



## ***Finance and Administration Committee Meeting***

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

Tuesday, November 12, 2013 at 10:30 a.m.

## ***Board of Trustees***

Tuesday, November 12, 2013 at 12:15 p.m.

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

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 **November 12 at 10:30 a.m.** as well as the **full Board meeting at 12:15 p.m.** The major agenda item is presentation of the FY2013 audit report.

The trustees meeting will be held in the President's Conference Room in the Sanders Administration Building. Parking will be reserved in the Sanders lot.

The complete schedule for **November 12** is as follows:

10:30 a.m.	Finance and Administration	President's Conference Room
11:30 a.m.	Lunch	Academic Affairs Conference Room
12:15 p.m.	Board of Trustees	President's Conference Room

### AGENDA

- I. **Call to Order by Chairman Carol T. Vittorioso**
- II. **Public Comments**
- III. **Consideration and Approval of the Minutes from the September 10, 2013 Meeting**
- IV. **Finance and Administration Committee – Anthony Mercadante, Chair**
  1. FY2013 Audit – **VOTE - (03-13/14)**

The Finance and Administration committee will meet on Tuesday, November 12, 2013, at 10:30 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, 2013 and 2012.
- 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, 2013.

**V. Board of Trustees Self-Assessment**

I have included a copy of the self-assessment that was posted online. If you have not yet completed the survey, please take some time to do so.

**VI. Act on President's recommendation for faculty sabbatical requests**

The MSCA contract requires me to submit a summary of sabbatical requests. At this time I am asking that we defer the review of the requests until the January 30, 2014 meeting. Deferring will allow more time to review the requests submitted to me by Dr. Bowen on November 1. This will also allow the Academic Affairs committee to meet and review the requests prior to our meeting on January 30, 2014.

**VII. Notifications – N02-13/14**

Please refer to the Personnel Notification List enclosed. It includes promotions, new hires, and other changes in accordance with the respective collective bargaining agreements.

**VIII. President's Report**

Enclosures:

- Vehicle purchase
- Dean structure
- Residence Hall Occupancy – Fall Semester 2013/2014
- Letter from Chairman Vittorioso re: President evaluation
- Fitchburg State/Fitchburg High Honors Compact
- Final Board Subcommittees for 2013-2014
- News Articles
- Campus Crime Awareness & security and Fire Safety Report

**IX. Consider moving into executive session to consider the purchase of real property**

**X. Adjournment**

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

**Next Meeting  
Tuesday, January 30, 2014  
12:00 p.m.  
President's Conference Room**



# AGENDA

**Robert V. Antonucci**

PRESIDENT

**FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING****Tuesday, November 12, 2013****12:15 p.m.****President's Conference Room****Sanders Administration Building****300 Highland Avenue, Fitchburg, MA 01420****AGENDA**

- I.** Call to Order
- II.** Public Comments
- III.** Consideration of minutes from previous meetings
  - a) September 10, 2013
- IV.** Finance and Administration Committee Report – Anthony Mercadante, Chair
  - a) FY2013 Audit – **VOTE – (03-13/14)**
- V.** Board of Trustees self-assessment
- VI.** Act on President's recommendation for faculty sabbatical requests
- VII.** Notifications
  - a) Personnel actions – **(N02-13/14)**
- VIII.** President's Report – Dr. Robert V. Antonucci
  - a) Vehicle purchase
  - b) Dean structure
  - c) Residence Hall Occupancy – Fall semester 2013-2014
  - d) Letter from Chairman Vittorioso re: President evaluation
  - e) Fitchburg State/Fitchburg High Honors Compact
  - f) Final Board subcommittees for 2013/2014
  - g) News articles
  - h) Campus Crime Awareness & Security and Fire Safety Report
- IX.** Consider moving into executive session to consider the purchase of real property
- X.** Adjournment

**Future Meeting****Thursday, January 30, 2014****12:00 p.m.****President's Conference Room**

*Fitchburg State University is committed to excellence in teaching and learning and blends liberal arts and sciences and professional programs within a small college environment. Our comprehensive public university prepares students to lead, serve, and succeed by fostering lifelong learning and civic and global responsibility. A Fitchburg State education extends beyond our classrooms to include residential, professional, and co-curricular opportunities. As a community resource, we provide leadership and support for the economic, environmental, social, and cultural needs of North Central Massachusetts and the Commonwealth.*

## MINUTES

Minutes of Meeting Held on September 10, 2013 at 3:00 p.m.

**FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING**  
**Tuesday, September 10, 2013**  
**3:00 p.m.**  
**President's Conference Room**  
**300 Highland Avenue, Fitchburg, MA 01420**

Trustees Present: Robert Babineau, Jr., Anna Maria Clementi, Nathan Gregoire, Don Irving, Michael Mahan, Anthony Mercadante, Frank O'Donnell, Cynthia Stevens, Carol Vittorioso

Trustees Absent: Martin F. Connors, Jr., Gladys Rodriguez-Parker

Also Present: Robert V. Antonucci, Robin Bowen, Jay Bry, Stan Bucholc, Cathy Canney, Cathy Daggett, Gail Doiron, Jenny Fielding, Chris Hendry, Kelli Lundgren, Jessica Murdoch, Michael Shanley, Steve Swartz, Paul Weizer

The meeting was called to order by Chairman Vittorioso at 3:00 p.m.

Chairman Vittorioso opened the meeting requesting any public comments.

President Antonucci introduced and welcomed Ms. Jenny Fielding, the new MSCA Chapter President.

The consideration of the Board of Trustees minutes from April 30, 2013 were presented.

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

**Voted:** to approve the minutes of the meeting held on April 30, 2013 as presented.  
**(9-0)**

The president then discussed the review of the FY2013 president goals and the FY2014 goals. He stated that there are new guidelines set forth by the Board of Higher Education for the appraisal and hiring of university presidents. As part of those guidelines, the Chairman of the Board must submit the appraisal of the previous academic year goals along with a recommendation for a salary increase to the Commissioner.

President Antonucci then stated that the accomplishments would not be possible without the executive team and the entire staff of the university. He stated no one person could accomplish them all. He then spoke about some of the major accomplishments listed in the Board book. Mr. Mahan asked whether there were any goals not met from last year. The president responded that deferred maintenance is always something missed along with the First Year Experience, which is costly and has not been pursued aggressively to date. He also mentioned

that he expressed his concern for enrollment numbers, however everyone pulled together over the summer and exceeded the enrollment numbers.

The president also mentioned that Ms. Kay Reynolds, Director of Admissions has resigned. We are lucky to have an assistant director that will fill in until a replacement is found.

The president then reviewed the goals as well as the Vision and statewide collaborations as outlined in the Board book.

Upon a motion duly noted by Mr. Irving and seconded by Mr. Gregoire it was

**Voted:** to accept the summary of the 2012/2013 goal summary as presented.  
**(9-0)**

Upon a motion duly noted by Mr. Irving and seconded by Mr. Mahan it was

**Voted:** to accept the 2013/2014 goals as presented.  
**(9-0)**

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

**Voted:** to approve a cost of living and an equity adjustment as presented.  
**(9-0)**

Mr. Bry then gave an overview of phase 4 of the Hammond Building. He referenced the Board book, which has schematics for a visual reference. The Phase 4 project is a \$16 million dollar project. Phase 3 is almost complete and includes a new roof, the heating and air conditioning, game room and main lounge renovation. Phase 4 will focus on the first and second levels of the library. Library functions will be temporarily relocated to the third and fourth floors while renovations are taking place. This will allow the library to continue to function. Also included in this renovation is the outside plaza and any ADA issues will be addressed. It is expected that the first and second floors will open in December 2014.

The President pointed out that there are columns located throughout Hammond, but that they are support columns that cannot be removed. However, we have taken steps to make them less noticeable.

Mr. Gregoire asked how students would access the library. Mr. Bry stated they would have to access the library via the third floor. Ms. Clementi asked if the CIC library was still there to which Mr. Bry said that is was.

