%		
< 20	18%	21%	22%	21%	21%	18%	18%	19%	18%	17%		
20 to 24	37%	38%	36%	38%	40%	35%	36%	34%	37%	36%		
25 to 44	32%	30%	30%	29%	29%	33%	33%	33%	32%	33%		
44 & Over	13%	11%	12%	12%	10%	14%	13%	14%	13%	14%		
(4) Percents within category are based on population of students who reported this information (gender, race/ethnicity, and age).												
(5) Other includes Asian or Pacific Islander, American Indian, Alaskan Native, and Cape Verdean.												

Degrees Granted

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Bachelor's	516	579	489	553	622	628	640	696	696	812
Master's	379	465	368	484	475	370	531	460	506	435

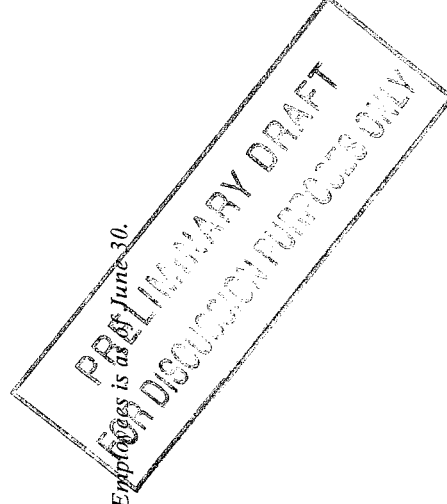
FITCHBURG STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Employment	2001	2003	2005	2006	2007	2008	2009	2010	2011
Faculty - Primary Instruction (1)	474	283	252	269	266	350	377	369	422
Part-time	273	115	86	95	90	166	197	193	236
Full-time	201	168	166	174	176	184	180	176	186
Staff and Administrators	346	329	439	385	386	410	419	394	395
Part-time	9	13	143	81	75	93	112	77	95
Full-time	337	316	296	304	311	317	307	317	300
Total Employees	820	612	691	654	652	760	796	763	817
Part-time	282	128	229	176	165	259	309	270	331
Full-time	538	484	462	478	487	501	487	493	486

(1) Includes Instruction, Research & Public Service

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



Tab B

FITCHBURG STATE UNIVERSITY

**INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S
ASSERTIONS ON COMPLIANCE WITH SPECIFIED
REQUIREMENTS APPLICABLE TO THE MASSACHUSETTS
OFFICE OF STUDENT FINANCIAL ASSISTANCE PROGRAM CLUSTER**

FOR THE YEAR ENDED JUNE 30, 2012

Preliminary draft for discussion purposes only - 9.27.12

FITCHBURG STATE UNIVERSITY

INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S ASSERTIONS ON
COMPLIANCE WITH SPECIFIED REQUIREMENTS APPLICABLE TO
THE MASSACHUSETTS OFFICE OF STUDENT FINANCIAL
ASSISTANCE PROGRAM CLUSTER

FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S ASSERTIONS ON COMPLIANCE
WITH SPECIFIED REQUIREMENTS APPLICABLE TO THE MASSACHUSETTS OFFICE
OF STUDENT FINANCIAL ASSISTANCE PROGRAM CLUSTER

The Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts

We have examined management's assertions, included in its representation letter dated October XX, 2012, that Fitchburg State University complied with the following compliance requirements as specified in The Massachusetts Office of Student Financial Assistance Attestation Guide (Fourth Edition, April 2007) for the year ended June 30, 2012:

- Institutional eligibility
- Student eligibility
- Reporting
- Disbursements
- Refunds

As discussed in that representation letter, management is responsible for Fitchburg State University's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about Fitchburg State University's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Fitchburg State University's compliance with specified requirements.

In our opinion, management's assertion that Fitchburg State University complied with the aforementioned requirements for the year ended June 30, 2012 is fairly stated, in all material respects.

This report is intended solely for the use of the Department of Higher Education of the Commonwealth of Massachusetts, the Office of the State Auditor, the Office of the State Comptroller of the Commonwealth of Massachusetts and the Board of Trustees, management and others within Fitchburg State University, and is not intended to be and should not be used by anyone other than these specified parties.

Ercoleini & Company LLP

Boston, Massachusetts
October XX, 2012

FITCHBURG STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

NONE

Preliminary draft for discussion purposes only - 9.27.12

FITCHBURG STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

NONE

Preliminary draft for discussion purposes only - 9.27.12

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts

We have audited the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2012, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon, dated October XX, 2012, which contained an unqualified opinion on those financial statements. 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. Our audit was performed for the purpose of forming an opinion on the financial statements of Fitchburg State University as a whole. The supplementary information included on pages 5 to 7 is presented for purposes of additional analysis and to comply with the reporting requirements of the Massachusetts Office of Student Financial Assistance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Department of Higher Education of the Commonwealth of Massachusetts, the Office of the State Auditor, the Office of the State Comptroller of the Commonwealth of Massachusetts and the Board of Trustees, management and others within Fitchburg State University, and is not intended to be and should not be used by anyone other than these specified parties.

Ercolini & Company LLP

Boston, Massachusetts
October XX, 2012

FITCHBURG STATE UNIVERSITY

SCHEDULE OF POPULATION, ITEMS TESTED, AND FINDINGS FOR
MASSACHUSETTS STATE FINANCIAL AID PROGRAM CLUSTER

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Description of category</u>	<u>Number of students</u>	<u>Percent of population</u>	<u>Amount of awards</u>	<u>Percent of population</u>
Massachusetts Assistance for Student Success (MASSGrant)	Population	939	100%	\$ 524,198	100%
	Tested	23	2.45%	11,500	2.19%
	Findings	-	0.00%	-	0.00%
Christian A. Herter Memorial Scholarship	Population	1	100%	\$ 6,580	100%
	Tested	1	100%	6,580	100%
	Findings	-	0.00%	-	0.00%
Part Time Grant Program	Population	23	100%	\$ 9,000	100%
	Tested	1	4.35%	450	5.00%
	Findings	-	0.00%	-	0.00%
Cash Grant Program	Population	468	100%	\$ 831,362	100%
	Tested	12	2.56%	21,430	2.58%
	Findings	-	0.00%	-	0.00%
Massachusetts No Interest Loan Program	Population	69	100%	\$ 131,405	100%
	Tested	2	2.90%	4,400	3.35%
	Findings	-	0.00%	-	0.00%
Foster Child Grant Program	Population	7	100%	\$ 29,250	100%
	Tested	1	14.29%	4,500	15.38%
	Findings	-	0.00%	-	0.00%

FITCHBURG STATE UNIVERSITY

SCHEDULE OF POPULATION, ITEMS TESTED, AND FINDINGS FOR
MASSACHUSETTS STATE FINANCIAL AID PROGRAM CLUSTER - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Description of category</u>	<u>Number of students</u>	<u>Percent of population</u>	<u>Amount of awards</u>	<u>Percent of population</u>
Paraprofessional Teacher Preparation Grant	Population	7	100%	\$ 28,929	100%
	Tested	1	14.29%	729	2.52%
	Findings	-	0.00%	-	0.00%
Early Childhood Educators Scholarship	Population	14	100%	\$ 73,004	100%
	Tested	1	7.14%	3,600	4.93%
	Findings	-	0.00%	-	0.00%
John & Abigail Adams Scholarship	Population	432	100%	\$ 398,291	100%
	Tested	8	1.85%	7,760	1.95%
	Findings	-	0.00%	-	0.00%
GEAR UP Scholarship	Population	7	100%	\$ 5,850	100%
	Tested	1	14.29%	400	6.84%
	Findings	-	0.00%	-	0.00%
National Guard Tuition & Fee Assistance	Population	14	100%	\$ 10,832	100%
	Tested	1	7.14%	162	1.50%
	Findings	-	0.00%	-	0.00%
Need Based Tuition Waiver	Population	576	100%	\$ 480,209	100%
	Tested	10	1.74%	7,725	1.61%
	Findings	-	0.00%	-	0.00%
Categorical Tuition Waivers	Population	97	100%	\$ 56,337	100%
	Tested	5	5.15%	2,062	3.66%
	Findings	-	0.00%	-	0.00%

See independent auditor's report on supplementary information on page 4.

FITCHBURG STATE UNIVERSITY

SCHEDULE OF POPULATION, ITEMS TESTED, AND FINDINGS FOR
MASSACHUSETTS STATE FINANCIAL AID PROGRAM CLUSTER - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Description of category</u>	<u>Number of students</u>	<u>Percent of population</u>	<u>Amount of awards</u>	<u>Percent of population</u>
Massachusetts Education Financing Authority Prepaid Tuition Waiver	Population	46	100%	\$ 6,136	100%
	Tested	46	100%	6,136	100%
	Findings	-	0.00%	-	0.00%
Mass Transfer Tuition Waiver	Population	9	100%	\$ 2,294	100%
	Tested	1	11.11%	322	14.04%
	Findings	-	0.00%	-	0.00%
Senator Paul E. Tsongas Scholarship Tuition Waiver	Population	15	100%	\$ 14,550	100%
	Tested	1	6.67%	970	6.67%
	Findings	-	0.00%	-	0.00%
Washington Center Program Tuition Waiver	Population	4	100%	\$ 1,940	100%
	Tested	1	25.00%	485	25.00%
	Findings	-	0.00%	-	0.00%
DSS Adopted Children Tuition Waiver	Population	6	100%	\$ 4,769	100%
	Tested	1	16.67%	485	10.17%
	Findings	-	0.00%	-	0.00%
DSS Foster Care Children Tuition Waiver	Population	13	100%	\$ 10,185	100%
	Tested	1	7.69%	485	4.76%
	Findings	-	0.00%	-	0.00%
Stanely Z. Koplik Certificate of Mastery Tuition Waiver	Population	5	100%	\$ 4,850	100%
	Tested	1	20.00%	485	10.00%
	Findings	-	0.00%	-	0.00%

See independent auditor's report on supplementary information on page 4.

Foundation & Supporting

Org. Audit Agenda

**Fitchburg State University Foundation, Inc. Audit Committee &
Supporting Organization
Tuesday, October 16, 2012
10:00 a.m.
President's Conference Room, Sanders Administration**

AGENDA

- I. Call to Order
- II. Presentation of Independent Auditor's Report, Ercolini & Company, LLP
- III. Other Business
- IV. Adjournment

Foundation Executive

Summary & Audit

Fitchburg State University Foundation, Inc.
Executive Summary
Report on Audit of Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

The Foundation received an *unqualified report* from its auditors and there were no issues or findings that arose during the audit.

Consolidated Statement of Financial Position (page 2):

- Total assets increased by approximately \$458,000.
- Property & equipment totaled \$4.8 million.
- Total debt outstanding at June 30, 2012 was \$3.7 million.

Consolidated Statement of Activities (page 3):

- There was an overall increase in net assets of \$576,000. Unrestricted gifts and donations were approximately \$375,000. Total gifts and donations were \$3,521,000 and include a \$2.8 million donation of software for the Industrial Technology department.
- Rental income, license fees and residence hall fees totaled \$542,000 and are made up of rents and fees paid by the University for the use of various properties and fees paid by students for 185 North Street.
- Interest and dividend income totaled \$317,000. Investment gains totaled \$183,000.
- Program expenses totaled \$4.0 million and include a corresponding expense of \$2.8 million for the donated software mentioned above.
- Management and general expenses increased due to the additional maintenance fees for the Razor's Edge software, increased investment management fees and prospect research.
- Fundraising expenses decreased due expenses related to final capital campaign initiatives incurred in fiscal 2011.

Consolidated Statement of Cash Flows (pages 4 - 5):

- There was \$444,000 in positive cash flow was provided by operating activities. There was an overall net increase in cash of approximately \$145,000.
- Proceeds from the sale of investments totaled \$1.6 million. Acquisition of investments totaled \$2.9 million.
- Cash paid for interest was \$201,000.

Notes to the Financials Statements (pages 6-33):

- Most of the notes are standard disclosures.
- Detail on investments is disclosed in Note 3 beginning on page 14, as well as Note 5 beginning on page 20.
- Detail on property and equipment and its related debt is disclosed in Note 6 beginning on page 24 and Notes 9 and 10 beginning on page 25. Detail on lease and license agreements is disclosed in Note 11 beginning on page 30.
- Related party transactions are disclosed in Note 13 on page 32.

Consolidated Statement of Functional Expenses (page 35):

- This statement presents expenses by major activity and purpose. The significant variances from fiscal 2011 have been mentioned above.

October XX, 2012

To the Board of Directors
Fitchburg State University Foundation, Inc.
Fitchburg, Massachusetts



We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. and FSU Foundation Supporting Organization, Inc. (collectively referred to hereinafter as the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October XX, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 31, 2012, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the consolidated financial statements are free of material misstatement, and to express an opinion about whether the consolidated financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the Organization's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters in May, 2012.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. This letter communicates any significant findings as a result of our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the consolidated financial statements.

During the year ended June 30, 2012, the Organization adopted new Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements and Disclosures, Improving Disclosures about Fair Value Measurements*. This guidance requires separate disclosure in the reconciliation of Level 3 fair value measurements (significant unobservable inputs) of information on purchases, sales, issuances, and settlements of the assets and liabilities measured using Level 3 inputs. The guidance also clarifies certain existing disclosures. Adoption by the Organization of the applicable required disclosures in fiscal 2012 had no material impact on the Organization's consolidated financial statements.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements are management's estimate of the allowance for doubtful collections for contributions receivable.

Management's estimate of the allowance for doubtful collections for contributions receivable is based on its historical experience and an analysis of the collectability of individual pledges receivable. We evaluated the key factors and assumptions used by management to develop the allowance for doubtful collections for contributions receivable in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

The disclosures in the consolidated financial statements are neutral, consistent, and clear. Certain consolidated financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the consolidated financial statements are the disclosures related to the Organization's investments found in Notes 3 and 5 to the consolidated financial statements.

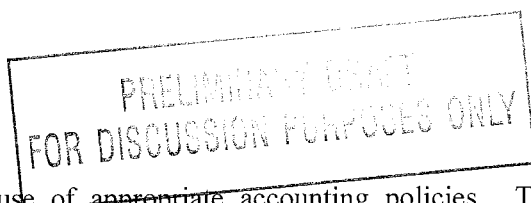
Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes uncorrected misstatements of the consolidated financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.



Significant Audit Findings - continued

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October XX, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

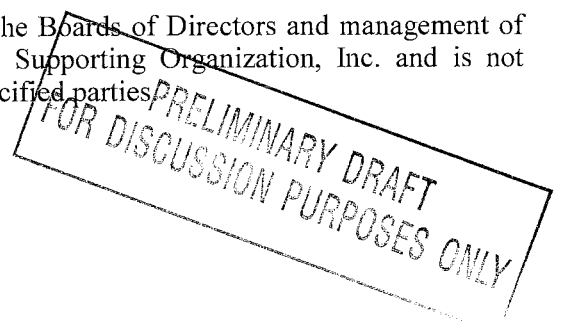
Other Information in Documents Containing Audited Financial Statements

With respect to the additional information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the additional information to determine that the additional information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the additional information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the additional information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the information and use of the Boards of Directors and management of Fitchburg State University Foundation, Inc. and FSU Foundation Supporting Organization, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ercolini & Company LLP



AUDIT DIFFERENCE EVALUATION FORM

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

Instructions

A List

Foundation, Inc.

Index F1000-03

Project Owner: Fitchburg State University Foundation, Inc.

Balance Sheet Date: 06/30/12

Completed by: _____ RFC

A List of Known Audit Differences Over: \$3,000

Increased to \$3,000 based on review of tolerable misstatement. 5% of TM calculated to \$4,400, passed adjustment threshold of \$3,000 deemed reasonable.

Instructions

This form should be used to accumulate known and likely audit differences detected by ~~consampling~~ substantive tests (including differences in accounting estimates) and projected audit differences from substantive tests that used sampling. All known and likely misstatements greater than the amount considered trivial (documented at Step 5 of HUD-CX-2.1) should be listed. The auditor should review the guidance at Section 610 before concluding whether to reflect the effect of prior-year unadjusted audit differences in evaluating audit differences in the current period. This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude whether they materially misstate the financial statements taken as a whole. (See the NOTES following the table for a listing of qualitative considerations in evaluating materiality.) If the project owner has more than one major program, the materiality of the uncorrected audit differences should also be made at the major program level.

Description (Nature) of Audit Difference	Known (K) or Likely (L)	Cause	Audit Doc. Reference	Financial Statement Effect—Amount of Over (Under) Statement of:				
				Total Assets	Total Liabilities	Partner's (Capital) Deficit	Revenues	Net Income(Loss)
Building improvements	K	Expensed	SO-X-02	(6,000)		(6,000)		
Depreciation on above		20 yr life		1,050		300		300
Land purchase understated	K	Expensed back taxes and utilities	SO-H-02	(2,538)				(2,538)
Total				(\$7,488)	\$0	(\$5,700)	\$0	(\$2,238)
Less Audit Adjustments Subsequently Booked								
Net Unadjusted Audit Differences—This Year				(\$7,488)	\$0	(\$5,700)	\$0	(\$2,238)
Effect of Unadjusted Audit Differences—Prior Years							8,000	8,000
Net Audit Differences				(\$7,488)	\$0	(\$5,700)	\$8,000	\$5,762
Combined Financial Statement Caption Totals				\$19,362,294	\$3,789,633	\$15,572,659	\$4,888,559	\$575,737
Net Audit Differences as % of F/S Captions				-0.04%	0.00%	-0.04%	0.16%	1.00%

Conclusion: Based on the results of the evaluation performed above, uncorrected audit differences, individually and in the aggregate, statements taken as a whole to be materially misstated

AUDIT DIFFERENCE EVALUATION FORM

Index **F1000-03**

Project Owner: **Fitchburg State University Foundation, Inc.**

Balance Sheet Date: **06/30/12**

Completed by: **RFC**

A List of Known Audit Differences Over: **\$3,000**

Reviewed by: **JMC**

Increased to \$3,000 based on review of tolerable misstatement. 5% of TM calculated to \$4,400, passed adjustment threshold of \$3,000 deemed reasonable.

Qualitative Considerations in Evaluating Materiality

The judgment about whether a misstatement is material is influenced by qualitative considerations as well as quantitative considerations. The following are examples of qualitative factors that might be considered:

1. Effect on other financial statement components (that is, the pervasiveness of the misstatement).
2. Effect of the misstatement on overall trends in profitability, such as a misstatement that reverses a downward trend of earnings or changes a loss into income.
3. Significance of the financial statement element or portion of the company's business affected by the misstatement.
4. Effect of the misstatement on the project owner's compliance with loan covenants, HUD requirements, other contractual agreements, or regulatory provisions.
5. The existence of statutory or regulatory requirements affecting materiality thresholds.
6. A misstatement that affects management's compensation (for example, meeting an earnings target might trigger a bonus).
7. The sensitivity of the circumstances (such as implications of misstatements involving fraud, possible illegal acts, violations of contractual provisions, or conflicts of interest).
8. The effects of misclassifications that could be significant to the financial statement users.
9. Significance of the misstatement or disclosures in relation to known user needs (for example, a misstatement that could have a significant effect on the calculation of purchase price if the project is being acquired).
10. The character of the misstatement (for example, the precision of the audit differences).
11. Motivation of management.
12. Offsetting effects of individually significant misstatements.
13. Potential effect on future periods.
14. Cost of making the correction.
15. Risk of possible additional undetected misstatements.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

ELFCHBURG STATE UNIVERSITY FOUNDATION, INC.

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2012

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.
REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2012

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PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fitchburg State University Foundation, Inc.
Fitchburg, Massachusetts

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

We have audited the accompanying consolidated statement of financial position of Fitchburg State University Foundation, Inc. (Foundation) (a not-for-profit organization) as of June 30, 2012, and the related consolidated statements of activities, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2011 consolidated financial statements and, in our report dated October 18, 2011, we expressed an unqualified opinion on those consolidated financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fitchburg State University Foundation, Inc. as of June 30, 2012, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October XX, 2012 on our consideration of Fitchburg State University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2012. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2012 audit.

Ercolini & Company LLP

Boston, Massachusetts
October XX, 2012

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(with comparative totals as of June 30, 2011)

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and equivalents	\$ 2,415,022	\$ 2,270,542
Investments	11,563,560	10,118,447
Accrued investment income receivable	33,668	5,518
Accounts receivable	3,783	5,393
Contributions receivable, net	343,800	1,500,865
Prepaid expenses and other current assets	75,728	33,665
Property and equipment, net of accumulated depreciation	4,771,627	4,815,752
Deferred financing costs, net of accumulated amortization of \$17,586 and \$14,116, respectively	41,148	44,618
Other assets	<u>113,956</u>	<u>109,119</u>
Total assets	<u>\$ 19,362,292</u>	<u>\$ 18,903,919</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable, trade	\$ 62,939	\$ 68,661
Accrued interest payable	9,094	12,320
Deferred revenue	65,224	22,405
Notes payable - bank	644,051	681,816
First mortgage notes payable	<u>3,008,325</u>	<u>3,121,795</u>
Total liabilities	<u>3,789,633</u>	<u>3,906,997</u>
Net assets:		
Unrestricted	3,917,459	3,603,607
Temporarily restricted	3,145,829	3,077,888
Permanently restricted	<u>8,509,371</u>	<u>8,315,427</u>
Total net assets	<u>15,572,659</u>	<u>14,996,922</u>
Total liabilities and net assets	<u>\$ 19,362,292</u>	<u>\$ 18,903,919</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

(with comparative totals for the year ended June 30, 2011)

PRELIMINARY DATA
FOR DISCUSSION PURPOSES ONLY

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenue and support:					
Program revenues:					
Gifts and donations	\$ 375,070	\$ 3,076,652	\$ 69,196	\$ 3,520,918	\$ 3,463,852
Grants and contracts	-	47,836	-	47,836	44,036
Sales and services	129,360	143,585	-	272,945	312,121
Rental income	165,000	-	-	165,000	165,000
Residence hall income	198,537	-	-	198,537	200,120
License fee income	178,336	-	-	178,336	177,455
Other revenue:					
Interest and dividends	87,967	229,104	-	317,071	190,311
Gain (loss) on investments	50,098	132,982	-	183,080	1,389,405
Increase in cash surrender value of life insurance	-	-	4,836	4,836	6,909
Net assets released from restrictions	3,442,306	(3,442,306)	-	-	-
Reclassification of net assets	-	(119,912)	119,912	-	-
Total revenue and support	<u>4,626,674</u>	<u>67,941</u>	<u>193,944</u>	<u>4,888,559</u>	<u>5,949,209</u>
Expenses:					
Program services	3,959,309	-	-	3,959,309	4,014,171
Management and general	256,663	-	-	256,663	167,630
Fundraising	96,850	-	-	96,850	125,226
Total expenses	<u>4,312,822</u>	<u>-</u>	<u>-</u>	<u>4,312,822</u>	<u>4,307,027</u>
Increase (decrease) in net assets	313,852	67,941	193,944	575,737	1,642,182
Net assets at beginning of year	<u>3,603,607</u>	<u>3,077,888</u>	<u>8,315,427</u>	<u>14,996,922</u>	<u>13,354,740</u>
Net assets at end of year	<u>\$ 3,917,459</u>	<u>\$ 3,145,829</u>	<u>\$ 8,509,371</u>	<u>\$ 15,572,659</u>	<u>\$ 14,996,922</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

(with comparative totals for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 575,737	\$ 1,642,182
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on investments	(183,080)	(1,389,405)
(Gain) loss on sale of land	-	4,400
Depreciation	101,440	98,260
Discount on pledges	(4,400)	(10,350)
Bad debt expense	12,500	-
Amortization of deferred financing costs	3,470	3,470
Contribution of equipment	-	(20,738)
Contributions restricted for long term purposes	(69,196)	(150,716)
Increase in cash surrender value of life insurance	(2,963)	(5,035)
(Increase) decrease in accounts receivable	1,610	(3,084)
(Increase) decrease in accrued investment income receivable	(28,150)	50,999
(Increase) decrease in contributions receivable	44,816	121,742
(Increase) decrease in prepaid expenses and other current assets	(42,063)	(15,220)
Increase (decrease) in accounts payable, trade	(5,722)	3,027
Increase (decrease) in accrued interest payable	(3,226)	1,667
Increase (decrease) in deferred revenue	<u>42,819</u>	<u>(19,600)</u>
Net cash provided by (used in) operating activities	<u>443,592</u>	<u>311,599</u>
Cash flows from investing activities:		
Payments for property and equipment	(57,315)	(28,956)
Proceeds from sale of investments	1,620,877	11,337,424
Proceeds from sale of land	-	118,870
Purchase of investments	(2,882,910)	(10,940,567)
Release of cash held in escrow	-	75,053
Life insurance premiums	<u>(1,874)</u>	<u>(1,874)</u>
Net cash provided by (used in) investing activities	<u>(1,321,222)</u>	<u>559,950</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

YEAR ENDED JUNE 30, 2012

(with comparative totals for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from financing activities:		
Payments on first mortgage notes payable	(\$ 113,470)	(\$ 103,046)
Net proceeds of (payments on) bank line of credit	-	(125,000)
Payments on notes payable - bank	(37,765)	(35,240)
Collections of contributions restricted for long term purposes	<u>1,173,345</u>	<u>49,313</u>
 Net cash provided by (used in) financing activities	 <u>1,022,110</u>	 <u>(213,973)</u>
 Net increase (decrease) in cash and equivalents	 144,480	 657,576
 Cash and equivalents, beginning of year	 <u>2,270,542</u>	 <u>1,612,966</u>
 Cash and equivalents, end of year	 <u><u>\$ 2,415,022</u></u>	 <u><u>\$ 2,270,542</u></u>

Supplemental disclosure of cash flow information:

Cash paid for interest during the year	<u><u>\$ 200,595</u></u>	<u><u>\$ 226,913</u></u>
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Supplemental schedule of noncash investing and financing activities:

Donation of equipment at estimated fair value	<u><u>\$ -</u></u>	<u><u>\$ 20,738</u></u>
 Costs incurred for purchase of property and equipment	 \$ 57,315	 \$ 14,339
Accounts payable, trade, beginning of year	-	14,617
Accounts payable, trade, end of year	<u>-</u>	<u>-</u>
 Payments for property and equipment	 <u><u>\$ 57,315</u></u>	 <u><u>\$ 28,956</u></u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

1. Organization and summary of significant accounting policies

Organization

Fitchburg State University Foundation, Inc. (the Foundation) was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University (the 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.

On November 24, 2010, the Commonwealth of Massachusetts approved a name change from Fitchburg State College Foundation, Inc. to Fitchburg State University Foundation, Inc.

FSU Foundation Supporting Organization, Inc. (the Supporting Organization) was organized on October 29, 1999 to be a supporting organization operated, supervised and controlled for the exclusive benefit of the Foundation and all of its educational and charitable activities. On November 26, 2010, the Commonwealth of Massachusetts approved a name change from FSC Foundation Supporting Organization, Inc. to FSU Foundation Supporting Organization, Inc. As of June 30, 2012, the Supporting Organization's sole program activity has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and Fitchburg State University.

The Foundation and the Supporting Organization are collectively referred to hereinafter as the Organization.

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Foundation and the Supporting Organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Professional standards require that a not-for-profit organization consolidate another not-for-profit organization if the reporting not-for-profit (Foundation) has both control and an economic interest in the other not-for-profit organization (Supporting Organization). The Supporting Organization's Articles of Organization limit its activities to those that are for the exclusive benefit of the Foundation.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

1. Organization and summary of significant accounting policies - continued

Method of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis, whereby income is recorded when earned and expenses recorded when incurred in the appropriate accounting period.

Basis of presentation

The consolidated financial statements of the Organization are presented in accordance with guidance issued by the Financial Accounting Standards Board (FASB) for the presentation of financial statements of Not-for-Profit Entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent the portion of expendable funds available for support of the Organization.

Temporarily restricted net assets represent contributions specifically restricted by the donor. Programs supported by the Organization operate under budgetary restrictions except for the Women in Today's Society program. Income earned from support derived by the Women in Today's Society program is restricted; ninety percent (90%) of such income is available for the Women in Today's Society program with ten percent (10%) available for general Organization expenses.

Permanently restricted net assets represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income, only, be used primarily for the granting of scholarships and to fund other academic and cultural programs. Earnings on certain permanently restricted net assets are specifically restricted by the donor.

Risks and uncertainties

The Organization maintains an investment portfolio consisting of a combination of U.S. Treasury securities and other government obligations, corporate bonds, equity securities and mutual funds that are invested in equity securities, bonds and other investment securities. The Organization's investments in equity securities, corporate bonds and mutual funds include both domestic and foreign investments. In addition, the Organization has an investment in a real estate fund that is invested in a diversified portfolio of office, residential, industrial and retail properties. Investment securities and real estate investments are exposed to various risks, such as interest rate, market, and credit risks. Real estate investments are exposed to additional risks based on investment concentrations by specific property type and geographic area. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization's investment account balances.

Revenue recognition

Contributions and bequests

Contributions are recognized 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

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

1. **Organization and summary of significant accounting policies - continued**

Revenue recognition - continued

Contributions and bequests - continued

discount rate determined by management of the Organization. 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. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sales and services

Sales and services revenue primarily consists of revenue generated from various cultural programs, functions and events organized by the Organization. Revenue is recognized when the programs, functions and events have taken place and as services are performed. Revenues received for future programs, functions and events are deferred to the applicable year in which they are earned.

Rental and license fee income

Renting and leasing operations currently consist of leasing commercial space under a long-term lease agreement with the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of Fitchburg State University. In addition, the Organization granted Fitchburg State University an exclusive license to occupy, manage, maintain and operate certain other property owned by the Organization pursuant to License Agreements with initial terms of one year and automatic annual renewals thereafter. Rental and license fee income are recognized under the operating method as the rentals and license fees become due. Rental and license fee payments received in advance are deferred until earned.

Residence hall income

Residence hall fees are recognized when earned.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

1. Organization and summary of significant accounting policies - continued

Cash and investments

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

Accounts receivable

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

Investments

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 assets, unless a donor or law temporarily or permanently 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.

The Organization's investment policy consists of a target asset allocation range of 50% to 60% equity securities, 30% to 50% fixed income securities and up to 10% in cash and equivalents.

Endowments

The Organization's endowments consist of approximately 90 individual funds that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. No funds have been designated by the Board of Directors to function as endowments as of June 30, 2012. In accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

1. Organization and summary of significant accounting policies - continued

Endowments - continued

Interpretation of Relevant Law - continued

permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Organization and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Organization, and (vii) the investment policies of the Organization.

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds, if any. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a variety of investments that aim to preserve principal, generate income and provide the opportunity for conservative growth.

The Organization's performance goals are to provide an average annual total rate of return, net of fees, that equals or exceeds its spending rate plus inflation (CPI) over a rolling five-year period. Additionally, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the average return of appropriate capital market indices weighted by the Organization's asset allocation target percentages over a rolling five-year period. The Organization's performance goals are also intended to produce results that equal or exceed the average return of a universe of similarly managed funds. The Organization's performance goals are based upon a long-term investment horizon. Accordingly, actual returns in any given year may vary from these amounts.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a spending policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the preceding three years. The amount to be appropriated for distribution shall not exceed 5%. In establishing this policy, the Organization considered the long-term expected return on its endowment fund assets. Accordingly, over the long-term, the Organization expects the current spending policy to be consistent with the Organization's objective of seeking to maintain the purchasing power of the endowment fund assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

1. Organization and summary of significant accounting policies - continued

Endowments - continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2012 and 2011, there were no deficiencies of this nature.

Property and equipment

Property and equipment are recorded at cost, if purchased or constructed and, if donated, at fair value at the time of the donation. Property and equipment are depreciated on the straight-line method over their estimated useful lives of 40 years for buildings, 20 years for building and land improvements, 7 years for furniture and fixtures, 5 years for equipment and 3 years for computer software and equipment.

Generally, all additions and improvements with an individual cost or, if donated, fair value in excess of \$5,000 are capitalized to property and equipment.

Impairment of long-lived assets

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by obtaining a market appraisal or by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

Deferred financing costs

Deferred financing costs consist of costs incurred to obtain the first mortgage notes payable. These costs are being amortized on a straight-line basis over the terms of the related debt.

Statement of cash flows

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income taxes

The Foundation and the Supporting Organization are classified by the Internal Revenue Service as "publicly supported organizations" exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation or Supporting Organization's tax-exempt purposes are subject to taxation as unrelated business income. The Foundation has unrelated business income for the year ended June 30, 2012. The income and related income taxes thereon, which are not material, are included in the accompanying financial statements. The Supporting Organization had no unrelated business income for the year ended June 30, 2012.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

1. Organization and summary of significant accounting policies - continued

Income taxes - continued

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the consolidated financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2012. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Foundation and Supporting Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2009, 2010 and 2011.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Summarized comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 presentation.

Subsequent events

The Organization has evaluated subsequent events through October XX, 2012, which is the date these consolidated financial statements were issued.

Recent accounting pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on significant transfers of assets and liabilities in and out of Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and timing of the transfers. Additionally, the guidance requires separate disclosure in the reconciliation of Level 3 fair value measurements (significant unobservable inputs) of information on purchases, sales, issuances, and settlements of the assets and liabilities measured using Level 3 inputs. The guidance also clarifies certain existing disclosures. The new disclosures and clarifications of existing disclosures are effective for fiscal years and interim periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption by the Organization of the applicable required disclosures in fiscal 2012 had no material impact on the Organization's consolidated financial statements.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

1. Organization and summary of significant accounting policies - continued

Recent accounting pronouncements - continued

In May, 2011, the FASB issued guidance which further amends the measurement and disclosure requirements related to recurring and nonrecurring fair value measurements. The standard clarifies the fair value measurement guidance applicable to highest-and-best-use and valuation premise, measuring fair value of an instrument classified in equity and financial instruments managed within a portfolio, and the application of premiums and discounts in a fair value measurement. Additionally, the guidance requires expanded disclosure of fair value measurements categorized in Level 3, use of an asset in a way that differs from the asset's highest-and-best-use, and items not measured at fair value but for which fair value is required to be disclosed. These disclosures are effective for fiscal years and interim periods beginning after December 15, 2011. The Organization does not believe that its adoption of this guidance in fiscal year 2013 will have a material impact on the Organization's consolidated financial statements.

2. Cash and equivalents

Cash and equivalents consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Cash and other demand deposits	\$ 987,961	\$ 1,886,488
Money Market Funds	<u>1,427,061</u>	<u>384,054</u>
	<u>\$ 2,415,022</u>	<u>\$ 2,270,542</u>

Money market funds include the SSgA US Government Money Market Fund in the aggregate amount of \$176,183 and \$154,884 at June 30, 2012 and June 30, 2011, respectively. The SSgA US Government Money Market Fund invests in obligations of the U.S. Government, or its instrumentalities with remaining maturities of one year or less. The fund seeks to maximize current income to the extent consistent with the preservation of capital and liquidity, and the maintenance of a stable \$1.00 per share net asset value. At June 30, 2012 and 2011, the fund's investment securities had a weighted average maturity of 33 days and 26 days, respectively. The fund had an average credit quality rating of AAAM at June 30, 2012 and June 30, 2011, respectively.

Money market funds include the Schwab Advisor Cash Reserves Fund in the aggregate amount of \$18,726 and \$31,140 at June 30, 2012 and June 30, 2011, respectively. The Schwab Advisor Cash Reserves Fund invests in high-quality short-term money market investments issued by U.S. and foreign issuers. The fund's goal is to seek the highest current income consistent with stability of capital and liquidity, and the maintenance of a stable \$1.00 per share net asset value. At June 30, 2012 and June 30, 2011, the fund's investment securities had a weighted average maturity of 46 days and 40 days respectively. The fund was not rated for average credit quality at June 30, 2012 and June 30, 2011, respectively.

Money market funds include the Dreyfus Cash Management Institutional - Shares Fund in the aggregate amount of \$229,444 and \$198,030 at June 30, 2012 and June 30, 2011, respectively. The Dreyfus Cash Management Institutional - Shares Fund 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. The fund's goal is to seek as high a level of income as is consistent with the preservation of capital and the maintenance of liquidity. The fund seeks to preserve the value of the fund at \$1.00 per share net asset value. At June 30, 2012 and June 30, 2011, the fund's investment securities had a weighted

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

2. Cash and equivalents - continued

average maturity of 34 days and 38 days respectively. The fund had an average credit quality rating of AAAM at June 30, 2012 and June 30, 2011, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management money market account with a balance of \$1,002,708 at June 30, 2012.

The Organization maintains its operating cash balances in financial institutions located in Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Included in cash and equivalents at June 30, 2012 are overnight repurchase agreements in the amounts of \$666,004 and \$163,488 each at an interest rate of .11% per annum. Included in cash and equivalents at June 30, 2011 are overnight repurchase agreements in the amounts of \$1,624,569 and \$124,540 each at an interest rate of .15% per annum. At June 30, 2012 and 2011, the Organization's overnight repurchase agreements were fully collateralized under an agreement between Sovereign Bank and Fitchburg State University. At June 30, 2012 and 2011, the Organization'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, and Fidelity Bank LifeDesign Business Cash Management Money Market account, amounted to \$1,427,061 and \$384,054, respectively.

The Organization's cash balances fluctuate throughout the year and may exceed insured limits from time to time. The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalent balances.

3. Investments

During the first half of fiscal 2011, the Organization liquidated all of its investments held by Commonfund, with the exception of Commonfund Realty Investors, LLC, and transferred the proceeds to three new professional investment management firms.

Investments are included at their fair values in the accompanying consolidated financial statements and consist of the following at June 30:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 5,117,423	\$ 5,718,022	\$ 4,503,714	\$ 4,833,905
Preferred stock	241,230	252,630	201,927	203,862
Mutual funds	2,756,745	2,718,124	2,681,710	2,775,217
Corporate bonds	1,326,493	1,353,076	907,401	900,809
U.S. government securities	1,516,359	1,521,708	1,406,291	1,404,654
Commonfund Realty Investors, LLC	-	-	-	-
	<u>\$ 10,958,250</u>	<u>\$ 11,563,560</u>	<u>\$ 9,701,043</u>	<u>\$10,118,447</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

3. Investments - continued

At June 30, 2012 and 2011, net unrealized gains in the Organization's investment portfolio amounted to \$605,310 and \$417,404, respectively.

At June 30, 2012 and 2011, respectively, equities include securities in the consumer goods sector which represent 13% of the fair value of the Organization's investment portfolio.

At June 30, 2012 and 2011, 8% and 9%, respectively, of the fair value of the Organization's investment portfolio represents foreign investments.

Investments with an equivalent fair value of \$1,907,000 at June 30, 2012 collateralize certain debt agreements (see Notes 8 and 10).

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 have been 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, the Organization 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 significant, continuing disruptions in the global capital, credit and real estate markets. In the opinion of management, the decline in fair value of this investment was considered to be other-than-temporary.

At June 30, 2012, the fair value of investments in debt securities by contractual maturities is as follows:

	Maturity				
	<u>Within 1 year</u>	<u>1 - 5 Years</u>	<u>5-10 Years</u>	<u>More Than 10 Years</u>	<u>Total</u>
Corporate bonds	\$ 31,123	\$ 1,023,533	\$ 298,420	\$ -	\$ 1,353,076
U.S. government securities	<u>275,981</u>	<u>1,139,751</u>	<u>105,976</u>	<u>-</u>	<u>1,521,708</u>
	<u>\$ 307,104</u>	<u>\$ 2,163,284</u>	<u>\$ 404,396</u>	<u>\$ -</u>	<u>\$ 2,874,784</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

3. Investments - continued

Realized and unrealized gains (losses) on investments are shown net in the consolidated statement of activities. The components (representing the year to year activity) for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Net realized gains (losses)	(\$ <u>8,598</u>)	\$ <u>1,836,818</u>
Unrealized gains	<u>250,915</u>	-
Unrealized losses	(<u>59,237</u>)	(<u>447,413</u>)
	<u>191,678</u>	(<u>447,413</u>)
Net gain(loss) on investments	<u>\$ 183,080</u>	<u>\$ 1,389,405</u>

The Organization incurred investment management fees of \$78,095 in 2012 and \$42,923 in 2011 which are included in management and general expenses in the consolidated statement of activities.

The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2012.

<u>Description of Investments</u>	<u>Less than 12 months</u>		<u>12 months or greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equities	\$ 1,231,326	\$ 187,535	\$ 401,306	\$ 101,798	\$ 1,632,632	\$ 289,333
Preferred stocks	24,490	37	12,595	261	37,085	298
Mutual funds	1,247,510	76,652	382,160	23,874	1,629,670	100,526
Corporate bonds	87,394	1,767	278,016	8,631	365,410	10,398
U.S. government securities	<u>218,528</u>	<u>4,593</u>	<u>448,403</u>	<u>13,658</u>	<u>666,931</u>	<u>18,251</u>
Total	<u>\$ 2,809,248</u>	<u>\$ 270,584</u>	<u>\$ 1,522,480</u>	<u>\$ 148,222</u>	<u>\$ 4,331,728</u>	<u>\$ 418,806</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

3. Investments - continued

The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2011.

<u>Description of Investments</u>	<u>Less than 12 months</u>		<u>12 months or greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equities	\$ 1,011,122	\$ 60,586	\$ -	\$ -	\$ 1,011,122	\$ 60,586
Preferred stocks	59,968	254	-	-	59,968	254
Mutual funds	532,545	11,618	-	-	532,545	11,618
Corporate bonds	672,487	9,625	-	-	672,487	9,625
U.S. government securities	<u>592,793</u>	<u>7,208</u>	<u>-</u>	<u>-</u>	<u>592,793</u>	<u>7,208</u>
Total	<u>\$ 2,868,915</u>	<u>\$ 89,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,868,915</u>	<u>\$ 89,291</u>

Equities and preferred stocks

The Organization has ninety-seven investments in equities of which thirty-three were in an unrealized loss position at June 30, 2012. The Organization also has nineteen investments in preferred stocks of which three were in an unrealized loss position at June 30, 2012. The fluctuation in the equity securities and preferred stocks reflects general economic conditions and current changes in the industries of the companies in which the securities are held. The Organization has evaluated the severity and duration of the impairments. Based on that evaluation and the Organization's ability and intent to hold these investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2012.

Mutual funds

The Organization has twenty mutual fund investments of which eleven are in an unrealized loss position at June 30, 2012. The mutual funds are invested in equities and debt securities of companies in diverse industries and reflect current general economic conditions. The Organization has evaluated the severity and duration of the impairment. Based on that evaluation and the Organization's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2012.

Corporate bonds

At June 30, 2012, the Organization's investments in corporate debt securities were in the form of interest bearing securities of top-rated corporate issuers. The Organization has forty-four corporate debt security investments of which fourteen are in an unrealized loss position at June 30, 2012. The securities in an unrealized loss position are comprised of fixed-rate debt securities of varying maturities. The value of fixed income securities is sensitive to interest rate fluctuations and the credit rating of the issuer.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

3. Investments - continued

Corporate bonds - continued

There have been no indications of default on interest or principal payments by the issuers. The Organization does not intend to sell nor does it believe it would be required to sell the corporate bonds before their anticipated market value recovery. Accordingly, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2012.

U.S. government obligations

The Organization has twenty U.S. government investment securities at June 30, 2012, of which eleven were in an unrealized loss position as a result of interest rate fluctuations. The contractual terms of the investments do not allow the issuer to settle the securities at a price less than the amortized cost of the investment. The Organization does not intend to sell nor does it believe it would be required to sell these investment securities before their anticipated market value recovery. Accordingly, the Organization does not consider the investments to be other-than-temporarily impaired at June 30, 2012.

The endowment net asset composition by type of fund at June 30, 2012 is as follows:

<u>Fund Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ 563,502	\$ 2,338,127	\$ 8,509,371	\$ 11,411,000

Changes in the endowment net assets for the year ended June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 530,960	\$ 2,186,886	\$ 8,315,427	\$ 11,033,273
Investment return:				
Investment income	83,305	223,449	-	306,754
Appreciation (depreciation), realized and unrealized	32,542	130,305	-	162,847
Total investment return	115,847	353,754	-	469,601
Contributions	-	5,320	69,196	74,516
Other income	-	4,170	4,836	9,006
Appropriation of endowment assets for expenditure	(70,637)	(130,211)	-	(200,848)
Investment management fees	(12,668)	(55,386)	-	(68,054)
Reclassification of net assets	-	-	119,912	119,912
Transfer upon removal of donor restrictions	-	(26,406)	-	(26,406)
Endowment net assets, end of year	\$ 563,502	\$ 2,338,127	\$ 8,509,371	\$ 11,411,000

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

3. Investments - continued

U.S. government obligations - continued

The endowment net asset composition by type of fund at June 30, 2011 is as follows:

<u>Fund Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ 530,960	\$ 2,186,886	\$ 8,315,427	\$ 11,033,273

Changes in the endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 338,182	\$ 1,259,117	\$ 8,157,802	\$ 9,755,101
Investment return:				
Investment income	10,938	128,877	-	139,815
Appreciation (depreciation), realized and unrealized	192,777	975,801	-	1,168,578
Total investment return	203,715	1,104,678	-	1,308,393
Contributions	-	5,380	150,716	156,096
Other income	-	6,630	6,909	13,539
Appropriation of endowment assets for expenditure	(8,683)	(125,744)	-	(134,427)
Investment management fees	(2,254)	(29,904)	-	(32,158)
Transfer upon removal of donor restrictions	-	(33,271)	-	(33,271)
Endowment net assets, end of year	\$ 530,960	\$ 2,186,886	\$ 8,315,427	\$ 11,033,273

4. Contributions receivable, net

Contributions receivable consist of the unpaid balances (net of discount and any allowance for uncollectible contributions) made on behalf of the Organization. The majority of the contributions receivable are generally pledged from North Central Massachusetts area contributors. The year-end balances are exclusive of potential contributions to be received as part of corporate matching gift programs. Unpaid Alumni Association telethon contributions from the previous fall and spring telethon campaigns are written off at the end of each fiscal year.

Due to the passing, in June, 2010, of an alumnus of Fitchburg State University, the Foundation received the remainder interest in a trust established by the individual. Based upon information received from the trustee, management estimated and recorded contribution revenue and a receivable in the amount of \$970,000 at June 30, 2010. Based upon updated information received from the trustee as of June 30, 2011, management recorded additional contribution revenue and an additional receivable in 2011 in the amount of \$114,966. At June 30, 2011, the total receivable due from the trust amounted to \$1,084,966. On July 12, 2011, the Foundation received \$1,092,583 from the trust and deposited it with one of its professional investment managers to be invested.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012

4. Contributions receivable, net - continued

Contributions receivable consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 193,290	\$ 1,406,930
Receivable in one to five years	155,525	102,350
Receivable in more than five years	<u>2,000</u>	<u>3,000</u>
	350,815	1,512,280
Discount on pledges	(7,015)	(11,415)
	<u>\$ 343,800</u>	<u>\$ 1,500,865</u>

Contributions which are to be received in more than one year are reflected net of a discount determined at the time of the contribution ranging from 1% to 3.5%.

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

	<u>2012</u>	<u>2011</u>
Measured at fair value	\$ 338,415	\$ 382,835
Measured at net realizable value	<u>5,385</u>	<u>1,118,030</u>
	<u>\$ 343,800</u>	<u>\$ 1,500,865</u>

5. Fair value measurements

FASB's guidance on fair value measurements established a new framework for measuring fair value of assets and liabilities and expanded related disclosures. FASB's guidance requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance established a three-level valuation hierarchy based upon observable and non-observable inputs.

Fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. Preference is given to observable inputs.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

5. Fair value measurements - continued

The fair value hierarchy under the guidance is as follows:

- Level 1 - Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The guidance requires the use of observable data if such data is available without undue costs and effort.

When available, the Organization uses unadjusted quoted market prices to measure the fair value and classifies such items within Level 1. Level 1 securities primarily include publicly-traded equity securities and mutual funds.

When quoted market prices are unobservable, the Organization uses quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. At June 30, 2012 and 2011, Level 2 securities consist primarily of corporate fixed income securities, U.S. government securities and preferred stocks.