Upon a motion duly noted by Mr. Mahan and seconded by Mr. Gregoire it was

**Voted:** to approve the resolution for the Hammond Phase four project as presented.  
**(9-0)**

## 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. The previous phases focused primarily on the student center portion of the building such as Event Space, Game Room, Student Development and Student Government offices along with the dining and bookstore. Phase 2, which was DCAM funded also provided for new HVAC equipment and chiller plant along with a new roof. This phase will include the First and Second levels of the Library on the east wing of the Hammond building. Library functions will be temporarily relocated to the Third and Fourth levels to allow the library to continue operating throughout construction. Renovations include bathroom upgrades, new finishes (floors, walls and ceilings), new lighting, fire alarm, HVAC ductwork and controls, fire protection and ADA upgrades. It will also include a new circulation and reference desk, library classroom and expand computer access.
- Project savings from the previous phase of work will be utilized as initial funding for the pre-design phase and pre-construction exploratory and preparatory work. The project revenue source will be an increase in general student fees not to exceed \$300 annually for day undergraduate and not \$10 per credit of GCE classes.

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 (FY12)	42.4%	1.0	28.4%	4.0%

## **Project Budget and Schedule**

### Budget

Total Project Cost	\$ 15,000,000
Project Fund Deposit	15,000,000
Cost of Issuance/Reserves	<u>1,500,000</u>
<b>Total</b>	<b>\$16,500,000</b>

### Schedule

Design Started	August 2013
Construction Start	January 2014
Occupy Completed Facility	December 2014

The president then referenced the Conflict of Interest Policy, which states all Board members must complete the certificate yearly. The forms are in the Board book and are to be returned to Ms. Kelli Lundgren as soon as possible.

President Antonucci also mentioned that the self-assessments of Board members need to be addressed at a future meeting. We will add the topic to a future Board meeting agenda.

Chairman Vittorioso then reviewed the standing committees and also let Board members know if there are any changes they would like to make, to let her know.

Chairman Vittorioso then noted that we have included the notifications of new hires, rehires, resignations, etc. in the Board book. President Antonucci pointed out the promotion of Dr. Robin Bowen to Executive Vice President/Provost, a well-deserved promotion.

Ms. Clementi asked why the salaries for Assistant Professors vary. The president explained that the salaries are all based on a contract formula which can vary depending on education, experience, etc.

The president then moved on to his report. He stated we had a great opening and then showed the PowerPoint presentation given at the Welcome Back program to staff and faculty. He referenced the enrollment slide, which shows the enrollment as the second highest since his tenure. He also referenced some external references regarding college evaluations and rankings. Mr. Mercadante asked if the student to teacher ratio of 16 to 1 helped with enrollment. The president responded yes, that the ratings are favorable to Fitchburg State. There was also a discussion about the exit tests that will be implemented soon. Mr. Mahan stated that there are students that train for the job market and those that are in education and there needs to be a balance. All agreed that exit tests could potentially harm graduates in the job market.

The president then referenced the material located in the Board book including:

- 2013 golf tournament P&L
- Visual Identity and Social Media Guidelines
- Email re: Fitchburg State student Lindsay Grajek
- News articles
- Welcome Back program
- FAVE information card
- Family Weekend brochure

Upon a motion duly noted by Ms. Vittorioso, it was voted by roll call (9-0) to go into Executive Session at 3:42 p.m. to conduct strategy with non-union personnel and to consider the purchase of real property. Open session would reconvene after the conclusion of Executive Session.

The regular Board meeting reconvened at 3:52 pm.

Chairman Vittorioso then gave her report. She stated that the science center was nearing completion and there has been discussion among former Board members, staff, faculty and members of the public regarding the naming of the science center. The Board was in agreement that if it wasn't for the current president, we would not have the science center. The Board fully supports the decision to name the Science center after the Antonucci's.

Upon a motion duly noted by Mr. Mahan and seconded by Mr. Gregoire it was

**Voted:** to name the science center after the President and Mrs. Antonucci as presented.  
**(9-0)**

*In recognition of the extraordinary and exemplary service of President Robert V. Antonucci and his spouse Jeanne S. Antonucci to the university, the Fitchburg State University Board of Trustees desires to name the new science center the ANTONUCCI SCIENCE CENTER.*

The next step is to send the recommendation to the Board of Higher Education for approval.

With no further business before the Board, the meeting was adjourned at 4:00 p.m.

Respectfully submitted:

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Anna Maria Clementi, Clerk  
Board of Trustees



## FINANCE AND ADMIN. AGENDA

**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, November 12, 2013****10:30 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 25, 2013

**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) FY2013 Audit – **VOTE – (03-13/14)**

**IV. Adjournment**

Minutes of Meeting Held on April 25, 2013 at 1:00 p.m.

**FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING**  
**Finance Committee**  
**Thursday, April 25, 2013**  
**1:00 p.m.**  
**President's Conference Room**  
**300 Highland Avenue, Fitchburg, MA 01420**  
**Sanders Building**

Committee Members Present: Donald Irving, Michael Mahan, Anthony Mercadante, Carol Vittorioso

Committee Members Absent: Martin F. Connors, Jr.

Also Present: Robert V. Antonucci, Robin Bowen, Jay Bry, Cathy Daggett, Gail Doiron, Nathan Gregoire, Kelli Lundgren

The meeting was called to order by Chairman Vittorioso at 1:00 p.m.

President Antonucci began by announcing Jay Bry has been promoted to Vice President for Finance & Administration and also that Cathy Daggett has been promoted to the Comptroller.

President Antonucci then referenced the FY2014 budget packet. He explained this is a multi-step process; in January the Governor issues the budget, the House of Representatives and the Senate issues their respective budgets, and finally the House and Senate meet to compromise on a final budget.

The President stated this is a draft budget. He also pointed out that there is an error in the book and that this is not a level funded budget. Rather there was an increase of 6.3%. He stated we did not recommend raising fees, but will have a \$275 capital fee recommendation. This fee is for payment on the bond that financed the campus center and parking projects. He further stated that the science building is the only building that is a non-fee driven building.

The President then referenced page two of the budget packet. As mentioned above, we are also proposing a \$275 capital fee increase to offset the cost of the campus center and parking projects. Even with this increase, we will still be left with a deficit. Current reserves will be used to cover the deficit.

While discussing the science center, Mr. Mercadante asked if the project ran under budget, would we be able to purchase equipment. Mr. Bry stated that was the case and we have been able to supply quite a bit of equipment.

In reviewing the staffing portion of the book, it was noted that Fitchburg State's payroll is \$34 million. The state appropriation of \$27.3 million falls short to full fund payroll.

There was a discussion of student/professor ratio. Mr. Bry will provide that ratio at the full board meeting on April 30.

The President then gave an overview of page three, revenue sources, operating expenses and the investment portfolios.

There was some discussion regarding these summaries. At this point, Ms. Cathy Daggett gave an overview of the investments.

President Antonucci then reviewed page four of the packet; background information. The President stated we are still in the process of improving the campus with a variety of modernization projects. He also mentioned technology is very costly and is ever changing, but it is necessary for our students to keep technology current.

There was also discussion regarding the cost containment initiative. Mr. Bry stated that the university has changed its credit card processing system and reviewed insurance costs. By revisiting both, we have significantly reduced costs in both areas. Facilities also evaluated the utility costs with significant savings. President Antonucci stated utilities remain costly as a number of our buildings are older.

President Antonucci then discussed the FY2012 to FY2014 Operating Budget chart. We anticipate an increase in state appropriation, which will make the budgeting process much easier.

There was a question as to why there was only \$5 million in the capital expense line. That amount will increase with the vote to roll over funds from year to year.

Mr. Bry mentioned the biggest need currently on campus is the Conlon Building. With the new Game Design major, it is imperative to increase office and lab space. Currently there are approximately 100 applicants for the program, with 48 slots available. Mr. Bry further stated he is working on a plan to utilize current space as well as renovate the building. To renovate the building, it is estimated at an approximately \$3 million.

The President also indicated that Industrial Technology and Communications Media continue to grow and therefore it is important that we continue to upgrade technology as well as address the Conlon building space.