At June 30, 2012 and 2011, the Organization's assets included in Level 3 of the fair value measurement hierarchy consisted of its investment in Commonfund Realty Investors, LLC and promises to give that are due in more than one year. As discussed in Note 3, the Organization wrote down its investment in Commonfund Realty Investors, LLC to zero at June 30, 2010 representing its estimate of the fair value of the investment at that date. As of June 30, 2012, management's estimate of the fair value of this investment remains unchanged. The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a rate of return determined by management of the Organization.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

5. Fair value measurements - continued

The fair value of assets measured on a recurring basis at June 30, 2012 is as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equities	\$ 5,718,022	\$ 5,718,022	\$ -	\$ -
Preferred stocks	252,630	-	252,630	-
Mutual funds	2,718,124	2,718,124	-	-
Corporate bonds	1,353,076	-	1,353,076	-
U.S. government securities	1,521,708	-	1,521,708	-
Commonfund Realty Investors, LLC	-	-	-	-
Contributions receivable	<u>338,415</u>	<u>-</u>	<u>-</u>	<u>338,415</u>
Total	<u>\$ 11,901,975</u>	<u>\$ 8,436,146</u>	<u>\$ 3,127,414</u>	<u>\$ 338,415</u>

The fair value of assets measured on a recurring basis at June 30, 2011 is as follows:

<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equities	\$ 4,833,905	\$ 4,833,905	\$ -
Preferred stocks	203,862	-	203,862
Mutual funds	2,775,217	2,775,217	-
Corporate bonds	900,809	-	900,809
U.S. government securities	1,404,654	-	1,404,654
Commonfund Realty Investors, LLC	-	-	-
Contributions receivable	<u>382,835</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,501,282</u>	<u>\$ 7,609,122</u>	<u>\$ 2,509,325</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

5. Fair value measurements - continued

The changes in assets measured at fair value for which the Organization has used Level 3 inputs are as follows for the year ended June 30, 2012:

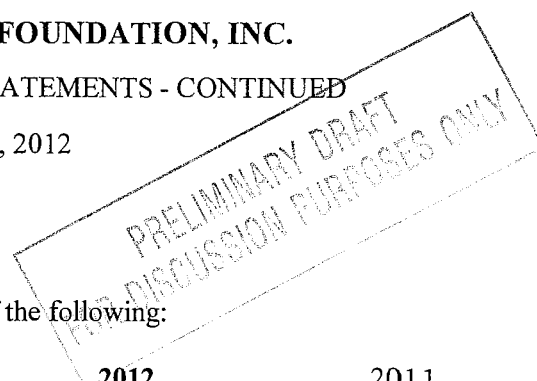
	<u>Commonfund Realty Investors, LLC</u>	<u>Contributions receivable, net</u>
Balances, July 1, 2011	\$ -	\$ 382,835
Realized gains (losses)	-	
Unrealized gains (losses)	-	
New promises received	-	188,050
Collections	-	(224,370)
Contribution revenue	-	4,400
Management and general (write-offs)	-	(12,500)
	<u>-</u>	<u>(44,420)</u>
Balances, June 30, 2012	\$ -	\$ 338,415

The changes in assets measured at fair value for which the Organization has used Level 3 inputs are as follows for the year ended June 30, 2011:

	<u>Commonfund Realty Investors, LLC</u>	<u>Contributions receivable, net</u>
Balances, July 1, 2010	\$ -	\$ 530,970
Realized gains (losses)	-	-
Unrealized gains (losses)	-	-
New promises received	-	38,000
Collections	-	(192,683)
Contribution revenue	-	6,548
	<u>-</u>	<u>(148,135)</u>
Balances, June 30, 2011	\$ -	\$ 382,835

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012



6. Property and equipment

Property and equipment at June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Real estate under lease:		
Land	\$ 402,663	\$ 402,663
Building	1,557,724	1,557,724
Building improvements	<u>100,452</u>	<u>100,452</u>
	<u>2,060,839</u>	<u>2,060,839</u>
Real estate used for student housing:		
Land	253,555	253,555
Building	434,225	434,225
Building improvements	<u>28,600</u>	<u>28,600</u>
	<u>716,380</u>	<u>716,380</u>
Other:		
Land	1,667,357	1,610,042
Land improvements	61,899	61,899
Buildings	556,478	556,478
Building improvements	39,569	39,569
Equipment	82,684	82,684
Computer software	355,845	355,845
Furniture and fixtures	22,287	22,287
Library materials	<u>6,570</u>	<u>6,570</u>
	<u>2,792,689</u>	<u>2,735,374</u>
	5,569,908	5,512,593
Less accumulated depreciation	<u>798,281</u>	<u>696,841</u>
	<u>\$ 4,771,627</u>	<u>\$ 4,815,752</u>

Accumulated depreciation on real estate under lease amounted to \$253,118 and \$209,152 at June 30, 2012 and 2011, respectively. Accumulated depreciation on real estate used for student housing amounted to \$59,234 and \$46,949 at June 30, 2012 and 2011, respectively.

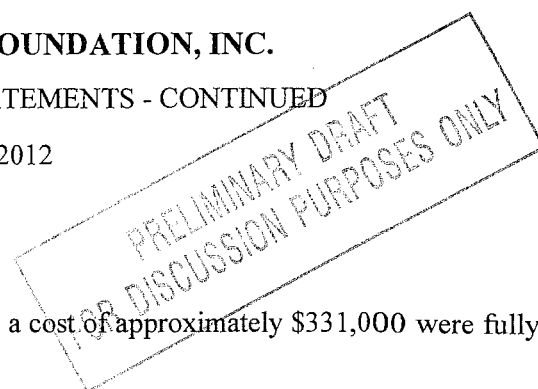
In fiscal 2012, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Supporting Organization's mission and the University's strategic plan which includes campus expansion and additional green space. The property, which included land and a building, was purchased for an aggregate cost of \$57,315. The University subsequently razed the building and created green space. The land is being held for future use and development to further enhance the resources available for the University and City communities.

During fiscal 2011, the Supporting Organization sold a property acquired in fiscal 2010 at a cost of \$123,270. 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 \$120,000 less closing costs of \$1,130. A loss of \$4,400 was recorded from the sale of the property and recognized in the accompanying 2011 statement of activities.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012



6. Property and equipment - continued

At both June 30, 2012 and 2011, property and equipment with a cost of approximately \$331,000 were fully depreciated and still in service.

7. Other assets

Other assets at June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Cash surrender value of life insurance	\$ 74,931	\$ 70,094
Art collection	<u>39,025</u>	<u>39,025</u>
	<u>\$ 113,956</u>	<u>\$ 109,119</u>

8. Line of credit

In March, 2011, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to \$250,000. At June 30, 2012 and 2011, there were no borrowings outstanding under the line of credit. The line of credit provides for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At June 30, 2012 and 2011, the effective interest rate was 6% per annum. There were no borrowings or interest expense on the line of credit during the year ended June 30, 2012. For the year ended June 30, 2011, interest expense incurred on borrowings under this line of credit amounted to \$3,639. Borrowings are secured by investments with equivalent fair value of \$315,000. The line of credit agreement expires on March 17, 2013. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

9. First mortgage notes payable

Foundation

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

At June 30, 2012 and 2011, the outstanding principal balance of this mortgage note payable amounted to \$482,848 and \$500,402, respectively.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

9. First mortgage notes payable - continued

Foundation - continued

For the years ended June 30, 2012 and 2011, interest expense on this mortgage note payable amounted to \$28,750 and \$29,342, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2012, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 18,681
2014	19,800
2015	20,986
2016	21,176
2017	23,570

Supporting Organization

In August, 2006, the 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 11). 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 Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of twenty years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The 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 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.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

9. First mortgage notes payable - continued

Supporting Organization - continued

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, 2012 and 2011, the outstanding principal balance of this mortgage note payable amounted to \$1,538,180 and \$1,612,542, respectively.

For the years ended June 30, 2012 and 2011, interest expense on this mortgage note payable amounted to \$73,268 and \$93,329, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2012, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 79,093
2014	82,778
2015	86,635
2016	90,516
2017	94,888

Workers' Credit Union (WCU) provided financing to the Supporting Organization in the form of a note, dated February 27, 2009, in the amount of \$750,000. The proceeds of the loan were used primarily to repay advances made to the 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 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, 2012, the Supporting Organization has total cash balances of \$81,665 held at WCU which serve as additional collateral for both WCU loans to the Supporting Organization.

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

At June 30, 2012 and 2011, the outstanding principal balance of this mortgage note payable amounted to \$700,292 and \$716,105, respectively.

For the years ended June 30, 2012 and 2011, interest expense on this mortgage note payable amounted to \$40,711 and \$43,353, respectively.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

9. First mortgage notes payable - continued**Supporting Organization - continued**

Aggregate principal maturities on the loan for each of the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 16,810
2014	17,801
2015	18,850
2016	19,961
2017	21,137

Workers' Credit Union provided financing to the 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 located at 161-181 Main Street in Fitchburg, Massachusetts and an assignment of leases and rents on this property. 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 Supporting Organization's obligations under the MDFA Revenue Bonds Issue. The 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. At June 30, 2012, the Supporting Organization has total cash balances of \$81,665 held at WCU which serve as additional collateral for both WCU loans to the Supporting Organization.

The mortgage note has a term of ten years, expiring on February 19, 2020, and provides for a fixed rate of interest of 6.03% per annum. The note requires monthly installments of principal and interest of \$1,939 based on a twenty-five year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Supporting Organization to WCU.

As of June 30, 2012 and 2011, the outstanding principal balance of the mortgage loan amounted to \$287,005 and \$292,746, respectively.

For the years ended June 30, 2012 and 2011, interest expense on this mortgage note payable amounted to \$17,500 and \$18,528, respectively.

Aggregate principal maturities on the loan for each of the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 6,124
2014	6,503
2015	6,906
2016	7,290
2017	7,786

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

10. Notes payable - bank

Foundation

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

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

At June 30, 2012 and 2011, the outstanding principal balance of this note payable amounted to \$16,081 and \$42,590, respectively.

For the years ended June 30, 2012 and 2011, interest expense on this note payable amounted to \$1,463 and \$2,984, respectively.

Aggregate principal maturities over the remaining term of the loan are \$16,081.

Supporting Organization

In May, 2007, the Supporting Organization acquired land and a building consisting of six apartment units at a total cost of \$504,479, including related acquisition costs. The Supporting Organization also acquired an adjacent parcel of land at a cost of \$183,301. The properties are located in the area surrounding the Fitchburg State University campus. The apartments are being used by the University as additional student housing for which the 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 a fair value of approximately \$1,592,000 at June 30, 2012. In addition, payment and performance of the Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

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

At June 30, 2012 and 2011, the outstanding principal balance of this note payable amounted to \$627,970 and \$639,226, respectively.

For the years ended June 30, 2012 and 2011, interest expense on this note payable amounted to \$35,677 and \$37,405, respectively.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

10. Notes payable - bank - continued

Supporting Organization - continued

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2012, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 18,027
2014	18,512
2015	19,009
2016	19,480
2017	20,044

11. Lease and license agreements

As disclosed in Note 9, the 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 ten years and provides for base rent of \$165,000 per year, payable in monthly installments of \$13,750, for the entire lease term. The 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 Supporting Organization expects the lease will be renewed with DCAM on behalf of the University. For the years ended June 30, 2012 and 2011, rental income amounted to \$165,000 in each year.

The following is a schedule of future minimum rental payments to be received on this lease:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 165,000
2014	165,000
2015	165,000
2016	165,000
2017	<u>20,625</u>
	<u>\$ 680,625</u>

On August 6, 2008, the Supporting Organization entered into a ten year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and shall expire on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provides for a base annual rent of \$17,625 for each of the first three years of the lease term, payable in monthly installments of \$1,469. Beginning with the fourth year of the lease there will be a 7.5% increase at the commencement of each three year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to \$18,947 for the next three year period of the lease term, payable in monthly installments of \$1,579. The 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 Supporting Organization may cancel the lease at any time after November 1, 2009 with the payment of two months' base rent as a

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

11. Lease and license agreements - continued

termination charge. The 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, 2012 and 2011, rent expense amounted to \$18,506 and \$17,625, respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 18,947
2014	18,947
2015	19,895
2016	20,368
2017	20,368
Later years	<u>28,685</u>
	<u>\$ 127,210</u>

The Supporting Organization and the University are parties to License Agreements whereby the Supporting Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Supporting Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for aggregate annual license fees totaling \$178,336 payable, in arrears, in twelve equal monthly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the 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, 2012 and 2011, license fee income amounted to \$178,336 and \$177,455, respectively.

12. Restricted net assets

Temporarily restricted net assets in the amount of \$3,145,829, as of June 30, 2012, are available as follows: equipment which use is restricted, in the amount of \$22,590; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of \$3,123,239. Temporarily restricted net assets in the amount of \$3,077,888, as of June 30, 2011, were available as follows: equipment which use is restricted, in the amount of \$30,111; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of \$3,047,777.

Temporarily restricted net assets released from restrictions during 2012 represent the satisfaction of program restrictions in the amount of \$3,239,731; the satisfaction of scholarship-related restrictions in the amount of \$195,865, and the satisfaction of equipment donation restrictions in the amount of \$6,710.

Permanently restricted net assets in the amounts of \$8,509,371 and \$8,315,427 as of June 30, 2012 and 2011, respectively, are invested in perpetuity. Income from the investments is expendable for the program services of the Organization, including the granting of scholarships and to fund other academic and cultural programs.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

12. Restricted net assets - continued

During 2012, \$119,912 was reclassified from temporarily restricted net assets to permanently restricted net assets. In accordance with the donor's restrictions, this amount together with current year donations met the Organization's minimum requirement to establish permanent endowments. Accordingly, the \$119,912 was reclassified to permanently restricted net assets.

13. Transactions with a related party

Fitchburg State University renders certain administrative services to the Organization at no cost. The monetary value of such services is not clearly measurable and, therefore, is not reflected in the accompanying consolidated financial statements.

For the years ended June 30, 2012 and 2011, the Supporting Organization incurred expenses totaling \$33,775 and \$29,904, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing.

At June 30, 2012 and 2011, the Organization has miscellaneous payables to Fitchburg State University in the amounts of \$48,150 and \$60,478, respectively.

14. Major donors

During fiscal 2012 and 2011, the Foundation received temporarily restricted donations of one year licenses to use certain computer software with an annual commercial value of \$2,822,400. The donations represent approximately 80% and 81% of total gifts and donations revenue during 2012 and 2011, respectively. The computer software is being used in academic courses by the Industrial Technology Department of Fitchburg State University. The license expired on June 30, 2012. The Foundation is uncertain if the software will be utilized going forward. The software will be evaluated in Fall 2012. No new agreement is expected until after this evaluation is completed.

15. Donated equipment, materials and services

The value of donated equipment, materials and services included in temporarily restricted donations for the year ended June 30, 2012 totaled \$2,844,900 and has been reflected in program expenses as follows:

<u>Functional Expense Category</u>	<u>Nature of expense</u>	<u>Amount</u>
Speakers and cultural programs	Advertising	\$ 22,500
Equipment and maintenance	Computer software license	<u>2,822,400</u>
		<u>\$ 2,844,900</u>

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

YEAR ENDED JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

15. Donated equipment, materials and services - continued

The value of donated equipment, materials and services included in temporarily restricted donations for the year ended June 30, 2011 totaled \$2,862,391. Of this amount \$20,738 represents equipment that has been capitalized to property and equipment and the remainder of \$2,841,653 has been reflected in program expenses as follows:

<u>Functional Expense Category</u>	<u>Nature of expense</u>	<u>Amount</u>
Speakers and cultural programs	Advertising	\$ 17,500
Equipment and maintenance	Computer software license and miscellaneous equipment	<u>2,824,153</u>
		<u>\$ 2,841,653</u>

16. Subsequent event

On August 8, 2012, the Supporting Organization entered into a purchase and sale agreement with an unrelated third party to acquire a real estate property located in Fitchburg, Massachusetts for a purchase price of \$215,000. A \$5,000 deposit was paid upon execution of the agreement. The acquisition is currently scheduled to close on October 12, 2012. The University intends to raze the building that is currently located on the property and create additional parking.

ADDITIONAL INFORMATION

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Fitchburg State University Foundation, Inc.
Fitchburg, Massachusetts

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. as of and for the year ended June 30, 2012, and our report thereon dated October XX, 2012, which appears on page 1, expressed an unqualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information for the year ended June 30, 2012 contained on page 35 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The prior year summarized comparative information has been derived from the additional information accompanying the Foundation's 2011 consolidated financial statements and, in our report on additional information dated October 18, 2011, we expressed our opinion that such information was fairly stated in all material respects in relation to the 2011 consolidated financial statements as a whole. Such information should be read in conjunction with the Foundation's consolidated financial statements and accompanying additional information for the year ended June 30, 2011, from which the summarized information was derived.

Ercolini & Company LLP

Boston, Massachusetts
October XX, 2012

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

(with comparative totals for the year ended June 30, 2011)

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2012 Consolidated Total</u>	<u>2011 Consolidated Total</u>
Scholarships	\$ 195,865	\$ -	\$ -	\$ 195,865	\$ 212,905
Speakers and cultural programs	168,513	-	-	168,513	195,408
Outside services	87,818	21,805	5,810	115,433	99,396
Accounting and audit	-	19,360	-	19,360	18,281
Insurance	18,874	6,882	-	25,756	28,440
Supplies	60,527	1,334	-	61,861	68,169
Postage	4,836	1,909	13,477	20,222	33,566
Equipment and maintenance	2,849,081	26,145	3,870	2,879,096	2,853,275
Printing and publications	86,457	2,205	30,371	119,033	158,192
Travel	69,245	2,898	1,918	74,061	71,445
Meetings and conferences	44,470	11,068	38,506	94,044	84,327
Professional and consulting services	2,200	-	2,650	4,850	2,075
Awards and grants	32,644	-	-	32,644	15,790
Real estate and other taxes	3,306	-	-	3,306	154
Repairs and maintenance	33,775	-	-	33,775	29,904
Rent	18,506	-	-	18,506	17,625
Utilities	23,266	-	-	23,266	16,495
Interest	167,156	30,213	-	197,369	228,580
Miscellaneous	15,479	23,095	248	38,822	18,212
Investment management fees	-	78,095	-	78,095	42,923
Other financial fees	-	4,035	-	4,035	5,735
	<u>3,882,018</u>	<u>229,044</u>	<u>96,850</u>	<u>4,207,912</u>	<u>4,200,897</u>
Loss on sale of land	-	-	-	-	4,400
Depreciation and amortization	<u>77,291</u>	<u>27,619</u>	<u>-</u>	<u>104,910</u>	<u>101,730</u>
	<u>\$ 3,959,309</u>	<u>\$ 256,663</u>	<u>\$ 96,850</u>	<u>\$ 4,312,822</u>	<u>\$ 4,307,027</u>

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

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

To the Board of Directors of
Fitchburg State University Foundation, Inc.
Fitchburg, Massachusetts

We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. (a not-for-profit Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October XX, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Fitchburg State University Foundation, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fitchburg State University Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

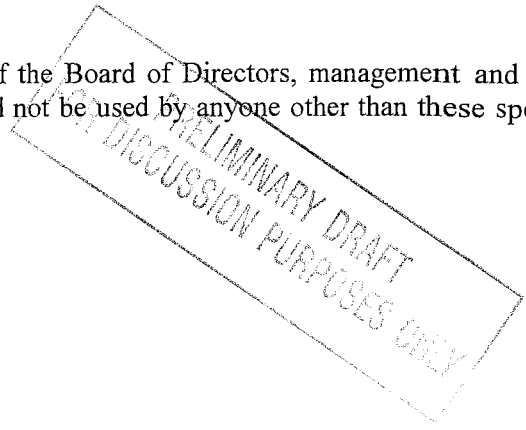
Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Ercoleini & Company LLP

Boston, Massachusetts
October XX, 2012



FSU Supporting Org.

Executive Summary & Audit

FSU Foundation Supporting Organization, Inc.**Executive Summary****Report on Audit of Financial Statements****Years Ended June 30, 2012 and 2011**

The Supporting Organization received an *unqualified report* from its auditors and there were no issues or findings that arose during the audit. The information contained in these financial statements is consolidated into the financial statements of the Fitchburg State University Foundation, Inc.

Statements of Financial Position (page 2):

- Total assets are \$4.4 million at June 30, 2012, an increase of approximately \$31,000 over the previous fiscal year.
- Property and equipment, net of depreciation totaled \$4.1 million.
- Total debt outstanding at June 30, 2012 was \$3.2 million.

Statements of Activities (page 3):

- There was an overall increase in net assets of \$201,000 due to an overall reduction of operating expenses.
- Rental income, license fees and residence hall fees totaled \$542,000 and are made up of rents and fees paid by the University for the use of various properties and fees paid by students for 185 North Street.
- Interest expense relative to financing property acquisitions totaled \$167,000.
- Program expenses totaled \$334,000, management and general expenses totaled \$7,600.

Statements of Cash Flows (page 4):

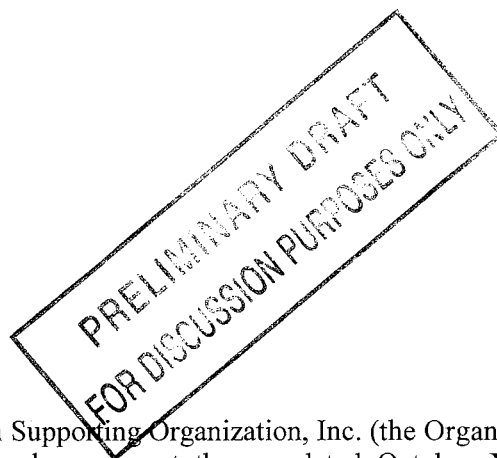
- There was positive cash flows from operating activities of \$264,000. There was an overall net increase in cash of approximately \$39,000.
- Acquisition of property and equipment totaled \$57,000.
- Net cash used for financing activities totaled \$167,000

Notes to the Financials Statements (pages 5-15):

- Most of the notes are standard disclosures.
- Details on property and equipment is disclosed in Note 3 beginning on page 9.
- Mortgage and notes payable agreements are disclosed in Notes 4 and 5 beginning on page 10.
- Lease and license agreements between the Supporting Organization and the University are disclosed in Note 6 beginning on page 13.
- Related party transactions are disclosed in Note 7 beginning on page 14.

October XX, 2012

To the Board of Directors
FSU Foundation Supporting Organization, Inc.
Fitchburg, Massachusetts



We have audited the financial statements of FSU Foundation Supporting Organization, Inc. (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October XX, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 31, 2012, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement, and to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of FSU Foundation Supporting Organization, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of FSU Foundation Supporting Organization, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

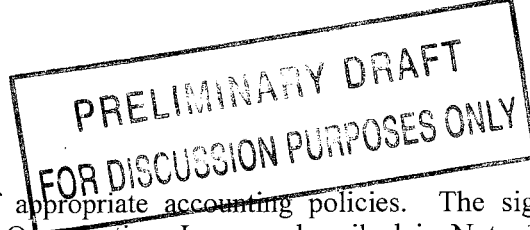
Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters in May, 2012.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. This letter communicates any significant findings as a result of our audit.

Significant Audit Findings



Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by FSU Foundation Supporting Organization, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We found no such accounting estimates affecting the financial statements to be particularly sensitive during our audit.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We found no such disclosures affecting the financial statements to be particularly sensitive during our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October XX, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Audit Findings - continued

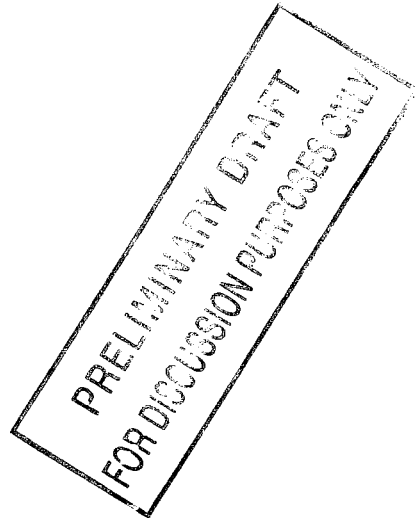
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Directors and management of FSU Foundation Supporting Organization, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ercoleini & Company LLP



AUDIT DIFFERENCE EVALUATION FORM

Index

1000-03

Project Owner: **Fitchburg State University Foundation, Inc.**

Balance Sheet Date:

06/30/12

Completed by: Jason Smith

A List of Known Audit Differences Over:

\$2,500

Reviewed by: Jeff Caputi

Instructions

This form should be used to accumulate known audit differences detected by nonsampling substantive tests (including differences in accounting estimates) and projected audit differences from substantive tests that used sampling. The current year effect of prior years' uncorrected audit differences should also be summarized on the form. This form should not include normal closing entries that the client expects the auditor to prepare and book. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude whether they materially misstate the financial statements taken as a whole. (See the NOTES following the table for a listing of qualitative considerations in evaluating materiality.) If the project owner has more than one major program, the materiality of the uncorrected audit differences should also be made at the major program level.

Description (Nature) of Audit Difference	Cause	Audit Doc. Reference	Financial Statement Effect—Amount of Over (Under) Statement of:				Change in Net Assets Over (Under) Stated
			Total Assets	Total Liabilities	Net Assets (Deficit)	Revenues	
Building improvements	Expensed	SO-X-02	(6,000)		(6,000)		
Depreciation on above	20 yr life		750		300		300
Land purchase understated	Expensed back taxes and utilities	SO-H-02	(2,538)				(2,538)
Total			(\$7,788)	\$0	(\$5,700)	\$0	(\$2,238)
Less Audit Adjustments Subsequently Booked							
Net Unadjusted Audit Differences—This Year							
Effect of Unadjusted Audit Differences—Prior Years							0
Net Audit Differences			(\$7,788)	\$0	(\$5,700)	\$0	(\$2,238)
Combined Financial Statement Caption Totals			4,422,635	(3,320,527)	(1,102,108)	(542,510)	(200,760)
Net Audit Differences as % of F/S Captions			(0.002)	0.000	0.005	0.000	0.011

Conclusion: Based on the results of the evaluation performed above, uncorrected audit differences, individually and in the aggregate, do ☒ do not cause the financial statements taken as a whole to be materially misstated. Pass adjustments, immaterial. JK

AUDIT DIFFERENCE EVALUATION FORM

Index 1000-03

Project Owner: Fitchburg State University Foundation, Inc. Balance Sheet Date: 06/30/12

Completed by: Jason Smith A List of Known Audit Differences Over: \$2,500

Reviewed by: Jeff Caputi

Qualitative Considerations in Evaluating Materiality

The judgment about whether a misstatement is material is influenced by qualitative considerations as well as quantitative considerations. The following are examples of qualitative factors that might be considered:

1. Effect on other financial statement components (that is, the pervasiveness of the misstatement).
2. Effect of the misstatement on overall trends in profitability, such as a misstatement that reverses a downward trend of earnings or changes a loss into income.
3. Significance of the financial statement element or portion of the company's business affected by the misstatement.
4. Effect of the misstatement on the project owner's compliance with loan covenants, HUD requirements, other contractual agreements, or regulatory provisions.
5. The existence of statutory or regulatory requirements affecting materiality thresholds.
6. A misstatement that affects management's compensation (for example, meeting an earnings target might trigger a bonus).
7. The sensitivity of the circumstances (such as implications of misstatements involving fraud, possible illegal acts, violations of contractual provisions, or conflicts of interest).
8. The effects of misclassifications that could be significant to the financial statement users.
9. Significance of the misstatement or disclosures in relation to known user needs (for example, a misstatement that could have a significant effect on the calculation of purchase price if the project is being acquired).
10. The character of the misstatement (for example, the precision of the audit differences).
11. Motivation of management.
12. Offsetting effects of individually significant misstatements.
13. Potential effect on future periods.
14. Cost of making the correction.
15. Risk of possible additional undetected misstatements.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FSU Foundation Supporting Organization, Inc.
Fitchburg, Massachusetts

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

We have audited the accompanying statements of financial position of FSU Foundation Supporting Organization, Inc. (a not-for-profit organization) as of June 30, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FSU Foundation Supporting Organization, Inc. as of June 30, 2012 and 2011, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October XX, 2012 on our consideration of FSU Foundation Supporting Organization, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2012. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2012 audit.

Ercolini & Company LLP

Boston, Massachusetts
October XX, 2012

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 243,633	\$ 204,359
Prepaid expenses and other current assets	640	658
Property and equipment, net of accumulated depreciation	4,137,214	4,142,473
Deferred financing costs, net of accumulated amortization of \$17,586 and \$14,116, respectively	<u>41,148</u>	<u>44,618</u>
Total assets	<u>\$ 4,422,635</u>	<u>\$ 4,392,108</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable, trade	\$ 34	\$ -
Due to affiliate	159,088	219,088
Accrued interest payable	7,958	11,053
Note payable - bank	627,970	639,226
First mortgage notes payable	<u>2,525,477</u>	<u>2,621,393</u>
Total liabilities	<u>3,320,527</u>	<u>3,490,760</u>
Net assets:		
Unrestricted	<u>1,102,108</u>	<u>901,348</u>
Total net assets	<u>1,102,108</u>	<u>901,348</u>
Total liabilities and net assets	<u>\$ 4,422,635</u>	<u>\$ 4,392,108</u>

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenue and support:		
Program revenues:		
Rental income	\$ 165,000	\$ 165,000
Residence hall income	198,537	200,120
License fee income	178,336	177,455
Other revenue:		
Interest income	<u>637</u>	<u>539</u>
Total revenue and support	<u>542,510</u>	<u>543,114</u>
Expenses and losses:		
Program services:		
Utilities	23,266	16,495
Repairs and maintenance	33,775	29,904
Rent	18,506	17,625
Real estate and other taxes	3,306	155
Professional services	2,200	-
Insurance	18,874	18,568
Miscellaneous other	1,020	1,400
Interest	167,156	196,254
Depreciation and amortization	<u>66,044</u>	<u>66,044</u>
	<u>334,147</u>	<u>346,445</u>
Management and general:		
Professional services	5,410	5,150
Miscellaneous other	<u>2,193</u>	<u>2,194</u>
	<u>7,603</u>	<u>7,344</u>
Total expenses	341,750	353,789
Loss on sale of land	<u>-</u>	<u>4,400</u>
Total expenses and losses	<u>341,750</u>	<u>358,189</u>
Increase (decrease) in net assets	200,760	184,925
Net assets at beginning of year	<u>901,348</u>	<u>716,423</u>
Net assets at end of year	<u><u>\$ 1,102,108</u></u>	<u><u>\$ 901,348</u></u>

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 200,760	\$ 184,925
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	62,574	62,574
Amortization of deferred financing costs	3,470	3,470
(Gain) loss on sale of land	-	4,400
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses and other current assets	18	63
Increase (decrease) in liabilities:		
Accounts payable, trade	34	(518)
Accrued interest payable	(3,095)	1,795
Net cash provided by (used in) operating activities	<u>263,761</u>	<u>256,709</u>
Cash flows from investing activities:		
Payments for property and equipment	(57,315)	-
Proceeds from sale of land	-	118,870
Release of cash held in escrow	-	75,053
Net cash provided by (used in) investing activities	<u>(57,315)</u>	<u>193,923</u>
Cash flows from financing activities:		
Payments on first mortgage notes payable	(95,916)	(86,321)
Payments on note payable - bank	(11,256)	(10,010)
Payments on advances from affiliate	(60,000)	(178,497)
Net cash provided by (used in) financing activities	<u>(167,172)</u>	<u>(274,828)</u>
Net increase (decrease) in cash and cash equivalents	39,274	175,804
Cash and cash equivalents, beginning of year	<u>204,359</u>	<u>28,555</u>
Cash and cash equivalents, end of year	<u>\$ 243,633</u>	<u>\$ 204,359</u>

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

1. Organization and summary of significant accounting policies

Organization

FSU Foundation Supporting Organization, Inc. (the Organization) was organized on October 29, 1999 to be a supporting organization operated, supervised and controlled for the exclusive benefit of Fitchburg State University Foundation, Inc. (the Foundation) and all of its educational and charitable activities. On November 26, 2010, the Commonwealth of Massachusetts approved a name change from FSC Foundation Supporting Organization, Inc. to FSU Foundation Supporting Organization, Inc. As of June 30, 2012, the Organization's sole program activity has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and Fitchburg State University (the University).

Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Method of accounting

The financial statements of the Organization have been prepared on the accrual basis, whereby income is recorded when earned and expenses recorded when incurred in the appropriate accounting period.

Basis of presentation

The financial statements of the Organization are presented in accordance with guidance issued by the Financial Accounting Standards Board (FASB) for the presentation of financial statements of Not-for-Profit-Entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Permanently restricted net assets are required to be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. Temporarily restricted net assets have donor-imposed restrictions that require the Organization to use the assets pursuant to those restrictions or that expire by the passage of time. Unrestricted and Board-designated net assets are those that are neither permanently nor temporarily restricted by donor-imposed restrictions. As of June 30, 2012 and 2011, the Organization's net assets are not subject to donor-imposed restrictions; accordingly, all of the net assets are accounted for as unrestricted net assets.

Revenue recognition

Contributions

Contributions are recognized 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

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Organization and summary of significant accounting policies - continued

Revenue recognition - continued

Contributions - continued

more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. 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 when the conditions on which they depend are substantially met. Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Rental and license fee income

Renting and leasing operations consist of leasing commercial space under a long-term lease agreement with the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of Fitchburg State University. In addition, the Organization granted Fitchburg State University an exclusive license to occupy, manage, maintain and operate certain other property owned by the Organization pursuant to License Agreements with initial terms of one year and automatic annual renewals thereafter. Rental and license fee income are recognized under the operating method as the rentals and license fees become due. Rental and license fee payments received in advance are deferred until earned.

Residence hall income

Residence hall fees are recognized when earned.

Accounts receivable

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

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Organization and summary of significant accounting policies - continued

Property and equipment

Property and equipment are recorded at cost, if purchased or constructed and, if donated, at fair value at the time of the donation. Property and equipment are depreciated on the straight-line method over their estimated useful lives of 40 years for buildings and 20 years for building and land improvements.

Generally, all additions and improvements with an individual cost or, if donated, fair value in excess of \$5,000 are capitalized to property and equipment.

Impairment of long-lived assets

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by obtaining a market appraisal or by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

Deferred financing costs

Deferred financing costs consist of costs incurred to obtain the first mortgage notes payable. These costs are being amortized on a straight-line basis over the terms of the related debt.

Statement of cash flows

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income taxes

The Organization is classified by the Internal Revenue Service as a "publicly supported organization" exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the years ended June 30, 2012 and 2011. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2012. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2009, 2010 and 2011.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Organization and summary of significant accounting policies - continued

Functional allocation of expenses

The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

Subsequent events

The Organization has evaluated subsequent events through October XX, 2012, which is the date these financial statements were issued.

Recent accounting pronouncements

In January, 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on significant transfers of assets and liabilities in and out of Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires separate disclosure in the reconciliation of Level 3 fair value measurements (significant unobservable inputs) of information on purchases, sales, issuances, and settlements of the assets and liabilities measured using Level 3 inputs. The guidance also clarifies certain existing disclosures. The new disclosures and clarification of existing disclosures are effective for fiscal years and interim periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption by the Organization of the applicable required disclosures in fiscal 2012 and 2011, respectively, had no impact on the Organization's financial statements.

In May, 2011, the FASB issued guidance which further amends the measurement and disclosure requirements related to recurring and nonrecurring fair value measurements. The standard clarifies the fair value measurement guidance applicable to highest-and-best-use and valuation premise, measuring fair value of an instrument classified in equity and financial instruments managed within a portfolio, and the application of premiums and discounts in a fair value measurement. Additionally, the guidance requires expanded disclosure of fair value measurements categorized in Level 3, use of an asset in a way that differs from the asset's highest-and-best-use, and items not measured at fair value but for which fair value is required to be disclosed. These disclosures are effective for fiscal years and interim periods beginning after December 15, 2011. The Organization does not believe that its adoption of this guidance in fiscal year 2013 will have a material impact on the Organization's financial statements.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

2. Cash and cash equivalents

The Organization maintains its operating cash and cash equivalent balances in financial institutions located in Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Included in cash and cash equivalents at June 30, 2012 and 2011 are overnight repurchase agreements in the amounts of \$163,488 and \$124,540, respectively, at an interest rates of .11% and .15% per annum, respectively. At June 30, 2012 and 2011, the Organization's cash balances were fully insured and the overnight repurchase agreements at June 30, 2012 and 2011 were fully collateralized under an agreement between Sovereign Bank and Fitchburg State University.

The Organization's cash balances fluctuate throughout the year and may exceed insured limits from time to time. The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalent balances.

3. Property and equipment

Property and equipment at June 30, 2012 and 2011 consist of the following:

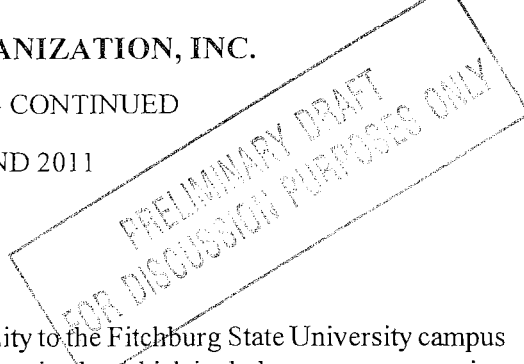
	<u>2012</u>	<u>2011</u>
Real estate under lease:		
Land	\$ 402,663	\$ 402,663
Building	1,557,724	1,557,724
Building improvements	<u>100,452</u>	<u>100,452</u>
	<u>2,060,839</u>	<u>2,060,839</u>
Real estate used for student housing:		
Land	253,555	253,555
Building	434,225	434,225
Building improvements	<u>28,600</u>	<u>28,600</u>
	<u>716,380</u>	<u>716,380</u>
Other:		
Land	1,533,067	1,475,752
Building	129,104	129,104
Land improvements	<u>61,899</u>	<u>61,899</u>
	<u>1,724,070</u>	<u>1,666,755</u>
	4,501,289	4,443,974
Less accumulated depreciation	<u>364,075</u>	<u>301,501</u>
	<u>\$ 4,137,214</u>	<u>\$ 4,142,473</u>

Accumulated depreciation on real estate under lease amounted to \$253,118 and \$209,152 at June 30, 2012 and 2011, respectively. Accumulated depreciation on real estate used for student housing amounted to \$59,234 and \$46,949 at June 30, 2012 and 2011, respectively.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011



3. Property and equipment - continued

In fiscal 2012, the Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Organization's mission and the University's strategic plan which includes campus expansion and additional green space. The property, which included land and a building, was purchased for an aggregate cost of \$57,315. The University subsequently razed the building and created green space. The land is being held for future use and development to further enhance the resources available for the University and City communities.

During fiscal 2011, the Organization sold a property acquired in fiscal 2010 at a cost of \$123,270. 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 \$120,000 less closing costs of \$1,130. A loss of \$4,400 was recorded from the sale of the property and recognized in the accompanying 2011 statement of activities.

4. First mortgage notes payable

Massachusetts Development Finance Agency (MDFA)

In August, 2006, the 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 6). The University is currently using the property for its print services, maintenance, 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 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 Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of twenty years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The 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 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.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

4. First mortgage notes payable - continued

Massachusetts Development Finance Agency (MDFA) - continued

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

As of June 30, 2012 and 2011, the outstanding principal balance of the mortgage loan amounted to \$1,538,180 and \$1,612,542, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2012, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 79,093
2014	82,778
2015	86,635
2016	90,516
2017	94,888

Workers' Credit Union (WCU)

Workers' Credit Union (WCU) provided financing to the Organization in the form of a note, dated February 27, 2009, in the amount of \$750,000. The proceeds of the loan were used primarily to repay advances made to the 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 Organization and an assignment of certain related leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2012, the Organization has total cash balances of \$81,665 held at WCU which serve as additional collateral for both WCU loans.

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

As of June 30, 2012 and 2011, the outstanding principal balance of the mortgage loan amounted to \$700,292 and \$716,105, respectively.

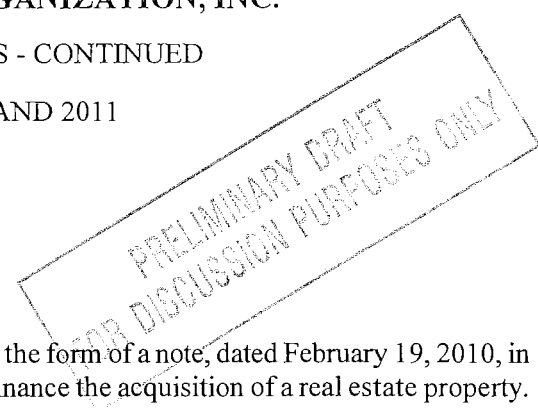
Aggregate principal maturities on the loan for each of the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 16,810
2014	17,801
2015	18,850
2016	19,961
2017	21,137

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011



4. First mortgage notes payable - continued

Workers' Credit Union (WCU) - continued

Workers' Credit Union provided financing to the 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 located at 161-181 Main Street in Fitchburg, Massachusetts and an assignment of leases and rents on this property. 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 Organization's obligations under the MDFA Revenue Bonds Issue. The 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. At June 30, 2012, the Organization has total cash balances of \$81,665 held at WCU which serve as additional collateral for both WCU loans.

The mortgage note has a term of ten years, expiring on February 19, 2020, and provides for a fixed rate of interest of 6.03% per annum. The note requires monthly installments of principal and interest of \$1,939 based on a twenty-five year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Organization to WCU.

As of June 30, 2012 and 2011, the outstanding principal balance of the mortgage loan amounted to \$287,005 and \$292,746, respectively.

Aggregate principal maturities on the loan for each of the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 6,124
2014	6,503
2015	6,906
2016	7,290
2017	7,786

5. Note payable - bank

In May, 2007, the Organization acquired land and a building consisting of six apartment units at a total cost of \$504,479, including related acquisition costs. The Organization also acquired an adjacent parcel of land at a cost of \$183,301. The properties are located in the area surrounding the Fitchburg State University campus. The apartments are being used by the University as additional student housing for which the 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 owned by the Foundation with a fair value of approximately \$1,592,000 at June 30, 2012. In addition, payment and performance of the Organization's obligations under the loan agreement have been guaranteed by the Foundation.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

5. Note payable - bank - continued

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

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2012, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 18,027
2014	18,512
2015	19,009
2016	19,480
2017	20,044

6. Lease and license agreements

As disclosed in Note 4, the 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 ten years and provides for base rent of \$165,000 per year, payable in monthly installments of \$13,750, for the entire lease term. The 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 Organization expects the lease will be renewed with DCAM on behalf of the University. For the years ended June 30, 2012 and 2011, rental income amounted to \$165,000 in each year.

The following is a schedule of future minimum rental income to be received on this lease:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 165,000
2014	165,000
2015	165,000
2016	165,000
2017	<u>20,625</u>
	<u>\$ 680,625</u>

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

6. Lease and license agreements - continued

On August 6, 2008, the Organization entered into a ten year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and shall expire on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provides for a base annual rent of \$17,625 for each of the first three years of the lease term, payable in monthly installments of \$1,469. Beginning with the fourth year of the lease there will be a 7.5% increase at the commencement of each three year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to \$18,947 for the next three year period of the lease term, payable in monthly installments of \$1,579. The 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 Organization may cancel the lease at any time after November 1, 2009 with the payment of two months' base rent as a termination charge. The 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, 2012 and 2011, rent expense amounted to \$18,506 and \$17,625, respectively.

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

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2013	\$ 18,947
2014	18,947
2015	19,895
2016	20,368
2017	20,368
Later years	<u>28,685</u>
	<u>\$ 127,210</u>

The Organization and the University are parties to License Agreements whereby the Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for aggregate annual license fees totaling \$178,336 payable, in arrears, in twelve equal monthly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the 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, 2012 and 2011, license fee income amounted to \$178,336 and \$177,455, respectively.

7. Transactions with related parties

Fitchburg State University and the Foundation render certain administrative services to the Organization at no cost. The monetary value of such services is not clearly measurable and, therefore, is not reflected in the accompanying financial statements.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

7. Transactions with related parties - continued

Repairs and maintenance expense in the accompanying 2012 and 2011 statements of activities includes \$33,775 and \$29,904, respectively, paid to Fitchburg State University for maintenance services provided to the Organization for the real estate used for student housing.

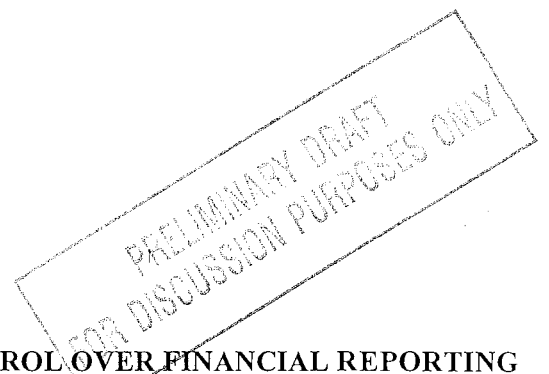
From time to time, the Foundation makes advances to the Organization to assist with the financing of its acquisitions of real estate properties located in Fitchburg, Massachusetts. The advances are noninterest bearing except to the extent that they are funded from the proceeds of draws on the Foundation's working capital line of credit. In those instances, the Foundation charges interest to the Organization at a rate equivalent to the Foundation's borrowing rate on its working capital line of credit agreement. Interest expense incurred by the Organization on advances amounted to \$0 and \$3,639 in fiscal 2012 and 2011, respectively. There was no accrued interest payable to the Foundation at June 30, 2012 and 2011. During fiscal 2012 and 2011, the Organization repaid advances in the amount of \$60,000 and \$178,497, respectively. As of June 30, 2012 and 2011, outstanding advances payable to the Foundation amounted to \$159,088 and \$219,088, respectively. The outstanding advances do not have any specified repayment provisions and due dates.

8. Supplemental cash flows information

	<u>2012</u>	<u>2011</u>
Cash paid for interest during the year	<u>\$ 170,251</u>	<u>\$ 194,459</u>

9. Subsequent event

On August 8, 2012, the Organization entered into a purchase and sale agreement with an unrelated third party to acquire a real estate property located in Fitchburg, Massachusetts for a purchase price of \$215,000. A \$5,000 deposit was paid upon execution of the agreement. The acquisition is currently scheduled to close on October 12, 2012. The University intends to raze the building that is currently located on the property and create additional parking.



**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 Directors
FSU Foundation Supporting Organization, Inc.
Fitchburg, Massachusetts

We have audited the financial statements of FSU Foundation Supporting Organization, Inc. (a not-for-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon, dated October XX, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of FSU Foundation Supporting Organization, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered FSU Foundation Supporting Organization, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

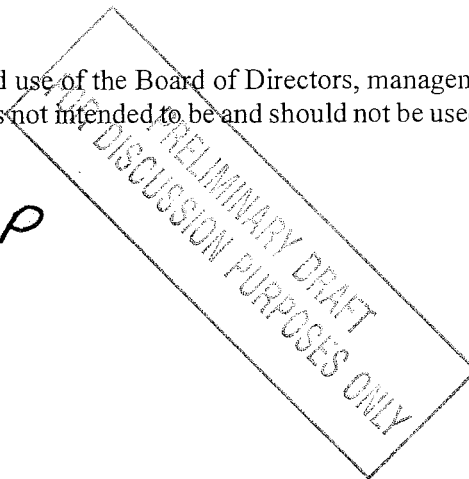
Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management and others within FSU Foundation Supporting Organization, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Ercolini & Company LLP

Boston, Massachusetts
October XX, 2012



President's Goals
and Vote

**Fitchburg State University
REQUEST FOR BOARD ACTION**

TO: Board of Trustees	DATE: October 16, 2012
FROM: The President	REQUEST NUMBER: 05-12/13
SUBJECT: Accept the President's Goals for FY2012/FY2013	

It is requested that the Board of Trustees accept the President's goals for 2012-2013.

Hammond

Bldg. Vote

Fitchburg State University
REQUEST FOR BOARD ACTION

TO: Board of Trustees	DATE: October 16, 2012
From: President	REQUEST NUMBER: 06-12/13
SUBJECT: Hammond Building Phase 3	

It is requested that the Fitchburg State University Board of Trustees vote to approve the attached resolution.

EXHIBIT A

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

FITCHBURG STATE UNIVERSITY

HAMMOND CAMPUS CENTER

Description of Project

- (a) The carrying out of preliminary work, including obtaining cost estimates, revenue estimates, preliminary design specifications, feasibility studies, surveys, and site analyses to determine the feasibility, approximate size, scope, purposes, location and other characteristics of any building, structure or facility the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide;
- (b) The renovation of the Hammond Campus Center as described herein including building systems and components, furniture, and equipment primarily for the use by students and staff of the University, and their dependents, and which the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide; and
- (c) The carrying out of improvements, renovations, and other work on and the provision and installation of furnishings, fixtures and other equipment for other buildings, structures, or facilities the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide.

Project Overview

- Project is the continuation of the renovations at the Hammond Campus Center building. This work will include areas on the Street, Ground and First levels in the Campus Center which have not yet been renovated. Street level renovations include bathroom upgrades and conversion of the former commuter lounge, FAB, club and student leadership offices into new meeting rooms and archives. Ground floor renovations include new archives mechanical room, game room, art gallery, alumni meeting rooms, and student academic life office suite, as well as fire protection in the Ellis White lecture hall. First level renovations include bathroom upgrades, new meeting rooms and updated event space/main lounge. Scope of work in all of these areas includes new finishes (floors, walls and ceilings), lighting, fire alarm, HVAC ductwork and controls, and fire protection.
- The University has provided \$500,000 as initial funding for pre-design exploratory work and the design phase. The project revenue source will be an increase in general student fees not to exceed \$275.

INDICATOR	PRIMARY RESERVE	VIABILITY	RETURN ON NET ASSETS	NET OPERATING REVENUES
Target	25.0%	>1.0	3.0% – 4.0%	2.0% - 4.0%
Fitchburg (FY11)	48.4%	1.4	19.7%	9.6%

Project Budget and Schedule

Budget

Total Project Cost	\$ 11,000,000
Project Fund Deposit	11,000,000
Cost of Issuance/Reserves	<u>(1,400,000)</u>
Total	\$12,400,000

Schedule

Design Started	August 2012
Construction Started	March 2013
Occupy Completed Facility	November 2013

Parking Expansion

Vote

Fitchburg State University

REQUEST FOR BOARD ACTION

TO: Board of Trustees	DATE: October 16, 2012
From: President	REQUEST NUMBER: 07-12/13
SUBJECT: Parking Expansion	

It is requested that the Fitchburg State University Board of Trustees vote to approve the attached resolution.