The President then referenced the graphs stating that this is, in reality a maintenance budget. We were conservative in our approach and the financials look good.

Mr. Irving asked about the tuition and fees student incur to attend Fitchburg State. The current tuition is \$970 yearly for Massachusetts residents and the fees are \$8740 for commuter students. A resident student can expect costs to total approximately \$17,000 per year. Mr. Bry will obtain a full fee schedule for the April 30<sup>th</sup> meeting.

President Antonucci then moved on to the vote recommendations. The votes will be brought forward to the full Board at the April 30 meeting.

Upon a motion duly noted by Mr. Irving and seconded by Mr. Mahan it was

**Voted:** to accept the recommendation of a \$275 Capital fee increase as presented.  
**(4-0)**

Upon a motion duly noted by Mr. Irving and seconded by Mr. Mahan it was

**Voted:** to accept the recommendation to approve the FY2014 budget as presented.  
**(4-0)**

Upon a motion duly noted by Mr. Irving and seconded by Mr. Mahan it was

**Voted:** to accept the recommendation to approve that on-going capital projects roll  
**(4-0)** forward into the FY2014 university budget as presented.

President Antonucci thanked the Board.

With no further business before the Board, the meeting was adjourned at 1:55 p.m.

Respectfully submitted:

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Anthony Mercadante, Chairman  
Finance Committee  
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, 2013 and 2012**

- 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 4 - 6):**

- Total assets increased by \$31.5 million to \$187.8 million. Total liabilities increased by \$14.3 million to \$63.5 due primarily to the 2013 bond issues for the Hammond Campus Center renovations and the parking expansion project.
- Current unrestricted cash was \$15.5 at June 30, 2013. Current restricted cash was \$6.3 million and noncurrent restricted cash was \$14.8 million at June 30, 2013.
- Capital assets increased to \$129.8 million net of current period depreciation of \$5.5 million.
- Total debt from bond issues is \$44.1 million. The bonds were issued for various construction projects. See Note 12, beginning on page 41.
- Invested in capital assets; net of related debt increased by \$23.1 million. Capital projects decreased by \$6.9 million due to the completion of several major capital projects.

**Statement of Revenues, Expenses and Changes in Net Position (pages 7 - 8):**

- Total revenue for the year was \$97.5 million.
- Tuition and fee revenue increased by 2.2%. Scholarships and scholarship allowances increased over the previous period due primarily to increases in the Pell grant program.
- Auxiliary revenue, which represents operation of the residence halls totaled \$8.5 and does not include fees charged for the student housing facility owned and operated by the FSU Supporting Organization, Inc.
- General appropriations increased by 3.3%. Capital appropriations received totaled \$2.3 million.
- Total expenditures, exclusive of depreciation, increased by 5.0% to \$73.6 million due primarily to increased payroll and fringe benefit charges and noncapitalized expenditures for the Science Center Lab Wing.
- Instructional expenditures represent 41.4% of total operating expenditures, exclusive of depreciation and scholarships. 80.8% 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 10.5% of total operating expenses exclusive of depreciation and scholarships.
- Operations and maintenance of plant expenditures totaled \$11.2 million.
- There was an overall increase in net assets of \$17.3 million for the fiscal year.

**Statement of Cash Flows (pages 9 - 11):**

- Total cash at June 30, 2013 was \$36.7 million and includes \$12.1 million in unspent bond proceeds for various construction projects.
- Cash received from operations (before appropriations) was \$49.3 million. Cash expended for operations was \$65.4 million, resulting in an operating loss of \$16.1 million, which was offset by appropriations of \$24.0 million net of tuition amounts reverted to the state.
- Acquisitions of property and equipment totaled \$18.1 million and do not include \$14.1 million spent by DCAM on the University's behalf for the Science Center Modernization project.

**Notes to the Financials Statements (pages 12 - 67):**

- Most of the notes are standard disclosures. Note 1, which outlines the University's significant accounting policies, spans pages 12 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 Note 12, beginning on page 41.

## AUDITOR'S LETTER



October XX, 2013

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) for the year ended June 30, 2013, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon dated October XX, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as information related to the planned scope and timing of our audit, and certain other matters related to the audit.

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

As stated in our engagement letter dated June 10, 2013, 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.

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.

We gave consideration to the nonaudit services provided to the University during the period of our engagement, which may reasonably be thought to bear on independence, in reaching the conclusion that our independence has not been impaired in accordance with professional standards.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in June, 2013.

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 component unit and their environments, 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 and its component unit or to acts by management or employees acting on behalf of the entity and its component unit. 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, 2013, Fitchburg State University adopted the following new Government Accounting Standards (GASB):

Statement No. 61 - *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34.*

Adoption by the University of GASB Statement No. 61, in fiscal 2013, had no impact on the University's financial statements.

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.

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. The most sensitive estimate affecting the financial statements is management's estimate of the allowance for doubtful collections of accounts receivable. 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.

#### *Qualitative Aspects of Accounting Practices - continued*

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.

The financial statements disclosures are neutral, consistent, and clear.

## Significant Audit Findings - continued

### *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 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, 2013.

### *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.

Significant Audit Findings - continued

*Other Matters*

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,

*Ercoleini & Company LLP*



## NPO-CX-12.2: AUDIT DIFFERENCE EVALUATION FORM

Entity: Fitchburg State University

Statement of Financial Position Date: June 30, 2013

Completed by: Jeff Caputi

Date: 8/28/2013

Threshold is \$25,000

**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, 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, 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. You need to be familiar with the guidance in section 1112 before completing this form.

				Financial Statement Effect—Amount of Over (Under) Statement of:						
Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Workpaper Reference	Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
Accounts payable recorded liability	P	Over recorded liability per period on invoice	N-01	\$108,267	\$108,267				\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
									\$0	
Total				\$108,267	\$108,267	\$0	\$0	\$0	\$0	\$0
Less Audit Adjustments Subsequently Booked									\$0	
Unadjusted AD—Current Year (Iron Curtain Method)				\$108,267	\$108,267	\$0	\$0	\$0	\$0	\$0
Effect of Unadjusted AD—Prior Years									\$0	
Combined Current and Prior Year AD (Rollover Method)				\$108,267	\$108,267	\$0	\$0	\$0	\$0	\$0
Financial Statement Caption Totals				\$187,827,762	\$63,458,189	\$122,151,578	\$97,499,183	\$80,199,715	\$17,299,468	
Current Year AD as % of FS Captions (Iron Curtain Method)				0.06%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.06%	0.17%	0.00%	0.00%	0.00%	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.

Reclassification within the statement of net position not deemed necessary as amount is not material to the statement of net position.

**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, ☐ do ☒ do not 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 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.

## FSU AUDIT VOTE



**Fitchburg State University**  
**REQUEST FOR BOARD ACTION**

TO: <b>Board of Trustees</b>	DATE: November 12, 2013
FROM: The President	REQUEST NUMBER:  03-13/14
SUBJECT: FY2013 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, 2013.

## **Fitchburg State University**

### **Audit Enclosures:**

- A.** FSU Report on Audits of Financial Statements and Supplemental Information Years Ended June 30, 2013 and 2012.
- 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, 2013.

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, 2013 AND 2012**

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, 2013 AND 2012

**TABLE OF CONTENTS**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

	<u>Page</u>
Management's Discussion and Analysis (Unaudited)	i - x
Independent auditor's report	1 - 3
Financial statements	
Statements of net position	4 - 6
Statements of revenues, expenses and changes in net position	7 - 8
Statements of cash flows	9 - 11
Notes to financial statements	12 - 67
Supplemental information and reports required by U.S. Office of Management and Budget Circular A-133	
Independent auditor's report on additional information required by the U.S. Office of Management and Budget Circular A-133	68
Schedule of expenditures of federal awards	69
Notes to schedule of expenditures of federal awards	70
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 <i>Government         Auditing Standards</i>	71 - 72
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	73 - 74
Schedule of findings and questioned costs	75 - 76
Summary schedule of prior year audit findings	77
Supplemental information - other:	
Residence hall and residence hall damage fund activity	78 - 79
Statistical section (Unaudited)	80 - 84