FITCHBURG STATE UNIVERSITY

REQUEST FOR TRUSTEE ACTION

To: Board of Trustees Date: October 16, 2012

From: Dr. Robert V. Antonucci, President

Subject: Approval for Hammond Center Project, Phase 3 and Parking Expansion

RESOLUTION

1. The Board of Trustees (the "Trustees") of Fitchburg State University (the "State University") hereby approves the project (the "Project") described in EXHIBIT A hereto and the cost thereof approximately as presented to this meeting and otherwise substantially as presented to this meeting.
2. The Trustees hereby approve the pledge by the Board of Higher Education pursuant to the first paragraph of Section 18A of Chapter 703 of the Acts of 1963, as amended, to secure bonds (the "Bonds") issued by the Massachusetts State College Building Authority (the "MSCBA") to finance the Project (which Bonds may be issued together with or separately from bonds issued by the MSCBA for other purposes), of the following: (a) an amount, not to exceed one-fourth (1/4) of the average annual debt service on the Bonds, of funds held as trust funds for Fitchburg State University under the provisions of the Clause (e) of Section 22 of Chapter 15A of the Massachusetts General Laws, the particular trust funds, gifts, grants and trusts and the amount from any particular trust fund, gift, grant or trust to be so pledged to be determined by the President of the State University in consultation with the Executive Committee of the Trustees, and (b) funds made available for expenditure on behalf of Fitchburg State University pursuant to an appropriation made by the General Court or otherwise available for expenditure by the Board of Higher Education.
3. Pursuant to Section 22 of Chapter 15A of the Massachusetts General Laws, as amended, the Trustees hereby delegate to the President of Fitchburg State University the power, and hereby authorize the President of Fitchburg State University, in consultation with the Executive Committee of the Trustees to do all things necessary or desirable in connection with the carrying out of the Project, the Bonds, the payment of and security for the Bonds and all other matters authorized by this Resolution, including without limitation the approval acknowledgement, execution and delivery on behalf of Fitchburg State University of contracts, certificates and other documents.
4. The President of Fitchburg State University and all other officers of Fitchburg State University and all other officers of the Trustees, each of the foregoing persons acting alone, are hereby authorized to do all things and take all action as the person so acting shall, as conclusively evidenced by the doing of any such thing or the taking of any such action, deem necessary or desirable to be done or taken to carry into effect the matters hereby authorized.

EXHIBIT A

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

FITCHBURG STATE UNIVERSITY

PARKING IMPROVEMENTS

Description of Project

- (a) The purchase by the Authority of parcels of land, if required, in the vicinity of the campus of Fitchburg State University, Fitchburg, Massachusetts; and the transfer by the Authority to the Commonwealth of Massachusetts (the “Commonwealth”) of said parcels of land;
- (b) The leasing by the Authority, as lessee, from the Commonwealth (or an entity authorized therefor), as lessor, of parcels of land owned by the Commonwealth in Fitchburg, Massachusetts, for Fitchburg State University (the “University”);
- (c) The carrying out of preliminary work, including obtaining cost estimates, revenue estimates, preliminary design specifications, feasibility studies, surveys, and site analyses to determine feasibility, approximate size, scope, purposes, location, and other characteristics of any building structure or facility the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide;
- (d) The construction of parking improvements, consisting of either surface parking, structured parking, or a combination thereof, primarily for the use by students and staff of the University, and their dependents, and which the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide; and
- (e) The carrying out of improvements, renovations, and other work on and the provision and installation of furnishings, fixtures, and other equipment for other buildings, structures, or facilities the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide.

Project Overview

- Project is the improvement or construction of parking capacity to the Ross Parking Lot and the McKay Parking Lot.
- The project revenue source will be student parking fees.

INDICATOR	PRIMARY RESERVE	VIABILITY	RETURN ON NET ASSETS	NET OPERATING REVENUES
Target	25.0%	>1.0	3.0% – 4.0%	2.0% - 4.0%
Fitchburg (FY11)	48.4%	1.4	19.7%	9.6%

Project Budget and Schedule

Budget

Total Project Cost	\$2,500,000
Project Fund Deposit	2,500,000
Cost of Issuance/Reserves	<u>400,000</u>
Total	\$2,900,000

Conflict of
Interest

Robert V. Antonucci

PRESIDENT

**Conflict of Interest Disclosure Statement
For Trustees, Foundation Board Members, and Foundation Supporting Organization, Inc.
Members**

Introduction

Trustees, Foundation Board members, and Supporting Organization members have a fiduciary duty to the University, the Foundation, and/or the Supporting Organization and, as such, should act in a manner consistent with this obligation and exercise particular care that no detriment to the interest of the University, the Foundation, and/or the Supporting Organization (or the appearance of such detriment) may result from a conflict between the interests of the University, the Foundation, and/or the Supporting Organization and personal financial interests an individual may have. Therefore, each individual of these boards will annually disclose any personal interest, which he or she may have, in any matter pending before the University, the Foundation, and/or the Supporting Organization and will refrain from participation in any decision on such matter.

Trustees, Foundation Board members, and Supporting Organization members who are also an officer, board member, committee member, or staff member of a contractor, vendor, or supplier of, or to, shall identify his or her affiliation with that organization. Further, in connection with any committee or board action specifically directed to that organization, he/she will refrain from participating in the decision affecting that organization.

Additionally, Trustees, Foundation Board members, and Supporting Organization members will refrain from obtaining any list of clients for personal or private solicitation purposes at any time during the term of their affiliation.

**Conflict of Interest Disclosure Statement
Acknowledgement of Receipt**

At this time, I am a board member, a committee member, consultant to, or employee of the following organizations:

This disclosure statement shall certify that I, am not now, nor at any time during the past year, been:

- 1) a participant, directly or indirectly, in any arrangement, agreement, investment, or other activity with any vendor, supplier, or other party, doing business with the University, the Foundation and/or the Supporting Organization, which has resulted or could result, in personal benefit to me; and/or
- 2) a recipient, directly or indirectly, of any salary payments, loans or gifts of any kind, free service, discounts or other fees from, or on behalf of, any person or organization engaged in any transaction with the University, the Foundation, and/or the Supporting Organization and its affiliates.

Exceptions to items 1 or 2 above are stated below, or attached, with a description of the transactions and of the interest, whether direct or indirect, which I have (or have had during the past year) with the persons or organizations having transactions with the University, the Foundation, and/or the Supporting Organization and its affiliates.

Date _____

Signature _____

Printed _____

Conflict of Interest Policy

Purpose:

This conflict of interest policy (“the policy”) is intended to:

- protect the interests of Fitchburg State University (“the University”) and serve as a guide when the University is contemplating entering into a transaction or arrangement that might benefit, directly or indirectly, the private interest of university officers, trustees, or directors;
- enable such individuals to recognize situations that may be subject to question and resolve them to avoid conflicts of interest; and/or
- supplement, not replace, any applicable federal and state laws governing conflict of interests.

Who is subject to the policy?

This policy covers:

- members of the Board of Trustees, including honorary trustees, that participate in board and committee meetings, and members of the Foundation Board and its associated committees.

Policy:

Trustees and Foundation Board members have a fiduciary duty to the University and, as such, should act in a manner consistent with this obligation and exercise particular care that no detriment to the interests of the University (or the appearance of such detriment) may result from a conflict between the interests of the University and personal financial interests an individual may have.

An individual has a financial interest if that person has, directly or indirectly, through business, investment, or family:

- an ownership or investment interest in an organization supplying goods or services to the University;
- performed services for other individuals or organizations that do business with the University; and/or
- a potential ownership, investment interest, or compensation arrangement with any individual or organization seeking to do business with the University.

In general, when those covered by this policy are deemed to be in a conflict of interest situation with respect to any matter before the Boards or administration, that individual will refrain from participating in the consideration of any proposed transaction, unless specifically requested to provide information regarding the transaction in question. The individual will refrain from voting on, or taking any position for or against, the proposed transaction. When deemed appropriate, a notification will be made in the minutes of the meeting that the person involved neither participated in the consideration of the proposed transaction nor voted on the matter.

In all other instances where it is determined that a conflict of interest exists, such conflicts, and their remedy, shall be disclosed to the Board of Trustees and/or the Foundation Board of Directors at their next meeting.

Conflict of Interest Policy

Page 2

Disclosure:

The University is aware that it may not be possible to completely avoid all relationships between those individuals covered by this policy and certain third parties with whom the University transacts business. One of the keys to evaluating the potential conflict is full disclosure. All individuals covered by this policy shall complete, at least annually, a *Conflict of Interest Disclosure Statement*. These disclosure statements shall be reviewed and accumulated by the President's Office and furnished to the Board of Trustees, the Foundation Board of Directors, and/or the President upon request.

If an individual covered by this policy believes that he or she may have a conflict of interest with respect to this policy, or any particular transaction that has not been previously disclosed, he or she will promptly and fully disclose the potential conflict to the President and will refrain from participating in any related transactions or decisions of the University until the conflict is reviewed and a determination has been made.

Individual disclosure statements will be held in confidence by the President. The statements will be open for public inspection only:

- by official action of the Board of Trustees for university matters or by official action of the Foundation Board of Directors for Foundation matters upon showing of good cause;
- with the consent of the person who submitted the data to be disclosed; and/or
- by court order or as otherwise required by Massachusetts or federal law or regulation.

Questions:

Questions regarding this policy should be directed to the President.

Approved by the Board of Trustees _____

Approved by the Foundation Board of Directors _____

President's Report

Fitchburg State University

Anti-Violence Policy

Draft by FAVE (J. McMenemy, E. Travia, S. Bucholc, and W. Cummings)

Fitchburg State University is committed to maintaining a safe and healthy learning and working environment. Mutual respect, acceptance, and appreciation of all members of the University community, and a safe campus, are essential for effective teaching, learning, service, and work performance.

The University will not tolerate violence by any member of the campus community, including students, faculty, staff, and visitors. Violence refers to acts of physical or sexual assault, threats of violence against another individual, as well as verbal or physical harassment, intimidation or hazing.

Examples of violence may include but are not limited to unwanted physical or sexual contact; striking; shoving; strangling; threatening to harm victim or self, a third party, or property; verbal degradation; and using technology or electronic resources to threaten or harass another individual.

As part of this Anti-Violence Policy, the University commits to fostering a zero tolerance for interpersonal and relationship violence, including dating violence, domestic violence, sexual assault, and stalking.

Dating and domestic violence refer to abusive or coercive behavior (physical, sexual, verbal and/or emotional) used by a perpetrator to exercise control over an individual with whom they currently have, or have had in the past, a relationship. Behaviors can occur in opposite-sex and same-sex relationships, and include but are not limited to marital, cohabitating, and dating relationships.

Sexual assault refers to any kind of sexual contact that involves force or any form of coercion or intimidation. Also prohibited is sexual contact with a person who is unable to consent. Please also see Fitchburg State University's Policy Against Sexual Assault, located within the Student Handbook, for clarification (<http://www.fitchburgstate.edu/campus-life/student-services/office-of-student-conduct-mediation-education/campus-policies>).

Stalking refers to a pattern of harassing, threatening, or unwanted behavior that causes an individual to experience emotional distress and/or to fear for their safety. Stalking behaviors include but are not limited to following or spying on another individual; leaving unwanted gifts or items for a person; repeated unwanted or unsolicited contact; posting disturbing messages or threats online; and creating, attempting to create, or disseminating unauthorized audio or video recordings of

another individual. Stalking may occur in a range of formats including, but not limited to, in-person, written letters or notes, voice mail, email, text messaging, GPS, video and audio recording, and social networking.

These forms of violence have serious implications for every facet of society, including institutions of higher education. We must work together to educate our community about what can be done to prevent violence, to hold perpetrators responsible for their actions, and to support survivors.

Fitchburg State University strongly encourages any person that experiences or witnesses an act of violence to come forward and/or report incident (s). Should a person choose to report an incident, he/she should report it to the Dean of Student and Academic Life, Campus Police, Human Resources, and/or an appropriate supervisor.

A range of services, including medical, psychological, police, administrative, and disciplinary, is available for affected members of our community. For confidential assistance, please contact any of the following: Counseling Services at 978-665-3152; Health Services at 978-665-3642; the Employee Assistance Program (EAP) at 1-800-828-6025; the national hotline of RAINN (Rape, Abuse, & Incest National Network) at 1-800-656-HOPE. Additional resources and hotlines are located on the FAVE (Fitchburg Anti-Violence Education) website at www.fitchburgstate.edu/fave.

		Strongly Disagree	Disagree	Agree	Strongly Agree	Comments
1	The board understands and supports the Fitchburg State University mission.					
2	The board reviews the University's mission documents periodically to assess whether they need to be revised or updated.					
3	The board regularly considers the mission, vision, values, and/or goals of the University when it discusses key issues, allocates resources, and/or approves new initiatives.					
4	The board is appropriately involved in the development of the University's policies and strategic direction.					
5	The board is adequately informed regarding material issues.					
6	Board members participate actively, asking pertinent questions and contributing meaningfully to deliberations.					
7	Board discussions are conducive to reaching timely and constructive decisions.					
8	Materials provided for board members are useful, sufficient and properly focused.					
9	The board's deliberations and decisions are adequately documented.					
10	Materials are received far enough in advance to allow thorough preparation.					
11	The location and accommodations for board meetings are adequate.					
12	The board, as a whole, is generally prepared for meetings.					

		Strongly Disagree	Disagree	Agree	Strongly Agree	Comments
13	The board and its committees meet with the right frequency.					
14	The board focuses on meaningful matters and its meetings are productive.					
15	Board members are given adequate orientation and training.					
16	Financial statements are intelligible and board members' questions regarding finances are answered fully.					
17	The actions of the board are fiscally responsible.					
18	The board ensures the University acts legally.					
19	Senior management responds appropriately to board requests and needs.					
20	The division of authority and allocation of responsibilities between the board and executive management is clear.					
21	The board regularly reviews the performance of the President.					
22	The board periodically asks the President to evaluate his/her success in meeting established goals.					
23	The board enables the President and other chief administrative personnel to exercise effective leadership.					
24	Other comments or suggestions:					

DRAFT

TO: Board of Trustees
FROM: Carol T. Vittorioso, Chairman
RE: Committee Memberships – To be determined

Standing Committees

Academic Affairs

Executive/Nominating

Student Affairs

Foundation

Finance & Administration

Carol T. Vittorioso is ex-officio on each standing committee.

Enclosures

TO: Dr. Robert Antonucci, President
C/o Kristin Murphy, Director of Residence Life
Fitchburg State University

FROM: Edward Adelman
Executive Director

DATE: September 13, 2012

SUBJECT: RESIDENCE HALL OCCUPANCY - FALL SEMESTER 2012/FY2013

For purposes of reporting to the Board of Higher Education and the Massachusetts State College Building Authority Board, please complete the following form with the number of students housed in Fitchburg State University residence halls for the fall 2012 semester and include the certification date. Return the form via email to David Spolidoro at dspolidoro@mscba.org by Thursday, September 20, 2012 and mail the original signed form as soon as possible thereafter.

Fall assessment notices will be sent out by Wednesday, September 26, 2012 for payment to US Bank Corporate Trust by Wednesday, October 3, 2012.

We very much appreciate working with you and your staff for the benefit of your students and Fitchburg State University.

Residence Hall	Design Occupancy		Actual Occupancy			% Full	
	Fall 2011	Fall 2012	Fall 2011	Fall 2012	% Change	Fall 2011	Fall 2012
Apartments	189	189	188	189	0.5%	99.5%	100.0%
Aubuchon	316	316	359	353	(1.7%)	113.6%	111.7%
Herlihy	148	148	159	161	1.3%	107.4%	108.8%
Mara Village	328	328	321	314	(2.2%)	97.9%	95.7%
Russell Towers	452	452	463	473	2.2%	102.4%	104.6%
Subtotal - System	1,433	1,433	1,490	1,490	0.0%	104.0%	104.0%
Cedar House	28	28	29	29	0.0%	103.6%	103.6%
Mara New	104	104	104	100	(3.8%)	100.0%	96.2%
Subtotal - Campus	132	132	133	129	(3.0%)	100.8%	97.7%
Total	1,565	1,565	1,623	1,619	(0.2%)	103.7%	103.5%
Certification Date:	9/18/2012						

[Double-click the table to add fall occupancy numbers and certification date in the yellow cells]

Signed 
Dr. Robert Antonucci, President

cc: Jay Bry, Chief Operating Officer – FIT
Cathleen Daggett, Director of Financial Reporting - FIT



Massachusetts Department of Higher Education

One Ashburton Place, Room 1401
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Richard M. Freeland, *Commissioner*
Charles F. Desmond, *Chairman*
Massachusetts Board of Higher Education

August 2, 2012

Carol Vittorioso
Chair
Board of Trustees
Fitchburg State University
160 Pearl Street
Fitchburg, MA 01420

Dear Chair Vittorioso:

Thank you for submitting to my office, in such a prompt manner, your annual evaluation of President Antonucci. The report is very comprehensive and positive. I appreciate all the work of the Board of Trustees of Fitchburg State University and President Antonucci.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. M. Freeland".

Richard M. Freeland
Commissioner

CC: President Antonucci



160 Pearl Street
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July 27, 2012

Commissioner Richard Freeland
Massachusetts Department of Higher Education
Office of the Commissioner
One Ashburton Place, Room 1401
Boston, MA 02108

Dear Commissioner Freeland,

The Board of Trustees at Fitchburg State University met on Tuesday, July 25, 2012 and conducted its annual review of President Robert V. Antonucci's goals and performance. Enclosed is the president's evaluation for the academic year 2011. It is comprehensive in nature and presents a clear analysis of the president's performance.

The Board considers the president to be operating at the highest level of excellence in all categories.

In addition, the Board directs the Executive Committee to grant a salary increase to the President in accordance with the parameters set by the Massachusetts Board of Higher Education.

Should you have any questions or comments, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carol T. Vittorioso'.

Carol T. Vittorioso
Chair, Fitchburg State University Board of Trustees

cc: President Robert V. Antonucci

**PRESIDENTIAL PERFORMANCE EVALUATION of the
President of Fitchburg State University**
Conducted by the Fitchburg State University Board of Trustees July, 2012

Purpose

To determine strengths and challenges related to identified performance goals and objectives, and review accomplishments.

Institutional Leadership and Management Skills

As he has done since taking over leadership of the institution during a challenging transitional period in 2003, President Antonucci this year continued to transform and invigorate the campus community as well as the region. He remains committed to collaborate with area businesses, industry, school districts and local government. His level of energy as a leader on campus, and within North Central Massachusetts is unparalleled.

President Antonucci's strong leadership and management skills have been clearly demonstrated in the areas of strategic planning and academic oversight, while his capital program supervision continues to transform a once-aging campus into a sparkling jewel inside and out. In the field of fiscal management, he has shepherded resources in a prudent manner, allocating funds to academics, student services, capital projects, technology and other campus priorities by means of a thoughtful and inclusive process. As evidence, the institution and its foundation continue to experience an unbroken string of near-flawless audits.

Our President's planning, assessment, collaboration and accountability remain paramount. A new strategic plan is in place, as is a detailed assessment effort, and extensive collaborative and volunteer programs. The Department of Higher Education's initiatives, particularly the Vision Project, serve as a core consideration as campus-wide priorities are set. *(Note: for specific efforts regarding all aspects of this review, see the attached appendix.)*

Personal Attributes and Campus Climate

Much of the President's success is the result of his ability to unite the many disparate groups comprising a broadly extended campus community: students, faculty, staff, alumni, trustees, foundation board members, union leaders, donors, corporations, community members and government officials. He combines a depth and breadth of experience with a personal approach that emphasizes collaboration, compromise and mutual respect. His honesty and integrity are unquestioned. The on-campus climate remains positive, with open communication serving as the cornerstone.

Fund Raising

Among the President's most significant accomplishments this year was successful completion of the largest fundraising effort in the institution's history, a \$12.1 million capital campaign. A bolstered advancement staff is currently laying the groundwork for an expanded annual fund and a future campaign.

External Relationships/Leadership Team/Facilities

Heading the list of goals specific to this year was oversight of the prodigious New England Association of Schools and Colleges (NEASC) self-study, followed by the association's team visit. While the final document will not be released until the fall, all indications point to a successful effort on the part of the university.

The President also successfully retooled the senior leadership team in the wake of several key retirements. He also successfully filled the position of Vice President of Academic Affairs after our long-time, popular and effective former VPAA accepted the position of president at an out of state university.

Our president continues the campus modernization effort. Major aspects of the latter were construction of the science center, renovation of the campus center, remodeling of buildings to house new faculty offices, and completion of the Highland Avenue Plaza.

Robert V. Antonucci
PRESIDENT

***President's Report to Trustees on
Goals for 2011-2012 Academic Year***

Overview

Each year at this time I present goals to the Board of Trustees for the current academic year. While there are literally hundreds of projects and activities on this busy campus, what follows is a prioritized selection based on critical importance to our larger mission of advancing the university to ever-higher levels.

Goals

Complete the work for the New England Association of Schools and Colleges (NEASC) accreditation process.

We are now deep into the process of completing the self-study required by the New England Association of Schools and Colleges for re-accreditation. The study, which will be submitted in December, is the result of the hard work of more than 100 individuals representing a broad cross section of campus. Next year, from March 7 to 10, a team from the association will visit the university to validate and review the work that has been done.

Our goal is to receive another full 10-year approval based on the self-study. That process was labor intensive, but offered us a valuable opportunity to examine our mission as well as our relative strengths and weaknesses based on a focused, standard set of criteria.

Receiving re-accreditation is critically important for the university. Of the many assessment mechanisms we utilize to measure institutional effectiveness and quality, this is the "gold standard."

Re-organize and energize the senior leadership team, and utilize the talents and interests of the new members in order to continue strengthening the university.

Three new members will be joining our senior team as a result of resignations and retirements: Dr. Robin Bowen was hired as vice president for academic affairs on June 27, 2011; we have just completed the search for the upgraded position of vice president for institutional advancement, and Christopher Hendry will be assuming that role on October 30; and Jay Bry will be serving as interim vice president for finance and administration, replacing Sheila Sykes, who retires on November 5. We will build on the accomplishments of those who are departing while leveraging the expertise of the new leaders to support our basic principles of teaching, learning and service. I look forward to the changing dynamics, and am confident that those in new

positions are eminently qualified to successfully address the challenges we will face in the future.

Continue the ongoing efforts to modernize the university infrastructure.

The science center, the Hammond project, the Miller faculty offices, and the Highland Avenue plaza are just a few of the modernization projects underway or recently completed. These projects will contribute to the overall educational environment of the university. We will continue to explore options to finance other projects as part of our capital plan. We have an aging campus infrastructure and need to aggressively address the many needs that remain. Edgerly and Percival are examples of two renovation projects that must be undertaken.

Lead the university in an effective and efficient manner, and administer the daily operations of the university with an unwavering focus on excellence and quality.

This is a goal that I include each year as it represents a macro view of leading a complex organization with a \$70 million budget and more than 600 employees. Among the many focal points are fund raising, capital needs, foundation and trustee boards, collective bargaining, professional development, sustainability, public relationships, alumni affairs, and community outreach, including, for example, the Commissioner's Vision Project, the NCAA, and the Council of Presidents. Efficiency can only be achieved through shared vision and commitment.

Conclusion

As I have said since my first day as president, the student learning experience is what the university is all about. We are here because of students. We are here to ensure that their educational needs are met at the highest levels of excellence. We are here because we believe that our institution is number one and the best in its class. We need to demonstrate this through action and results, not words. I believe in this university, in what it does, and its limitless future.

October 18, 2011

APPENDIX


Selected Statewide Projects and Collaborations

- Secured a federal grant to work with three partner school districts (Lowell, Fitchburg, Leominster) to improve instruction for students with limited English proficiency and upgrade the qualifications of educational personnel working with ELS. The Collaborative for Educational Services is also a partner on the project.
- Co-directed the Central Massachusetts Partnership for Assessing Written Communication project. With Mount Wachusett, Quinsigamond, and Worcester State.
- Participants, with Mount Wachusett, in Advancing Massachusetts Culture of Assessment's experiments grant to support the Vision Project.
- BHE-funded Quality Collaboratives Dyad exploring the use of the Lumina Degree Qualifications to inform faculty development, assessment, and transfer policies.
- Formed a PARCC engagement team with the initial charge of developing a definition of college readiness.
- Member of Central Links, a multi-pronged effort among the four public institutions in Central Massachusetts.
- As part of the Vision Project, four Fitchburg State faculty members are working as retention specialists. The Fitchburg State Academic Affairs office provided additional funding for a fifth specialist.
- Utilizing funds from the Davis Foundation to support assessment experiments and attending state-wide conferences to share best practices.
- Member of the task force on Statewide Assessment.
- Serve as a Liberal Education and America's Promise (LEAP) Primary Partner Campus, exploring system-wide approaches to assessing the LEAP essential learning outcomes and guiding the development of this system-wide approach to assessment with financial support from the Davis Foundation for Advancing Massachusetts Culture of Assessment.
- Member of the state partner team working with representatives from other LEAP states to develop shared approaches to learning outcomes assessment.
- Member of the Developmental Mathematics Education Task Force.
- Engaged in a collaboration with two state university nursing programs and three postsecondary LPN programs to develop best practices for a stand-alone accelerated LPN to BS nursing program that will be disseminated statewide for possible replication at other state universities. Fifteen students are enrolled for September.
- Member of the National Council of University Research Administrators, and founding member of the Massachusetts State University Grants Offices, which shares policies and procedures and works to find potential collaborative grant opportunities.