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

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

***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, 2013, 2012 and 2011. 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 50 undergraduate degree programs in eighteen academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During fiscal 2013, there were approximately 3,500 full-time students and thousands of part-time students enrolled in degree programs, for a combined full-time equivalent enrollment of approximately 5,005. 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 2013. 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 2013 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 \$24.9 million in fiscal 2013. In addition, the University received \$2.3 million in capital appropriations to fund various capital projects. General appropriations were \$23.5 million in fiscal 2012 and \$24.3 million in fiscal 2011.
- Fees were increased to fund academic and capital initiatives. Total mandatory per semester fees were \$3,870, \$3,665 and \$3,415 in fiscal 2013, 2012 and 2011, 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 \$18.2 million from current funds for capital additions in fiscal 2013. An additional \$14.1 million was spent on the University's behalf by the Massachusetts Division of Capital Asset Management (DCAM) for the Science Center modernization project. Projects completed during the year included the new Science Center Lab Wing, Phase I of the Hammond Hall renovation project and the third floor renovations to Miller Hall. Projects remaining in process at June 30, 2013 include Phase II of the Science Center modernization project and Phases II & III of the Hammond Hall renovations.
- Total assets at the end of fiscal 2013 were \$187.8 million and exceeded liabilities and deferred inflows of resources of \$65.6 million by \$122.2 million (i.e. net position). Unrestricted net position available to support short-term operations totaled \$20.0 million, of which \$8.6 million has been designated for specific purposes.

- Total operating, non-operating, and gift revenue for fiscal 2013 was \$97.5 million, while expenses totaled \$80.2 million, resulting in an increase to net position of \$17.3 million. The increase in net position includes a 2.2% 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.

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

- **Current Ratio:** An excess of current assets over current liabilities (the current ratio) is a measure of liquidity and provides a buffer against future uncertainties. The University's current assets of \$23.6 million are sufficient to cover current liabilities of \$16.9 million. The University's current ratio at June 30 is 1.4 to 1 for 2013, 1.5 to 1 for 2012, and 2.2 to 1 for 2011.
- **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, 2013, 2012 and 2011 was 16.5%, 30.8% and 19.7%, 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, 2013, 2012 and 2011 was 32.11%, 42.2% and 37.8%, respectively.
- **Secondary Reserve Ratio:** This ratio measures the significance of non expendable net position in relation to an institution's operating size. An improving trend shows an improved capital base and the higher the ratio value, the better the long term financial condition. The University's secondary reserve ratio at June 30, 2013, 2012 and 2011 was 120.2%, 98.1% and 72.5%, respectively.
- **Composite Financial Index:** In order to assess and evaluate the total financial health of an institution, core financial ratios are weighted and combined into a single factor called the Composite Financial Index (CFI). When calculated, a strength factor of three indicates a relatively healthy institution that can sustain moderate growth with expendable net position exceeding debt levels, although not by excessive amounts. The University's CFI at June 30, 2013, 2012 and 2011 was 3.1, 5.3, and 4.6, respectively.

### *Using the Financial Statements*

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

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY



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, 2013, 2012 and 2011, are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Assets</b>			
Current assets	\$ 23,672	\$ 21,669	\$ 29,673
Capital assets, net	129,816	103,170	66,192
Other	<u>34,340</u>	<u>31,545</u>	<u>29,702</u>
Total Assets	<u>187,828</u>	<u>156,384</u>	<u>125,567</u>
 <b>Liabilities</b>			
Current liabilities	16,876	14,786	13,817
Long term liabilities	<u>46,582</u>	<u>34,326</u>	<u>28,999</u>
Total Liabilities	<u>63,458</u>	<u>49,112</u>	<u>42,816</u>
 <b>Deferred Inflows of Resources</b>	<u>2,218</u>	<u>2,420</u>	<u>2,621</u>
 <b>Net Position</b>			
Net investment in capital assets	95,933	72,858	52,187
Restricted:			
Nonexpendable	465	448	458
Expendable	5,781	11,908	6,129
Unrestricted:			
Designated	8,577	8,594	8,488
Undesignated	<u>11,396</u>	<u>11,044</u>	<u>12,868</u>
Total net position	<u>\$ 122,152</u>	<u>\$ 104,852</u>	<u>\$ 80,130</u>