- Participant in an organization of chief librarians of all 29 Massachusetts public higher education libraries that explores such issues as collaborative grant writing, joint purchase of database services at discount rates, and annual compilation and comparison of the libraries IPEDS statistics and database subscriptions.
- Chaired the CIO Council, composed of all CIOs at state universities and community colleges who gather to facilitate sharing of information and coordination of such collaborative efforts as security training, Banner training and joint purchasing.
- Served on the PACE steering committee.
- Member of the state-wide College Readiness Partners Group, the Commonwealth Education Deans Consortium, the Mass Central Readiness Center Governing Board, the Standing Committee on Professional Education, and the Commonwealth Teacher Education Consortium.
- Served on the Massachusetts Vision Project's Financial Aid Policy Group, which resulted in the university being selected as a pilot participant this fall. The grant will span four years and result in a \$450,000 award to our students.
- Member of the DHE MassTransfer Steering Committee, the DHE Financial Aid Advisory Committee. In addition, developed and implemented the Finish First reverse transfer program through Central Links.
- As part of a PACE initiative, worked with the Massachusetts Higher Education Consortia to establish programs that saved the Commonwealth millions of dollars in statewide procurement and power purchase efficiency.
- Member of the Department of Energy Resources-sponsored council focusing on implementation of Executive Order 484 and coordination of efforts with OSD and DCAM. Participation resulted in receiving the EEMS Metering System, and grant funding for an LED light pilot program.
- Actively involved with the Massachusetts Regional Emergency Planning Commission, including the trails coalition, focused on promoting and coordinating the efforts of various regional stakeholders exploring trails and greenways access for work and recreation.
- Member of the Massachusetts Public Higher Education Marketing-PR Collaborative.

MEMORANDUM

To: State University Presidents, Vincent Pedone, Jake Olivera

From: James B. Cox 

Re: Issues Pertaining to Presidential Compensation; Implementation of Increases in Open Meeting

Date: September 26, 2012

You have asked if the Commissioner of the Department of Higher Education has the authority to set the compensation (and, implicitly, determine an increase in compensation) of a state university president.

The short answer to the question is no. The authority to determine a university president's compensation lies with the Board of Higher Education, not with the Commissioner, unless the BHE specifically delegated that authority to the Commissioner.

This discussion was prompted by a recent letter from the Commissioner of the Department of Higher Education addressed to your Boards of Trustees as well as the Boards of Trustees of the Community Colleges. The Commissioner wrote he was "prepared to consider recommendations from campus boards for salary increases..." up to three per cent (3%). The question arose whether the Commissioner had the authority to determine whether a state university president would receive a salary increase that was supported by the institution's Board of Trustees.

The local Boards of Trustees have the authority to "appoint, transfer dismiss and promote" personnel of the institution. Mass. Gen. Laws c. 15A, § 22. The BHE, however, has the authority to "approve and fix the compensation of the chief executive officer of each institution within the state university ... system." Mass. Gen. Laws c. 15A § 9(q). The BHE "...may delegate its authority or any portion thereof to the commissioner whenever in its judgment such delegation may be necessary or desirable." Mass. Gen. Laws c. 15A, § 6. I am not aware that a formal delegation of the authority to fix state university presidential compensation has been made by the BHE. Absent such delegation, the BHE, not the Commissioner, has the authority to determine state university presidential compensation.

The public record law, as amended slightly more than one year ago, now requires that a public body's deliberation concerning the compensation of public employees be conducted in open meeting. It is no longer appropriate for a Board of Trustees to enter executive session to evaluate the president's performance or discuss the raise to be granted the president. An executive session remains appropriate, however, if the character or reputation of a public employee will be discussed, or in preparation for contract negotiations with a public employee.

'I went from having it all to having nothing.'

LISA REGINA

ACTRESS AND VICTIM OF DOMESTIC VIOLENCE



T&G Staff/DAN GOULD

Actress Lisa Regina, a victim of domestic violence, was the keynote speaker yesterday at the annual domestic violence awareness breakfast hosted by the advocacy group Daybreak at the College of the Holy Cross.

Words *to* live by

*Actress
inspires
domestic
violence
breakfast
with her
story*

By Linda Bock
TELEGRAM & GAZETTE STAFF

WORCESTER — Lisa Regina was living the life of a Hollywood actress — and about to be married — when her life was shattered.

"I went from having it all to having nothing," Ms. Regina said. She was two months from her wedding day when her fiancé at the time, Sopranos actor Vincent Pastore, assaulted her in a vehicle in New York City. He punched her in the head, grabbed her hair and "ragdolled" her, before he ultimately threw her out of the car onto a busy sidewalk in Little Italy in the middle of the day. The actor, who played mobster Salvatore "Big Pussy" Bonpensiero in the

HBO series, was ordered to do community service and eventually settled a civil lawsuit Ms. Regina filed against him.

Ms. Regina was the keynote speaker yesterday at the annual domestic violence awareness breakfast hosted by the advocacy group Daybreak at the College of the Holy Cross.

"Hi, I'm Lisa," Ms. Regina introduced herself as she took to the stage in a black leather jacket and jeans. "I'm an actress, I'm an advocate and I'm a survivor."

Ms. Regina said her abuse started with emotional and verbal abuse — the same way it did for as many other victims of domestic violence. It later escalated to physical abuse.

Turn to **Actress**/Page A4

Actress

From Page A3

Following her fiancé's attack on April 2, 2005, Ms. Regina recalled, she could not speak because she was so terrorized and afraid.

Ms. Regina used her artistic and writing skills to heal. Through writing, she said she found personal strength that inspired her to create A Write to Heal, a nonprofit writing program to help victims of domestic violence. She has since become a fierce advocate against domestic violence.

The writings have become the basis for monologues that she now performs professionally. Before she performed one of her monologues yesterday, Ms. Regina took off her black jacket to show the words "empower," "courage" and "strength" emblazoned in bold lettering on her long-sleeved black T-shirt.

Ms. Regina has appeared on television and film roles on shows including "The Sopranos," "Bronx Paradise," "Priceless," "All My Children" and national commercial campaigns for Delta Sky Miles, Kmart and Macy's.

The purpose of the annual Daybreak breakfast is to applaud the efforts of those in the community who work to stop domestic violence and to place domestic violence issues in the spotlight this month, Domestic Violence Awareness Month. Daybreak, a program of YWCA Central Massachusetts, is the designated battered women's service provider for Greater Worcester. As part of its mission, Daybreak provides a 24-hour hot line, community education, crisis intervention, emergency shelter, outreach, court advocacy and counseling.

"You can grow, you can heal, you can move away from the pain," Ms. Regina said to the victims of domestic abuse who were in the room. "I know it's not easy to live and let go."

Linda Cavaoli, executive director of YWCA Central Massachusetts, welcomed more than 300 guests to the breakfast. Among them were many people who work to end domestic vio-

lence.

"The true celebrities are all of you," Ms. Regina said. "So thank you for all that you do."

The Great Guys awards this year were presented to Robert Antonucci, president of Fitchburg State University, and lawyer Lyonel Jean-Pierre Jr. with Community Legal Aid. Mr. Antonucci was recognized for his anti-violence education efforts at the university and in the community. Mr. Jean-Pierre was recognized for his legal work on behalf of survivors of domestic violence.

Special recognition went to Ginger Navickas for outstanding leadership of the Daybreak program and her commitment to protecting the lives of women throughout her nearly 40-year career with the YWCA and other advocacy groups. She was given a long ovation. Ms. Navickas urged breakfast attendees to be re-invigorated by the powerful anti-domestic violence program.

"Now is the time to stay the course," Ms. Navickas said.

For local students, high state honors

Mount Wachusett, Fitchburg State standouts hailed among '29 Who Shine'

By Chris Camire

ccamire@sentinelandenterprise.com
@camirereports on Twitter

BOSTON — Mount Wachusett Community College student Caroline Horvitz doesn't think she's an inspiration to others.

She couldn't be more wrong.

Born with cerebral palsy and deafness during a difficult delivery that claimed the life of her twin sister, Horvitz attended the Beverly School for the Deaf as a child and was later home-schooled. She is fluent in five sign languages.

A few years ago, while touring the ruins of Pompeii, someone said she couldn't climb Mount Vesuvius. Not only did she climb the mountain, she translated Latin inscriptions for other tourists.

Horvitz's name, along with that of Fitchburg State University senior Courtney Gustafson, was on a select list of 29 college students across Massachusetts who have excelled in the classroom and in their communities. The students were honored at the Statehouse Thursday.

The "29 Who Shine" is an annual list of students from the state's 29 public universities and colleges who demonstrate commitment to academic excellence and community service.

These days, Horvitz's business includes serving as the student trustee on MWCC's board of trustees. She also is a member of Mount Wachusett honors program, and the Phi Theta Kappa honor society, for which she served as treasurer.



SENTINEL & ENTERPRISE / CHRIS CAMIRE

Mount Wachusett Community College student Caroline Horvitz, 23, right, and Fitchburg State student Courtney Gustafson, 21, join state Rep. Steven DiNatale at the Statehouse Thursday.

Horvitz, who lives in Fitchburg, is widely recognized on campus for her wit, intellect and desire to motivate her fellow students.

She has studied Latin, and is interested in medieval history and archival studies. Last October, Horvitz received the Dean Sullivan Award, a top honor that is presented each year to a Massachusetts community college student in recognition of their commitment and achievement as a leader.

"I don't really have any hardships," she said. "I was blessed to be in a family that treated me the exact same way as everyone else. There is nothing I cannot overcome. No

matter how bad you think it can get, make sure to dedicate your life to helping someone else. There's always somebody out there who is worse off than you."

Horvitz will continue her studies at Mount Holyoke College.

Gustafson, 21, of Fitchburg, has been a standout scholar since her arrival at Fitchburg State University in 2008, earning a cumulative GPA of 3.99.

Gustafson, a commuting student who was raised in Fitchburg, decided to attend Fitchburg State because it was affordable.

She balanced a demanding class schedule with work in FSU's Office of Student Development, where she quickly rose to a managerial position. She also held down a second off-campus job.

Gustafson has been a member of the English honor society, wrote for the student newspaper and was selected for leadership-development programs offered by the university.

With half of the undergraduate population commuting to the university, Gustafson founded the Commuter Club in her second year and oversaw the development of programs catering to this population. The club continues to thrive.

Gustafson is in her second semester volunteering at the state prison in Shirley, where she teaches a writing course to inmates.

Gustafson has been accepted into an MA/PhD program in English rhetoric and composition at UMass Amherst, where she has also been offered a teaching assistantship and a fellowship to cover her fees. She plans to continue teaching writing after earning her advanced degree.

Institute gives region a leg up

FSU center provides needed economic info

By Lisa Eckelbecker
TELEGRAM & GAZETTE STAFF

FITCHBURG — When Wendy R. Wiiks started seeking grants for the city of Leominster, she found little economic information to bolster her applications. “Grants are so competitive, you really need data specific to your community,” said Ms. Wiiks, the city’s grant administrator. “You could get data from the Census Bureau or whatever, but it really didn’t help you to set yourself apart in the world of grants.”

That’s less the case now, thanks to a team of professors

and students at the Regional Economic Development Institute at Fitchburg State University. The nonpartisan institute has turned out about six economic analysis reports since its launch in 2009, and continues to evolve, recently starting a newsletter and working to become self-financing.

The institute’s focus is the 26 cities and towns that make up North Central Massachusetts, a region that institute organizers felt was getting little attention from the state’s other think tanks and institutes.

“We provide analysis that’s hopefully cutting edge, innovative,” said Joshua B. Spero, an associate professor of political science at Fitchburg State and faculty director of REDI. “But mostly we provide analysis that’s not found anywhere at all.”

The diverse region that REDI



T&G Staff/PAUL KAPTEYN

Joshua B. Spero, faculty director of the Regional Economic Development Institute at Fitchburg State University.

covers stretches from Harvard in the east to Orange in the west and borders New Hampshire. About 265,000 people live in the

region, which includes about 5,000 businesses.

Manufacturing, particularly plastics manufacturing and production for the medical device industry, distinguishes the North Central Massachusetts economy from other regions in the state, according to Mr. Spero. The region also toils under a jobless rate slightly higher than the state average: 7 percent in June, compared to 6.3 percent for the state, REDI figures show.

Since its inception, REDI researchers from fields such as business administration and industrial technology have studied broadband communication access in the region, a proposed center for career and technical education, manufacturing technology transfer, housing and the region’s cultural economy. Fitchburg State students assist with the work.

REDI also publishes monthly economic development indicators for the region and puts out a cost-of-living index every quarter.

“REDI provides the research that cities and towns need to inform our policymaking,” Fitchburg Mayor Lisa Wong wrote in an email. “In this day and age, we can’t just rely on how things were done before.”

The institute generally chooses its subjects based on what leaders across the region want and the expertise that Fitchburg State possesses. The researchers also focus on large forces moving through the economy, the sorts of shifts that individual businesses and organizations might not have time or resources to analyze.

“Let’s face it, day-to-day, they

(local leaders) are racing the clock just to put a business plan into action, a policy into implementation, so we’re looking at trends,” Mr. Spero said.

REDI’s subjects, such as the availability of broadband in the region and economic activity near a proposed Fitchburg commuter rail station, are exactly the sort of research that could prove helpful for developers, according to Paul R. Maguire, founder and chief executive of IntelliSource International of Leominster and a member of REDI’s board of the directors.

“Armed with that kind of information, investors can start taking a look at this area and saying, ‘Hey, there’s real potential in this area if we get broadband communications, if we get a commuter rail station,’” Mr. Maguire said.

Ms. Wiiks, also on REDI’s board, plans to tap some of REDI’s housing analysis for an application for a state grant to fund work on streets and sidewalks.

“We’re actually going to use that in applying for a Mass-Works grant right now,” she said.

Fitchburg State and Fitchburg businesses Rollstone Bank & Trust and Simonds International have provided money for REDI, but Mr. Spero said he wants the organization to finance itself. He said the institute seeks donors, but it might also perform research under contract for others.

“We really are diversifying in a lot of ways, but on the whole most of our analysis is free to the public because this is a public university,” he said.

FSU aims to prevent dating violence

Student 'bystanders' trained to intervene

By Paula J. Owen
TELEGRAM & GAZETTE STAFF

FITCHBURG — Last week, nearly 1,000 Fitchburg State University students were trained to be responsible bystanders in the Fitchburg

FITCHBURG

Anti-Violence Education program known as FAVE at the school in a concerted effort to eradicate dating violence.

And on Oct. 1, President Robert A. Antonucci will receive the Great Guy Award from the YWCA of Central Massachusetts at the organization's annual Daybreak Breakfast in honor of the school's partnership with the YWCA and commitment to FAVE. The award

Turn to **Dating**/Page B5



T&G Staff/RICK CINCLAIR

Jannette McMenamy, left, and Erin Travia are running a violence-prevention program at Fitchburg State University.

Dating

From Page B1

recognizes outstanding contributions of men in Central Massachusetts who have been inspired to learn and better understand the issue of domestic violence, and who have demonstrated their commitment to end violence against women.

It has been three months since 21-year-old Robert Gulla from Shirley was convicted of first-degree murder for the Jan. 23, 2010, slaying of his former girlfriend, Fitchburg State freshman Allison Myrick, 19, of Groton. Mr. Gulla violated an active restraining order, according to Middlesex District Attorney Gerry Leone, and police found Ms. Myrick with several fatal stab wounds at the Gulla family home in Shirley.

Riley B. Sullivan, 21, from Somerset, hasn't forgotten the fear she felt when she found out a fellow classmate had been murdered.

The Fitchburg State senior is majoring in professional communications and assists in training students in the FAVE.

"I think it is definitely something that is really important," Ms. Sullivan said of helping facilitate FAVE trainings. "My freshman year in the fall of 2009 and spring of 2010, two girls who attended Fitchburg State were killed. Everyone was affected by that."

Ms. Sullivan said it is important for students to take a stand against violence and to speak up so they are not as affected as her class was.

"It was scary coming straight out of high school," she said. "My high school didn't deal with that stuff, but here at Fitchburg State, they took immediate action to implement a program to educate students."

FAVE trainings, she said, are empowering because they teach students the skills needed to be responsible bystanders. She said she feels statistics on violence among all college students are underestimated.

"I definitely think it is pretty high," she said. "Alcohol is not a cause for domestic violence, but it is a factor in that it changes how you think and in college, students are experimenting with alcohol. I think it is high in our generation on any college campus at any school."

Recently, she said, a friend passed out from too much to drink at a party and male students at the party were talking about what they were going to do to her.

"Someone at the party called her roommate, who is an (FAVE) orientation leader for help because of the training," she said. "If he didn't have the training, he might not have thought to do that. It's a great program and other schools should pick it up."

Jannette M. McMenamy, director of FAVE, and the program's Assistant Director Erin K. Travia, said the program focuses on empowering bystanders.

FAVE was developed through a grant from the U.S. Department of Justice's office for vio-

lence against women, the women explained. FAVE is in the third year of a \$300,000 grant. All incoming first-year students at Fitchburg State attend the training.

Facilitators tell students violence affects everyone in all types of relationships, Ms. McMenamy said.

"Our goal is not to be gender specific," Ms. McMenamy said. "We want to prevent violence across the board regardless of sex, gender or any other category."

Ms. Travia explained students are trained how to intervene in a safe way and asked for their input.

"We use an example of a friend of theirs being pursued aggressively on Facebook by someone who they're not interested in or want contact with," Ms. Travia said. "We ask them how they would intervene in a safe and appropriate way and ask students to brainstorm ways to do that using resources available on campus."

The women said the program's success at FSU is in part attributable to the priority the school's administration, faculty and staff place on it. Students also buy into it, they said, supporting a culture on campus that violence in any form will not be tolerated.

Fitchburg State already had counseling services in place before the grant, she said, but the funding laid the foundation for a collaboration. FAVE is emulated after a similar program at Clark University in Worcester called Clark's Anti-Violence Education program known as CAVE, she said, named by the U.S. Department of Education as a "case study" for violence-prevention programming.

Denise A. Hines, co-director of CAVE, and professor of psychology at Clark University, said CAVE used one of the cutting edge programs for trainings that focuses on the role of the bystander.

"Most programs bring men into a room and they say, 'Don't hit your girlfriend,' and tell women to be careful and protect themselves," Ms. Hines explained. "But, when you're dealing with 18-year-olds, they don't see themselves as perpetrators or victims. It is self-defeating to bring them into a room and say, 'Don't do this and watch out.' They become defensive and think this won't happen to them. They think, 'I am not going to perpetrate this against anyone. Stop talking. I wouldn't do that anyway.'"

Focusing on the role of the bystander, she said, takes the approach of telling students that dating violence could happen to their friends and teaches them what they can do.

"They can see it happening to a classmate or a friend and they think, 'What can I do to help safely intervene?' and keep their eyes open," she said. "It mobilizes everyone — to take one step. It teaches them it is not only their responsibility not to engage in violence, but also to make sure it doesn't happen to other people around them."



T&G Staff File Photo/TOM RETTIG

Immigrants participate in a naturalization ceremony Sept. 6 at Fitchburg State University.

Happy *to be* American

Panelists talk about the path to US citizenship

By Paula J. Owen
TELEGRAM & GAZETTE STAFF

FITCHBURG — Most who are born here don't even think about it.

But when you're faced with the process of becoming a U.S. citizen when it is not part of your birthright, Ammad Sheikh says, you think about it a lot.

Pakistani-native Ammad Sheikh, director of Fitchburg State University's Expanding Horizons Program, talked to more than two dozen students Monday about his experiences as a naturalized citizen and about how gaining U.S. citizenship changed his life.

The panel discussion included U.S. District Judge Timothy S. Hillman, who administered the oath of citizenship to 299 new Americans during a ceremony this month at the university's Weston Auditorium, and FSU associate professor Teresa Thomas. Panelists focused on the history of immigration to the U.S. and the citizenship process.

Mr. Sheikh, 31, from Lunenburg, who works with high-risk,



T&G Staff/RICK CINCLAIR

Pakistan-born Ammad Sheikh served in the U.S. Navy

Citizenship

From Page A3

first-generation, low-income immigrants at the university, arrived to the U.S. with his parents at 14. He said he couldn't speak English and struggled through high school. After graduating in 1998, he said, he joined the U.S. Navy as a way out.

He served in the military with thousands of other Americans who were also not citizens yet, he said.

"And some even died," he said. "We may not all speak the same language or look the same, but we are a nation that shares certain values and a belief in individual freedom and responsibility. While on active duty, an American guy asked me, 'Why did you join?' I said, 'I'm here because I love this country. I choose to be here.' Immigrants are more patriotic, I think, because we choose to be here. We value the country and we made a conscious choice to be here."

Of his participation on the panel Monday, Mr. Sheikh said, "I wanted to share with them the importance of being an American and what it means. There are a few things in the Constitution I believe in strongly — freedom of speech and religion. Those are things I think some might take for granted."

Ms. Thomas, whose maternal and paternal grandparents emigrated from northeastern Italy, said she understood the difficult choices immigrants made when coming to the U.S., especially those who entered the country at Ellis Island in the early 1900s.

"There were liars, cheats and people who took advantage of them and stuffed them in boarding houses for work details," she explained.

They were not getting an education, she said, and had no hope of becoming citizens, and their children were isolated on work projects without public schools.

"Massachusetts in particular faced a real issue," she said.

In 1910, 31 percent of the population in Massachusetts was foreign-born, and in Fitchburg, it was even higher at 36 percent.

"The concern was, if they can't read and write, they can't vote, which was a challenge to the democratic process," she said.

The Italian-American Club of Leominster was established in 1910, she said, and Italian immigrants could join for \$1. The organization's goal was to help immigrants earn citizenship. In 1936, the club reorganized to build political power because immigrants felt under-represented.

Ms. Thomas talked about the history of Italian immigration

to the U.S. and how difficult it was when World War II started not to have citizenship. Immigrants were considered "enemy aliens," she said, and were subject to possible arrest and deportation and travel restrictions. Their cameras were taken and radio transmissions restricted — especially broadcasters and journalists.

After the discussion, students were asked to take a sample citizenship test with 10 multiple-choice questions. They were asked questions, including how many stripes are on the U.S. flag, who elects the president, how many amendments to the Constitution address the right to vote and who was president during World War II.

On some of the questions, such as how many wars the U.S. fought in the 1800s, fewer than 40 percent answered correctly.

After the test, a student asked Mr. Sheikh about his experience taking the test. Mr. Sheikh told him it was oral and not multiple choice, and the questions are fired at you one after another. The process to obtain citizenship can also cost \$1,500 to \$2,000, he said.

Many students were surprised, including FSU senior Cheryl L. McCadden, 36, from Lunenburg, majoring in criminal justice.

"I missed a couple," she said. "It was very hard. I also didn't know the cost associated with it. I didn't know it was that much money. I think that is a deterrent."

Nathan A. Gregoire, 20, a sophomore from Ludlow, also majoring in criminal justice,

said he answered a few of the questions incorrectly, too.

"I would have probably choked" having to answer questions for the test orally after perhaps just learning to speak English," he

said. "I'm a history buff, too. I had trouble answering questions for driving school." The path to citizenship is an interesting subject," he added. "I wish there was more of a turnout. It is beneficial for students to see the other side of the coin, and seeing immigrants who come into this country is inspiring. People nowadays don't get to see that as much."

The panel discussion was held in celebration of Constitution Day, which celebrates the anniversary of the government-defining document's signing on Sept. 17, 1787.

Each year Paul Weizer, FSU's associate vice president for academic affairs, coordinates Constitution Day observances.

"The naturalization ceremony at Weston Auditorium afforded us a look at the powerful experience of becoming a U.S. citizen," Mr. Weizer said. "Citizenship is something too many of us take for granted, and occasions like this inspire us to reflect on what it means to be a member of this community."

On some of the questions, such as how many wars the U.S. fought in the 1800s, fewer than 40 percent answered correctly.

Citizenship test

(See answers at bottom)

1. How many stripes are in the American flag?
2. Who elects the president of the United States?
3. Name the two U.S. senators from Massachusetts.
4. Who is next in line for the presidency if the president and vice president die?
5. How many amendments to the Constitution deal with the right to vote?
6. What is the total number of amendments to the Constitution?
7. Who was the main writer of the Declaration of Independence?
8. Who wrote the Star Spangled Banner?
9. Who was president during WWI?
10. How many wars did the U.S. fight during the 1800s?

Bonus Question

What is the size of D.C.?

Answers: 1. 13; 2. Electoral college; 3. Kerry and Brown; 4. Speaker of the House of Representatives; 5. 27; 6. 10 square miles; 7. Thomas Jefferson; 8. Francis Scott Key; 9. Woodrow Wilson; 10. 4; Bonus: 10 square miles

T&G Staff

Turn to **Citizenship**/Page A8

Sentinel & Enterprise

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SUNDAY, May 6, 2012

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FSU exceeds goal for capital campaign

By Michael Hartwell

mhartwell@sentinelandenterprise.com

FITCHBURG — Fitchburg State University administrators celebrated the end of the school's five-year capital campaign Saturday night with a gala event. The total raised as of last week was \$12,154,000.

"It far exceeds our goal of \$10 million," said President Robert V. Antonucci from the stage of the recreation center while flanked with students.

The assembled guests were treated to a catered cocktail atmosphere. The

Kentucky Derby was projected live on a big screen and as soon as it ended guests were shown a short video presentation on the school.

Carol Vittoriosio, chairman of the Board of Trustees, said the success of the university can be seen by the ongoing construction on campus, such as work on the upcoming science building.

"This is a true measure of growth, prosperity and success," said Vittoriosio.

Please see **MONEY/5**

FSU nets more than \$12 million through capital campaign

MONEY/From Page 1

She grew up in Fitchburg and said the school used to be seen as a fallback for locals who couldn't get into other colleges. Now, she said, it's become a place that draws in students from away.

"It's turned into a completely beautiful campus," she said.

Vittoriosio said the capital campaign kicked off five years ago with a casino night. She said that was a major success and since then they've had a lot of success with word-of-

mouth and mailed requests.

Developer Gregg P. Lis-ciotti served on the Board of Trustees for 10 years, eventually as chairman. In March he issued a \$100,000 challenge grant, where he will match donations up to that amount.

"I have a soft spot in my heart for this place," said Lis-ciotti. He stressed that the capital campaign doesn't end until June 30, and his offer to match donations is still on the table.

Other major donors include: Workers' Credit

Union, Fairlawn Foundation Fund of the Greater Worcester Community Foundation, Rollstone Bank & Trust, Aldo and Anna Mazzaferro, John and Mary Malloy, Elliott and Michele Zide, Unitil, The Douglas & Isabelle Crocker Foundation, Charles A and Janis Gelinis, Tonkin Realty Limited Partnership, Barbara Wilson and Wilson Language Training, The Davis Educational Foundation, New England Foundation for the Arts and The Cadence Designs Systems, Inc.



FSU President Robert Antonucci speaks while junior Matthew Costello, 20, of Raynham, senior Mary Piskule, 22, of Weymouth, freshman Nathan Gregoire, 19, of Ludlow, and sophomore Sarah Minton, 20, of Quincy, all student government members look on Saturday.

SENTINEL & ENTERPRISE
BRETT CRAWFORD

FITCHBURG ART FUNDING City wins \$75G grant for downtown project

By Alana Melanson
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@alanamelanson on Twitter

FITCHBURG — The city, along with its arts partners, have received a \$75,000 grant from the National Endowment for the Arts for the Main Street Art Project, which will feature public art installations and performances in vacant buildings and storefronts downtown.

The city received the grant through collaboration with the Fitchburg Art Museum, Fitchburg State University and the Montachusett Regional Planning Commission. The Main Street Art Project was one of 80 partnerships nationwide — out of a total of 317 applicants — that received

Please see **ART/6**



COURTESY JERRY BECK, FITCHBURG ART MUSEUM

A stone sculpture by artist Nora Valdez of Argentina, one of the artists chosen to participate in the Main Street Art Project.

Grant jumpstarts downtown art project

ART/From Page 1

an NEA Our Town grant, which is aimed at improving quality of life through encouraging creative activity, revitalizing local economies and transforming communities into “lively, beautiful and sustainable places with arts at their core,” according to a press release.

“This highlights that our collaborative vision is being recognized at a national level for our strategies and use of art, our community partners and how we can work collectively to transform our Main Street and downtown into a renaissance of cultural activity,” said

“This highlights that our collaborative vision is being recognized at a national level.”

*Jerry Beck,
marketing director
for the Fitchburg
Art Museum*

Jerry Beck, director of marketing for the Fitchburg Art Museum.

Through the project, these entities will further collaborate with several local public, educational, nonprofit and community organizations, as well as artists from inside and outside the city, to get local youth — from college to grade school students — involved and excited about being creative,

Beck said.

These artists will engage in month-long or more residencies so that they may conduct workshops exploring many themes related to Fitchburg, such as cultural identity, creative problem solving through the arts and preservation of historic architecture, he said.

By involving youth in this manner, Beck said, it “creates an inspiring opportunity for young people to learn how their creativity can impact everyday life,” and empowers them to use their ideas to affect change in the city.

He said Jeff Anderson, planning consultant for the MRPC, has developed “a menu” of available storefronts and empty buildings, as well as unused public spaces, the project may use.



ABOVE — COURTESY OF FITCHBURG STATE UNIVERSITY
LEFT — COURTESY OF JERRY BECK, FITCHBURG ART MUSEUM



“The goal, through this process, is the rediscovery of Main Street. This is a huge step for downtown Fitchburg,” Anderson said. “This project will have a lasting impact on the city and is another step in the mission that many local artists have come forward to support--

The team that worked to secure the \$75,000 National Endowment for the Arts grant for the Main Street Art Project are, from left, Montachusett Regional Planning Commission planning consultant Jeff Anderson, Fitchburg State University CenterStage Director Mary Chapin Durling, Mayor Lisa Wong and Fitchburg Art Museum Marketing Director Jerry Beck.

At left, a public art installation at UMass Amherst by Brooklyn artist Anna Schuleit, one of the artists who has been chosen to participate in the Main Street Art Project.

the creation of a vibrant, walkable, exciting downtown. I’m very excited to get started.”

“Cities and towns are transformed when you bring the arts--both literally and figuratively — into the center of them,” NEA Chairman Rocco Landesman said in the press release. “From Teller, Alaska to Miami, Florida, communities are pursuing creative placemaking, making their neighborhoods more vibrant and robust by investing in the performing, visual, and literary arts.”

Follow Alana Melanson at [facebook.com/alanasentinel](https://www.facebook.com/alanasentinel).

Traveling for the Bard

FSU thespians return with rave reviews after performing 'Romeo and Juliet' in Scotland

By Alana Melanson

amelanson@sentinelandenterprise.com
@alanamelanson on Twitter

FITCHBURG — If you ask the group of Fitchburg State University students who recently returned from performing Shakespeare's "Romeo and Juliet" in Scotland at the Edinburgh Festival Fringe what the experience was like, the first words out of their mouths are "incredible," "amazing" and "incredible."

Last month, 27 students and three faculty members traveled across the Atlantic — which some now lovingly refer to as "the pond" — to take part in the largest arts festival in the world, which draws thousands of performers from across the globe to Scotland's capital city for three weeks every August.

The students performed the show — which had been done on campus back in the fall, as well —

Please see **SCOTLAND/5**



SENTINEL & ENTERPRISE / BRETT CRAWFORD

FSU theater students Kimberlee Connor, 21, of Auburn as Juliet, and junior Thomas Karner, 20, of Hopkinton as Romeo, reprise their roles at FSU's Weston Auditorium Thursday. Looking on are fellow actors, from left, sophomore Shannon Gugarty, 20, of Fitchburg; senior Jameson Kebba, 21, of Holyoke; and senior Rachel Ide, 21, of Norton.

FSU thespians return with raves from Scotland stage

SCOTLAND/From Page 1

once each day for seven days, and earned rave reviews for bringing a fresh feel to an old classic.

"'Romeo and Juliet' is a story that has been told countless times on stage and screen, in almost every guise under the sun," wrote BroadwayBaby.com reviewer Sam Waddicor. "It is therefore very difficult to create a performance that feels fresh and original. Yet that is exactly what Fitchburg State University managed to do.... The acting is polished and smooth, with scene changes happening almost instantaneously—a skill that is not only essential for the Fringe in order to keep running time down, but also helps to keep the dialogue feeling fresh. This is a highly polished production with skillful sword fights and acrobatics."

EdfringeReview.com reviewer Jessica Reid called their performance "highly physical, bawdy, vibrant and loud. To me, its robustness seems greatly American."

All performances at the Edinburgh Festival Fringe are given ratings of one to five stars, with five being the best. The FSU students received two five-star ratings, four four-star ratings and one two-star rating for their performances.

Aside from their performances, the students spent a great deal of time taking in the local culture, enjoying new foods like haggis, black pud-



SENTINEL & ENTERPRISE / BRETT CRAWFORD

Fitchburg State University students, from left, sophomore Shannon Gugarty, 20, of Fitchburg; senior Kimberlee Connor, 21, of Auburn; junior Thomas Karner, 20, of Hopkinton; senior Jameson Kebba, 21, of Holyoke; and senior Rachel Ide, 21, of Norton talk on Thursday about their experience of performing Shakespeare's "Romeo and Juliet" at the Edinburgh Festival Fringe in Scotland over the summer.

ding and potato scones. They used all the wrong slang and their pronunciations made the locals cringe. They ventured through cobblestone streets — many with the wrong footwear for the occasion — and had their breath taken away by the Scottish Highlands and castles.

When the students arrived, however, they saw their competition and panicked at first. They would be performing among people who had been there many times and had much more experience than they.

Senior Kimberlee Connor, 21, of Auburn, who played

Juliet, said it was particularly nerve-racking to find out that a British group would also be performing the same show, and they were using light sabers instead of swords. For Junior Thomas Karner, 20, of Hopkinton, who played Romeo, seeing all of the posters for the other groups and their previous high ratings made him speechless—something he says he's not exactly known for.

Performing at the Festival Fringe was much different than any other performance the students had ever done, and the changes between pro-

ductions were incredibly fast.

According to senior Rachel Ide, 21, of Norton, who played Lady Montague, the apothecary and Sister John, they only had 10 minutes between when the previous show finished and their start time to get themselves, their props and their lighting in place, as well as remove the first row of chairs to make room for sword fights. Afterward, only another 10 minutes to remove themselves and their belongings for the next group to come in, she said.

It was during one of these changes that they learned of their first five-star score from a member of another group performing "Sweeney Todd," Karner said.

"I was shirtless, running outside, putting my costume back on, and the lady playing Mrs. Lovett goes, 'Hey, congratulations on your five stars,'" he said, recalling his disbelief.

The overseas trip also marked a lot of firsts for a great deal of the students, many of whom had never been to Europe before. For sophomore Shannon Gugarty, 20, of Fitchburg, who played Lady Capulet, it was her first time flying in a plane.

The role of Abram in "Romeo and Juliet" was senior Jameson Kebba's first time acting since an elementary school production of "James and the Giant Peach."

"It was really cool, being able to see it from a different point of view, and I don't think it could have been a bet-

ter place to have your first experience acting," said Kebba, 21, of Holyoke, who is used to being on the other side of the curtain as a theater tech.

Follow Alana Melanson at [facebook.com/alanasentinel](https://www.facebook.com/alanasentinel).



FITCHBURG STATE UNIVERSITY

*Welcome Back Celebrations
August 30 and September 4, 2012
Percival Auditorium*

“I would like to express my deepest gratitude to the university’s employees, whose dedication and loyalty form the basis of all that we have accomplished, as well as the unlimited possibilities that lie ahead. Thousands of students past and present have been the beneficiaries of this commitment. The standard of excellence that we have established for academics clearly extends to the countless tasks that are performed on a daily basis in every corner of campus.

*Whatever your responsibilities, take pride in the knowledge that you have made a difference in numerous and significant ways.
I thank you for these vital contributions.”*

—President Robert V. Antonucci

PROGRAM

Welcome

Remarks

Presentation of Employee Recognition Awards

Announcement of Emerita Professor

Performance Recognition Awards

YEARS OF SERVICE AWARDS

5 Years

Nicole Arcangeli.....	Human Resources/Payroll Services
Mary Baker	Communications Media
Kelly Boudreau	Amelia Gallucci-Cirio Library
Daneen Deptula.....	Behavioral Sciences
Elaine Dicker	Capital Planning & Maintenance
Linda Fleming.....	Capital Planning & Maintenance
Elizabeth Gordon.....	Geo/Physical Sciences
Gretchen Hodsdon.....	Admissions
Michael Leamy.....	Graduate & Continuing Education
Kelli Lundgren.....	President's Office
Michael Makoski	Student Development & Operations
Lisa Moison.....	Graduate & Continuing Education
Steven Nolin.....	Capital Planning & Maintenance
Henry Parkinson III.....	Student Development & Housing
Leonce J. Richard.....	Capital Planning & Maintenance
Jessica Robey.....	Humanities
Tara Rolf.....	McKay Campus School
Cheryl Sarasin.....	Exercise & Sports Science
Daniel Sarefield.....	Economics, History & Political Science
Thomas Schoenfeld.....	Biology/Chemistry
Patricia Snouffer.....	Financial Services
Deborah Stone.....	Nursing
Annette Sullivan.....	Education
Kelly Sylvia.....	Alumni & Development

10 Years

Heather Beam.....	Academic Advising
Josy Brack.....	Human Resources/Payroll Services
Kathryn Campbell.....	Student Accounts
Robert Carr.....	Communications Media
Xuzhou Chen.....	Computer Science
David Keith Chenot	Industrial Technology
Joanne Dennis	Amelia Gallucci-Cirio Library
Arlinda DiPasquale.....	Financial Services
William Fisher.....	Campus Police
Lynda Laakso	Capital Planning & Maintenance

Steven LeBlanc.....	Capital Planning & Maintenance
Tara Manzello.....	Admissions
Christina McCormack.....	Student Development & Campus Center
Robert Sibya.....	Capital Planning & Maintenance
Heidi Swift.....	Financial Services
Stephen Taylor.....	Computer Science

15 Years

Kathrine Gilbert.....	Admissions
Sherry Horeanopoulos.....	Information Technology
Diane Maynard.....	Career Center
Pamela McCafferty.....	Enrollment Management
Richard McElvain.....	Communications Media
Kelly Morgan.....	Communications Media
Joseph Turner.....	Information Technology
Jeffrey Warmouth.....	Communications Media
Diane Whitham.....	Industrial Technology

20 Years

Joseph Cote.....	Capital Planning & Maintenance
Melissa Demerest.....	Financial Services
Cynthia Gordon.....	Materials Management
John Hancock.....	Behavioral Sciences
Anne Howard.....	Education
Tara Mariolis.....	Nursing
Pierina Murray.....	McKay Campus School
Jason Nwankwo.....	Behavioral Sciences
Mark Snyder.....	Mathematics
Susan Wadsworth.....	Humanities

25 Years

David Chirco.....	Capital Planning & Maintenance
Jane Fiske.....	Humanities
Michael Marcil.....	Campus Police
Kevin Wiley.....	Capital Planning & Maintenance
Abdulkeni Zekeria.....	Mathematics

30 Years

Judith Ciottone.....	Biology/Chemistry
Judith Desmond	Auxiliary Services
Brian Hillman.....	Capital Planning & Maintenance
Peter Hogan	Behavioral Sciences
Frits Lander.....	Computer Science
Mary Leger	Registrar's Office
James Roger.....	Auxiliary Services
Michael Turk.....	Economics, History & Political Science

35 Years

Gerald Higdon.....	Mathematics
Peter Laytin	Communications Media

New Staff

Wayne Antunes	Housing & Residential Services
Lilybeth Arroyo.....	Upward Bound
Carrie Baldassari.....	International Education
Michael Bober.....	Information Technology
Kelly Bond.....	Capital Planning & Maintenance
Eric Boughton.....	Information Technology
Maria Buyea.....	Housing & Residential Services
Lindsey Chase	Admissions
Michelle Cota.....	Registrar's Office
Antonio DiRusso.....	Housing & Residential Services
Michael Gantt.....	Admissions
Amie Hamel	Human Resources/Payroll Services
Lesley Hampson.....	Campus Police
Jordon Henrie.....	Housing & Residential Services
Carol Kronopolus	Nursing
Daniel Labrecque.....	Financial Aid
Ann Larsen.....	Computer Science
David Laudon.....	Campus Police
Jordanna Lawton.....	Amelia V. Gallucci-Cirio Library
Alexandria Lima.....	Humanities
Rebecca Lindley.....	Student Development & Campus Center
Meredith MacDonald.....	Athletics
Megan Marcil.....	Student Accounts
Ann Martin.....	Capital Planning & Maintenance

Joseph May.....	Capital Planning & Maintenance
Benjamin McDonald.....	Campus Police
Jeffrey McMaster.....	Student Accounts
Kristen Murphy.....	Housing & Residential Services
Michael Pavone.....	Campus Police
Rachel Pianta.....	International Education
Ammad Sheikh.....	Expanding Horizons
Timothy Skaggs.....	Campus Police
Kiel Szivos.....	Admissions
Samantha Willyard.....	Housing & Residential Services

New Faculty

Patricia Arend.....	Behavioral Sciences
Craig Capano.....	Industrial Technology
Lisa Grimm.....	Biology/Chemistry
David Heikkinen.....	Exercise & Sports Science
Denise LaFrance.....	Education
Kathleen Lambe.....	Education
Kevin McCarthy.....	Communications Media
Mark Melchior.....	Amelia V. Gallucci-Cirio Library
Starlynn Nance.....	Education
Joann Nichols.....	Education
Sean Rollins.....	Biology/Chemistry
Susan Sheridan.....	Industrial Technology
Elisabet Takehana.....	English Studies
Ruth Thibodeau.....	Behavioral Sciences

New Emerita Professor

Shirley Wagner.....	Economics, History & Political Science
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Performance Recognition Award Winners

Kelly Norris.....	Graduate & Continuing Education
Anthony Wilcox.....	Information Technology / Core Services
Stefan Dodd.....	Information Technology / Auxiliary Services
Lisa Moison.....	Graduate & Continuing Education



An Equal Opportunity Affirmative Action Educational Institution

FITCHBURG STATE UNIVERSITY

Board of Trustees

NOTIFICATIONS

TO: Board of Trustees	DATE: October 16, 2012
FROM: The President	REQUEST NUMBER: N01-12/13
SUBJECT: Personnel Actions	

New Hire

Craig Capano, Ph.D. Effective: 9/1/12	Professor Industrial Technology	\$72,000.00
Lisa Grimm, Ph.D. Effective: 9/1/12	Assistant Professor Biology/Chemistry	\$56,000.00
Denise LaFrance, MED Effective: 9/1/12	Assistant Professor Education	\$57,000.00
Kathleen Lambe, Ed.D. Effective: 9/1/12	Assistant Professor Education	\$60,000.00
Meredith MacDonald, MA Effective: 8/12/12	Staff Assistant/Compliance and Student Athlete Welfare/Softball Coach Athletics	\$37,000.00
Starlynn Nance, Ph.D. Effective: 9/1/12	Assistant Professor Education	\$56,500.00
Joann Nichols, Ed.D. Effective: 9/1/12	Assistant Professor Education	\$56,500.00
Brittany Rende, BA Effective: 9/23/12	Staff Assistant/Recreational Prog. Recreational Services	\$30,000.00
Linda Richelson, MBA Effective: 11/1/12	Director of Extended Campus and Professional Studies Center for Professional Studies	\$80,000.00
Ammad Sheikh, MBA Effective: 6/3/12	Director Expanding Horizons	\$58,000.00
Elisabet Takehana, Ph.D. Effective: 9/1/12	Assistant Professor English Studies	\$52,500.00

Richard Terrio, BS Effective: 6/18/12	Staff Assistant/Equipment Manager/ Woman's Lacrosse Coach Athletics	\$35,000.00
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Ruth Thibodeau, Ph.D. Effective: 9/1/12	Assistant Professor Behavioral Sciences	\$54,000.00
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Rehire

Arlana Arsenault, MS Effective: 9/1/12 Ends: 5/31/13	Instructor Nursing	\$56,000.00
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Deborah Benes, MS Effective: 9/1/12 Ends: 12/31/12	Assistant Professor Nursing	\$31,097.47 (one semester)
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Steven Edwards, Ph.D. Effective: 9/1/12 Ends: 5/31/13	Assistant Professor English Studies	\$53,500.00
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Teresa Finn, MS Effective: 9/1/12 Ends: 5/31/13	Instructor Nursing	\$56,000.00
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Anne Meyer, MS Effective: 9/1/12 Ends: 12/31/12	Instructor Nursing	\$30,117.28 (one semester)
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Allison Shields, MS Effective: 9/1/12 Ends: 5/31/13	Instructor Nursing	\$67,162.11
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Deborah Stone, MS Effective: 9/1/12 Ends: 5/31/13	Instructor Nursing	\$52,738.06
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Change in Title and Salary

Keith Brouillard, MS Effective: 5/14/12	Associate Director of Athletics/SID/ Head Baseball Coach Athletics	\$57,758.06
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William Cummings, MS Effective: 8/1/12	Director of Student Conduct Student & Academic Life	From \$49,680.00 To: \$56,434.01
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Change in Title

Pamela Hill, Ed.D. Effective: 7/1/12	Interim to Dean of Education Education	\$100,000.00 (no change)
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Change in Salary (adjustment)

Robert Hynes, Pd.D. Effective: 8/1/12	Asst. Dean Director of Counseling Svc Counseling Services	From: \$81,159.90 To: \$86,025.35
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Henry Parkinson, Pd.D. Effective: 8/1/12	Asst. Dean for Student/Res. Life Student Development & Res. Life	From: \$79,177.50 To: \$85,972.96
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Promotion

Adam Keese, BS Effective: 5/20/12	Maintainer I to Staff Asst/Education Coord. Upward Bound	From: \$31,777.72 To: \$40,000.00
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Michael Leamy, Ed.D Effective: 8/1/12	Staff Assoc. to Director of Distance Educ. GCE	From: \$68,436.52 To: \$75,852.76
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Karen Frank Mays, BS Effective: 8/1/12	Staff Assistant to Director of Grants and Sponsored Programs Grant Center	From: \$55,231.80 To: \$61,249.99
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Leave Without Pay

Aruna Krishnamurthy, Ph.D. Effective: 8/26/12 End Date: 5/31/13	Associate Professor English Studies	\$62,706.17
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Elizabeth Walsh, MA Effective: 9/1/12 End Date: 12/31/12	Assistant Professor Behavioral Sciences	\$63,588.67
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Ian Williams, Ph.D. Effective: 9/1/12 End Date: 5/31/13	Associate Professor English Studies	\$58,975.01
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Sabbatical with Pay

John Chetro-Szivos, Ph.D. Effective: 9/1/12 End Date: 12/31/12	Professor Communications Media	\$74,929.78
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Retirement

Pamela Prescott, Ed.D. Effective: 6/29/2012	Project Director President's Office	\$136,217.77
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Howard Thomas, Ph.D. Effective: 5/31/2013	Professor Biology/Chemistry	\$93,841.72
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Susan Williams, Ph.D. Effective: 12/28/2013	Professor Economics, History & Political Science	\$81,827.22
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Resignation

Cynthia Campbell, MED Effective: 8/2/2012	Assistant Director Admissions	\$56,938.40
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Andrew Guay, MS Effective: 6/29/2012	Staff Assistant Recreation Services	\$45,972.42
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Eric Hansen, BS Effective: 7/14/2012	Director of Capital Planning Capital Planning & Maintenance	\$85,953.97
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Michelle Walsh, MS Effective: 5/25/2012	Staff Assistant-Compliance/Student Welfare/SWA Athletics	\$43,797.83
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Non Unit raises provided effective July 1, 2012 in accordance with the Department of Higher Education memorandum.

President's Report to Trustees on Goals for 2012-2013 Academic Year

Overview

Each year at this time I present goals to the Board of Trustees for the current academic year. What follows is a prioritized selection based on level of importance to our larger mission of advancing the university to ever-higher levels.

Goals

Lead the university in an effective and efficient manner, and administer the daily operations of the university with a primary focus on excellence and quality.

This is a goal I include each year as it represents a macro view of leading a complex organization with an \$80 million budget and more than 600 employees. Among the many focal points are fund raising, capital needs, foundation and trustee boards, collective bargaining, professional development, sustainability, public relationships, alumni affairs, and community outreach.

Oversee the opening of the science center.

Our first new academic building in decades is slated to be completed by next summer. It will represent more than a long-awaited, high-quality space for the sciences; a host of opportunities will arise, and it is critical that we take full advantage of them.

Integrate the recommendations made by the New England Association of Schools and Colleges (NEASC) in their final report.

Last March, a team from the association visited the university to validate and review our self-study. From the beginning of this lengthy process our goal was to earn another full 10-year approval. We recently learned that we have indeed been granted full approval. However, as is generally the case with NEASC reports, there are recommendations regarding interim steps they would like to see taken. Over the next few years the university will be addressing those issues as we continue our efforts to be on the cutting edge of regional and national standards.

Maintain enrollment levels

In recent years the university has returned enrollment to optimal levels, allowing us to sustain necessary fee income while retaining our “small college environment.” Local, regional and national forces all play a role in influencing enrollments. We must stay abreast of the myriad competitive and demographic forces at work.

Ensure campus-wide adherence to the Department of Higher Education’s Vision Project and other proposals emanating from the central office.

A sea of change is occurring on both the state and national levels, as colleges and universities are mandated to devote ever-larger portions of time and resources to assessment, economic development, retention and completion rates, workforce alignment, cooperative agreements, achievement gaps, civic engagement, exam pass rates, and other such initiatives. The university has, of course, long been engaged in such efforts, but Massachusetts has now codified and targeted funding via the Vision Project. We must remain actively involved, and ever-poised to meet new challenges.

Continue to enrich the teaching and learning environment through the thoughtful expansion of technology.

Few could have predicted the extent to which technology has overtaken the teaching and learning experience. Techno-revolutions are occurring with stunning regularity, impacting budgets, staffing and the fundamentals of long-held educational theories. Success will go to those who can straddle the line between boldness and prudence.

Address capital needs

The science center, the Hammond project, the Miller faculty offices, and the Highland Avenue plaza are just a few of the modernization projects underway or recently completed. These efforts will positively impact the larger university experience. We will continue to explore options to finance other projects as part of our capital plan. We have an aging infrastructure and need to aggressively address the many needs that remain.

Oversee implementation of proposed new major in game design.

Early in 2013 we anticipate receiving approval for our first new major in years. Building on our strength in Communications Media, there exists the opportunity to become a driving force in this exciting new field.

Continue enhancement of development and alumni relations.

On the heels of our successful capital campaign, we have renewed our ongoing effort to strengthen our approach to fundraising and alumni relations. Key activities will begin with assessment of the annual fund, major gifts, grants, and alumni engagement.

Conclusion

As I have said since my first day as president, the student learning experience is what the university is all about. We are here because of students. We are here to ensure that their educational needs are met at the highest levels of excellence. We are here because we believe that our institution is among the best in its class, and that its future remains bright. We need to demonstrate this through action and results. I believe in this university, in what it does, and its limitless future.

MINUTES OF THE MEETING HELD ON TUESDAY, OCTOBER 16, 2012 AT 10:00 A.M.

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES
Finance and Administration Committee Meeting

**Joint meeting with Fitchburg State University Foundation, Inc., Audit Committee
& FSU Foundation Supporting Organization, Inc.**

**President's Conference Room, Sanders Building
300 Highland Avenue, Fitchburg, MA 01420**

Committee Members Present: Chairman Anthony Mercadante, Carol Vittoriosio, ex-officio

Trustees Present: Nathan Gregoire

Also Present: Robert V. Antonucci, Gail Doiron, Karen Spinelli, Rick Healey, Steve Duvarney, Anthony Cali, Cathy Daggett, Jay Bry, Kelli Lundgren, Jessica Murdoch, Kelly Sylvia, Christopher Hendry, Robin Bowen, Paul Weizer

President Antonucci welcomed everyone to the meeting. He stated that this would be a joint meeting of the Board of Trustees, Foundation Audit Committee, and the Supporting Organization Committee. After introductions were made, the joint meeting was called to order by Mr. Mercadante at 10:00 a.m.

Upon a motion duly noted by Ms. Vittoriosio and seconded by Mr. Mercadante it was

Voted: to approve the Finance and Administration minutes of the meeting held on April
(2-0) 24, 2012 as presented.

The auditors from Ercolini & Company, LLP - Mr. Jay Kaufman, CPA, Audit Partner; Mr. Philip Weitzel, CPA, Audit Partner; and Mr. Jeffrey Caputi, Audit Supervisor, were in attendance to present the audits.

At 10:05 a.m. Ms. Karen Spinelli called to order the review of the Audit Committee for the Foundation and Supporting Organization.

Mr. Kaufman said the audits went well and are being issued with a "clean" unqualified opinion. There were no findings required to be reported under Government Auditing Standards and no management letter was generated.

Mr. Caputi then reviewed the consolidated statements of financial position. Investments increased approximately \$1.4 million primarily from additional investments of \$1.2 million and \$200,000 of net gains on investments during the year. Contributions receivable decreased by approximately \$1.2 million mostly due to the collection of the Gallucci-Cirio donation as well as the collection of several pledge receivables.

The statements of cash flows were also reviewed with a net investment gain of approximately \$1.1 million (\$183,000 gain) as opposed to FY11 (\$1.4 million gain) due to market performance. Net increase in cash and cash equivalents were approximately \$145,000.

Mr. Kaufman discussed the footnotes of the Foundation and Supporting Organization audits.

Ms. Spinelli asked what the increase was in the pre-paid expense section. Mr. Kaufman explained that this was pre-paid travel expenses for the Edinburgh trip.

There were no additional questions.

Upon a motion duly noted by Ms. Spinelli and seconded by Mr. Cali it was

Voted: to accept the auditors' consolidated financial statements as presented.
(3-0)

Mr. Kaufman then moved on to the university audit results. New this year is the A-133 audit, which the state delegated to the universities.

The university financial statements are being issued with a "clean" unqualified opinion. The A133 report is an unqualified opinion. Findings from the A-133 audit have been addressed and corrected by the university. There were no findings required to be reported under Government Auditing Standards. He mentioned the executive summary outlines all significant changes.

Mr. Kaufman then thanked Jay Bry, Cathy Daggett and the rest of the financial team for their hard work on the audit.

Mr. Caputi then reviewed the Statements of Net Position (previously known as Statement of Net Assets). Total assets increased approximately \$30.8 million mostly due to ongoing construction at the Hammond Campus Center and science center. Total liabilities increased approximately \$6.3 million mostly due to the December 2011 MSCBA bond issuance.

Deferred inflows of resources in the amount of \$2.4 million represent the unamortized portion of the Compass contract. This amount will decrease over the remaining 12 years of the contract.

The Statement of Net Position increased by \$24.7 million. Mr. Kaufman then explained the major changes to the net position. Operating revenues at \$47.3 million decreased by \$2.5 million from the prior year due to the decrease in the ARRA funding (stimulus funds). These funds were mainly used for payroll purposes and various scholarships. Operating expenses of \$74.4 million are up \$2.4 million. Increases are primarily due to increased payroll and related costs, utilities and auxiliary expenses. State capital appropriations are up \$6.6 million and capital grants totaled approximately \$15.1 million of which \$14.8 million represents DCAM grants for the science center.

Next, Mr. Caputi reviewed the statements of cash flows. Cash and cash equivalents decreased by \$8.5 million due mostly to the increase in payments made for the funding of operations and payments for capital assets. In addition, the Commonfund was liquidated and the proceeds were reinvested to Eaton Vance, Enterprise and Northern Trust.

Mr. Kaufman discussed the footnotes for the university audits. There was a discussion about GASB 61 and its impact to the audits for next year. He explained that the supporting organization and the university will be “blended” next year and the foundation will be a separate report. GASB 68, effective in FY2015, is set to have the university picking up a share of the pension for employees. There is some concern that this will lead to a chargeback for the university and that this might be a way for the state to add liability to the universities.

In summary, Mr. Kaufman stated this was another strong year for the university during challenging times. He stated the university has strong management, cost containment processes and good budgeting processes. The university continues to plan for future investment in capital improvement projects, which require continued commitment of financial resources. State appropriations are expected to continue to be at challenging levels into the future due to the continued economic climate and also the ARRA stimulus funds being exhausted. Strong fiscal management will continue to be required into the future.

Mr. Kaufman stated there were no findings and there is no management letter, all controls are in place and things are operating as planned.

Upon a motion duly noted by Ms. Vittorioso and seconded by Mr. Mercadante it was

Voted: to accept the University Audit Report for the fiscal year ending June 30, 2012.
(3-0)

With no further business before the committee, the meeting was adjourned at 10:50 a.m.

Respectfully submitted,

Anthony Mercadante
Chairman, Finance & Administration
Board of Trustees

Minutes of Meeting Held on October 16, 2012 at 12:15 p.m.

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING

Tuesday, October 16, 2012

12:15 p.m.

Hammond Tower 214

160 Pearl Street, Fitchburg, MA 01420

Trustees Present: Robert Babineau Jr., Anna Maria Clementi, Martin F. Connors, Jr., Nathan Gregoire, Donald Irving, Michael Mahan, Anthony Mercadante, Frank O'Donnell, Gladys Rodriguez-Parker, Carol Vittorioso

Trustees Absent: Cynthia Stevens

Also Present: Robert V. Antonucci, Robin Bowen, Jay Bry, Stan Bucholc, Cathy Canney, Cathy Daggett, Gail Doiron, Sean Goodlett, Chris Hendry, Kelli Lundgren, Jessica Murdoch, Michael Shanley, Steve Swartz

The meeting was called to order by Chairman Vittorioso at 12:15 p.m.

Chairman Vittorioso opened the floor for public comments. There were none.

President Antonucci welcomed our two new Trustees, Michael Mahan and Donald Irving, to the first meeting of the academic year.

The consideration of the minutes from May 8 and July 25, 2012 were presented. There was a small change to the July 25 minutes related to the approval process for the Gaming major. This change was reflected in the final approved minutes.

Upon a motion duly noted by Mr. Mercadante and seconded by Dr. Babineau it was

Voted: to approve the minutes of the meetings held on May 8, 2012 as
(8-0) presented.

Upon a motion duly noted by Mr. Mercadante and seconded by Mr. O'Donnell it was

Voted: to approve the minutes of the meetings held on July 25, 2012 as
(8-0) presented.

Mr. Mercadante next gave the Finance and Administration report. He said the committee met with the auditors from Ercolini & Company, Inc. - Mr. Jeff Caputi, Mr. Philip Weitzel and Mr. Jay Kaufman, that morning. He said the booklet includes the formal financial statements and analysis. The committee discussed the audit in complete detail and it is a "clean opinion." There were no findings with the Financial Aid audits or internal controls. There was no need for a management letter.

Mr. Gregoire joined the meeting at 12:20 p.m.

There was a brief discussion regarding the audits. Mr. Mercadante stated that the university appeared strong and from an operating standpoint, we are operating similar to last year. He also stated that the Foundation and Supporting Organization also received clean opinions.

Ms. Rodriguez-Parker joined the meeting at 12:25 p.m.

Mr. Connors asked if we could get a management letter. President Antonucci requested that Ercolini and Company provide a management letter that reflected a clean audit. Ms. Daggett will follow up.

Mr. Mercadante mentioned Government Auditing Standards Board (GASB) 61 standard will be in effect next year and will show the university and Supporting Organization statements as a combined report. He also mentioned GASB 68, which will be in effect in FY2015, and will require universities to pay a share of the pension for employees. There are some concerns that universities will have to confirm this amount, and also some faculty members' work at multiple institutions, which further complicates the issue.

Upon a motion duly noted by Mr. Mahan and seconded by Mr. Gregoire it was

Voted: to accept the Audit Report for the fiscal year ending June 30, 2012.
(10-0) (04-12/13)

President Antonucci recognized Jay Bry, Vice President of Finance & Administration, Cathy Daggett, Director of Financial Reporting; and the entire financial team for a job well done.

President Antonucci next presented his goals. They are as follows:

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Our first new academic building in decades is slated to be completed by next summer. It will represent

more than a long-awaited, high-quality space for the sciences; a host of opportunities will arise, and it is critical that we take full advantage of them.

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Last March, a team from the association visited the university to validate and review our self-study. From the beginning of this lengthy process our goal was to earn another full 10-year approval. We recently learned that we have indeed been granted full approval. However, as is generally the case with NEASC reports, there are recommendations regarding interim steps they would like to see taken. Over the next few years the university will be addressing those issues as we continue our efforts to be on the cutting edge of regional and national standards.

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In recent years the university has returned enrollment to optimal levels, allowing us to sustain necessary fee income while retaining our “small college environment.” Local, regional and national forces all play a role in influencing enrollments. We must stay abreast of the myriad competitive and demographic forces at work.

Ensure campus-wide adherence to the Department of Higher Education’s Vision Project and other proposals emanating from the central office.

A sea of change is occurring on both the state and national levels, as colleges and universities are mandated to devote ever-larger portions of time and resources to assessment, economic development, retention and completion rates, workforce alignment, cooperative agreements, achievement gaps, civic engagement, exam pass rates, and other such initiatives. The university has, of course, long been engaged in such efforts, but Massachusetts has now codified and targeted funding via the Vision Project. We must remain actively involved, and ever-poised to meet new challenges.

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Few could have predicted the extent to which technology has overtaken the teaching and learning experience. Techno-revolutions are occurring with stunning regularity, impacting budgets, staffing and the fundamentals of long-held educational theories. Success will go to those who can straddle the line between boldness and prudence.

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in Communications Media, there exists the opportunity to become a driving force in this exciting new field.

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§

President Antonucci next discussed his goals in detail. The president was hoping that he would have received the official accreditation letter; however it has not been received to date. He did receive a phone call stating Fitchburg State's next accreditation will be in 10 years. We have a press release ready when we receive the official notification.

In regards to enrollment, the president said we are currently at 3,250. We like to have enrollment be between 3,600-3,800, but there is competition. The economy helped us with enrollment numbers.

In conclusion, the president stated he is running the institution day-to-day operations as always, with students at the forefront. Their safety and student experience is our main focus.

Upon a motion duly noted by Mr. Mercadante and seconded by Ms. Clementi it was

Voted: to accept the President's Goals for the 2012-2013 academic year.
(10-0) (05-12/13)

Mr. Bry then discussed the Hammond Building and the next steps. Phase I-I-B is complete and phase 2 is in progress and includes the air handler and roof. The next phase is Phase 3, which will continue the renovations on the campus center side and the library, the main lounge, meeting rooms, additional restroom facilities, game room, and the alumni rooms. This phase is set to start in March 2013 and is scheduled to be completed in December 2013.

Mr. Connors stated the \$20 million spent over the summer was borrowed and the university will be responsible to pay it back, but that the \$6 million from DCAM will not be paid back; however, that amount will still show on the books.

Mr. Gregoire then asked where the game room will be located to which Mr. Bry replied that it will be located where the alumni rooms are now. The meeting rooms will then be located where the archives are currently.

There were no further questions.

Upon a motion duly noted by Mr. Mahan and seconded by Mr. Mercadante it was

Voted: to accept the following resolution.
(10-0) (06-12/13)

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

FITCHBURG STATE UNIVERSITY

HAMMOND CAMPUS CENTER

Description of Project

- (a) The carrying out of preliminary work, including obtaining cost estimates, revenue estimates, preliminary design specifications, feasibility studies, surveys, and site analyses to determine the feasibility, approximate size, scope, purposes, location and other characteristics of any building, structure or facility the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide;
- (b) The renovation of the Hammond Campus Center as described herein including building systems and components, furniture, and equipment primarily for the use by students and staff of the University, and their dependents, and which the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide; and
- (c) The carrying out of improvements, renovations, and other work on and the provision and installation of furnishings, fixtures and other equipment for other buildings, structures, or facilities the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide.

Project Overview

- Project is the continuation of the renovations at the Hammond Campus Center building. This work will include areas on the Street, Ground and First levels in the Campus Center which have not yet been renovated. Street level renovations include bathroom upgrades and conversion of the former commuter lounge, FAB, club and student leadership offices into new meeting rooms and archives. Ground floor renovations include new archives mechanical room, game room, art gallery, alumni meeting rooms, and student academic life office suite, as well as fire protection in the Ellis White lecture hall. First level renovations include bathroom upgrades, new meeting rooms and updated event space/main lounge. Scope of work in all of these areas includes new finishes (floors, walls and ceilings), lighting, fire alarm, HVAC ductwork and controls, and fire protection.
- The University has provided \$500,000 as initial funding for pre-design exploratory work and the design phase. The project revenue source will be an increase in general student fees not to exceed \$275.

INDICATOR	PRIMARY RESERVE	VIABILITY	RETURN ON NET ASSETS	NET OPERATING REVENUES
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Target	25.0%	>1.0	3.0% – 4.0%	2.0% - 4.0%
Fitchburg (FY11)	48.4%	1.4	19.7%	9.6%

Project Budget and Schedule

Budget

Total Project Cost	\$ 11,000,000
Project Fund Deposit	11,000,000
Cost of Issuance/Reserves	<u>(1,400,000)</u>
Total	\$12,400,000

Schedule

Design Started	August 2012
Construction Started	March 2013
Occupy Completed Facility	November 2013

Mr. Bry then talked about the parking expansion vote. The Foundation purchased the property on the corner of Ross Street and Highland Avenue. The house currently residing on the property will be demolished and parking will expand for both the Ross Street lot and McKay by approximately 150 spaces. The space will be evaluated before parking designation will be assigned.

Mr. Gregoire asked whether the student parking fees will be increasing with this project. Mr. Bry assured him that the parking fees would not increase. Mr. Gregoire mentioned one of the biggest resident student complaints is about parking and why it's so far away from their classes. He stated that he feels commuter students should be able to park closer to campus as they commute to the university, where resident students are already on campus and don't need to search for parking.

Mr. O'Donnell asked if there had been any thought about putting in a parking garage on campus. Mr. Bry stated that option has been explored and is in the long term plans of the university. President Antonucci mentioned that the MART lot is never full and is an option for student parking. The problem with parking there is that there is an extra fee for students, stated Mr. Gregoire. Ms. Vittorioso also thought it must be somewhat of a liability to use that lot.

The President mentioned that one of the biggest complaints from students resolves around parking. Students don't consider the Civic Center as a parking lot, but they have to consider that as a viable option. Mr. Gregoire agrees the Civic Center is a great option for parking.

There was no further discussion.

Upon a motion duly noted by Mr. Gregoire and seconded by Mr. Mercadante it was

Voted: to accept the following resolution.
(10-0) (07-12/13)

FITCHBURG STATE UNIVERSITY

REQUEST FOR TRUSTEE ACTION

To: Board of Trustees Date: October 16, 2012

From: Dr. Robert V. Antonucci, President

Subject: Approval for Hammond Center Project, Phase 3 and Parking Expansion

RESOLUTION

1. The Board of Trustees (the "Trustees") of Fitchburg State University (the "State University") hereby approves the project (the "Project") described in EXHIBIT A hereto and the cost thereof approximately as presented to this meeting and otherwise substantially as presented to this meeting.
2. The Trustees hereby approve the pledge by the Board of Higher Education pursuant to the first paragraph of Section 18A of Chapter 703 of the Acts of 1963, as amended, to secure bonds (the "Bonds") issued by the Massachusetts State College Building Authority (the "MSCBA") to finance the Project (which Bonds may be issued together with or separately from bonds issued by the MSCBA for other purposes), of the following: (a) an amount, not to exceed one-fourth (1/4) of the average annual debt service on the Bonds, of funds held as trust funds for Fitchburg State University under the provisions of the Clause (e) of Section 22 of Chapter 15A of the Massachusetts General Laws, the particular trust funds, gifts, grants and trusts and the amount from any particular trust fund, gift, grant or trust to be so pledged to be determined by the President of the State University in consultation with the Executive Committee of the Trustees, and (b) funds made available for expenditure on behalf of Fitchburg State University pursuant to an appropriation made by the General Court or otherwise available for expenditure by the Board of Higher Education.
3. Pursuant to Section 22 of Chapter 15A of the Massachusetts General Laws, as amended, the Trustees hereby delegate to the President of Fitchburg State University the power, and hereby authorize the President of Fitchburg State University, in consultation with the Executive Committee of the Trustees to do all things necessary or desirable in connection with the carrying out of the Project, the Bonds, the payment of and security for the Bonds and all other matters authorized by this Resolution, including without limitation the approval acknowledgement, execution and delivery on behalf of Fitchburg State University of contracts, certificates and other documents.
4. The President of Fitchburg State University and all other officers of Fitchburg State University and all other officers of the Trustees, each of the foregoing persons acting alone, are hereby authorized to do all things and take all action as the person so acting shall, as conclusively evidenced by the doing of any such thing or the taking of any such action, deem necessary or desirable to be done or taken to carry into effect the matters hereby authorized.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

FITCHBURG STATE UNIVERSITY

PARKING IMPROVEMENTS

Description of Project

- (d) The purchase by the Authority of parcels of land, if required, in the vicinity of the campus of Fitchburg State University, Fitchburg, Massachusetts; and the transfer by the Authority to the Commonwealth of Massachusetts (the "Commonwealth") of said parcels of land;
- (e) The leasing by the Authority, as lessee, from the Commonwealth (or an entity authorized therefor), as lessor, of parcels of land owned by the Commonwealth in Fitchburg, Massachusetts, for Fitchburg State University (the "University");
- (f) The carrying out of preliminary work, including obtaining cost estimates, revenue estimates, preliminary design specifications, feasibility studies, surveys, and site analyses to determine feasibility, approximate size, scope, purposes, location, and other characteristics of any building structure or facility the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide;
- (g) The construction of parking improvements, consisting of either surface parking, structured parking, or a combination thereof, primarily for the use by students and staff of the University, and their dependents, and which the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide; and
- (e) The carrying out of improvements, renovations, and other work on and the provision and installation of furnishings, fixtures, and other equipment for other buildings, structures, or facilities the Authority is authorized by Chapter 703 of the Acts of 1963, as amended, to provide.

Project Overview

- Project is the improvement or construction of parking capacity to the Ross Parking Lot and the McKay Parking Lot.
- The project revenue source will be student parking fees.

INDICATOR	PRIMARY RESERVE	VIABILITY	RETURN ON NET ASSETS	NET OPERATING REVENUES
Target	25.0%	>1.0	3.0% – 4.0%	2.0% - 4.0%
Fitchburg (FY11)	48.4%	1.4	19.7%	9.6%

Project Budget and Schedule

Budget

Total Project Cost	\$2,500,000
Project Fund Deposit	2,500,000
Cost of Issuance/Reserves	<u>400,000</u>
Total	\$2,900,000

The president then mentioned that the Conflict of Interest acknowledgements are due on an annual basis. Ms. Lundgren will send the Conflict statement to all Board members. They should be completed and returned to her as soon as possible.

President Antonucci then continued with his report. He mentioned we had a great school opening and has asked three of the Vice Presidents to provide an update on their respective areas.

Dr. Bowen started with the Game Design update. There was a team of external reviewers on campus last week and we should receive their report shortly. Dr. Bowen was hoping to have approval by December, but it will probably be in January. We are hoping to have the Game Design major available to students next fall. There is also an internal review going on now for a new Chemistry major, which will hopefully be available in the fall of 2014.

Dr. Bowen also announced that we have received \$230,000 from the BHE for a developmental math program. This grant will require students to start taking math immediately and continuously until their math requirement is fulfilled. The grant will also allow us to purchase an “alert system” that will allow a report to be generated to students so that they can evaluate how they are doing. This will also allow a professor to send a personal message to students with recommendations so that they can improve in areas needed.

Mr. Hendry then gave an overview of Alumni and Development.

Fund raising – They are in the midst of the phone-a-thon. The golf tournament was very successful and fund raising is 7 percent ahead of last year, however, final figures will not be evaluated until December.

The Capital Campaign was a success and now the office is determining how to move forward. There is a process that has been implemented for prospect screening, which identifies top donor potential.

Mr. Hendry also mentioned they have two open positions in the Alumni and Development Office; one is the Executive Director of Development, which will focus on major gifts. The other is a junior fund-raising position, focused on the private side.

There are several openings on the Foundation Board and if anyone feels they know a good candidate for the Board, please contact Mr. Hendry directly.

He also mentioned the 50th Anniversary of Nursing will be held on October 20 with approximately 160+ alumni in attendance; the largest in ten years.

Ms. Rodriguez-Parker left the meeting at 1:02 p.m.

Mr. Bry then gave a quick overview from Finance & Administration. Now that the audit is complete, the finance group is ready to start the FY2014 budget, while continuing to monitor the current budget.

Building updates:

- The science center construction is going well
- A portion of the quad and Edgerly Hall porch are complete
- Miller phase 2 is also complete and the elevator will be complete in the spring
- The Exercise science lab on 155 North Street is complete
- There are approximately 10 classrooms with new furniture
- The campus center is moving to phase 3
- Working on expanding parking

President Antonucci then updated the Board on various projects and commented on the enclosures included in the packet. They are as follows:

- The updated anti-violence policy
- President Antonucci was recognized by the YWCA with the “Great Guy” award
- Board of Trustees self-assessment
- Sub-committee members
- Residence Hall occupancy report
- Commissioner Freeland letter re: evaluation of the President
- Goals and evaluation from 2011-2012
- Letter from James Cox
- News articles

Ms. Vittorioso discussed ideas on sub-committee members, and will send an email to the Board for feedback.

Ms. Vittorioso requested a motion for the Board of Trustees to go into Executive Session.

Upon a motion duly noted by Mr. Mercadante and seconded by Mr. Mahan, it was voted by roll call (9-0) to go into Executive Session at 1:15 p.m. to discuss buildings and contracts. Open session would not reconvene after the conclusion of Executive Session.

With no further business before the Board, the meeting was adjourned at 1:14 p.m.

Respectfully submitted:

Anna Maria Clementi, Clerk
Board of Trustees