Current assets consist primarily of cash and cash equivalents (92.3%). 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.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

### 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, 2013, 2012 and 2011. 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>2013</u>	<u>2012</u>	<u>2011</u>
<u>Operating revenues:</u>			
Tuition & fees (net)	\$ 31,360	\$ 30,681	\$ 29,985
Grants	7,060	6,688	9,714
Sales & service of educational department	1,193	1,188	1,458
Auxiliary	8,535	8,117	8,043
Other operating revenue	<u>720</u>	<u>687</u>	<u>712</u>
Total operating revenue	<u>48,868</u>	<u>47,361</u>	<u>49,912</u>
<u>Operating expenses:</u>			
Instruction	29,843	28,023	27,139
Research & public service	600	505	524
Academic support	4,944	4,761	4,807
Student services	9,079	8,598	8,031
Scholarships	1,482	1,519	1,619
Institutional support	7,606	6,866	6,768
Operations & maintenance	11,246	11,401	10,881
Depreciation	5,544	4,270	4,241
Auxiliary	<u>8,809</u>	<u>8,460</u>	<u>8,049</u>
Total operating expenses	<u>79,153</u>	<u>74,403</u>	<u>72,059</u>
Net operating loss	<u>(30,285)</u>	<u>(27,042)</u>	<u>(22,147)</u>
<u>Non-operating revenue &amp; expenses:</u>			
State appropriations	30,788	29,797	29,333
Gifts	-	-	3
Investment income	857	611	1,123
Interest expense & debt issue costs	(1,047)	(298)	(583)
State capital appropriations	2,258	6,768	140
Capital gifts & grants	14,302	15,135	5,319
Insurance proceeds	427	-	-
Interagency transfers	-	(249)	-
Total non-operating revenue	<u>47,585</u>	<u>51,764</u>	<u>35,335</u>
<u>Increase in net position</u>	<u>17,300</u>	<u>24,722</u>	<u>13,188</u>
Net position, beginning of the year	<u>104,852</u>	<u>80,130</u>	<u>66,942</u>
Net position, end of the year	<u>\$ 122,152</u>	<u>\$ 104,852</u>	<u>\$ 80,130</u>

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

State appropriations are reported net of the amount of in state day school tuition collected by the University on behalf of the Commonwealth. The tuition collected (for in state supported courses taught by state employees) is then remitted to the Commonwealth as required by Massachusetts General Law. The following schedule details the Commonwealth appropriations received by the University. Included in appropriations are the fringe benefit costs for University employees, which are paid by the Commonwealth. The Commonwealth appropriates general funds to cover the cost of fringe benefits for state employees, but these funds are not appropriated directly to the University. Employees who are paid from local trust funds, grants or other sources receive the same fringe benefits. Generally, the University reimburses the Commonwealth for the benefit costs associated with these employees. In 2012 legislation was passed that allowed the state universities to retain out of state day tuition. The

legislation further mandated that the Commonwealth would fund the fringe benefits for any employee paid from this funding source. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2013, 2012 and 2011 was 26.0%, 33.0% and 31.8%, respectively. The current fringe benefit rate includes group medical insurance (18.2%); retirement (6.8%) and terminal leave (1.0%).

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Commonwealth general appropriations	\$ 25,131	\$ 23,468	\$ 24,315
Appropriations to cover fringe benefits provided to employees of the Commonwealth	<u>6,808</u>	<u>7,592</u>	<u>7,486</u>
	31,939	31,060	31,801
Tuition remitted back to the Commonwealth	<u>(1,151)</u>	<u>(1,263)</u>	<u>(2,468)</u>
Net appropriations	30,788	29,797	29,333
Additional state capital appropriations	<u>2,258</u>	<u>6,768</u>	<u>140</u>
Total appropriations	<u>\$ 33,046</u>	<u>\$ 36,565</u>	<u>\$ 29,473</u>

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, 2013, 2012 and 2011.

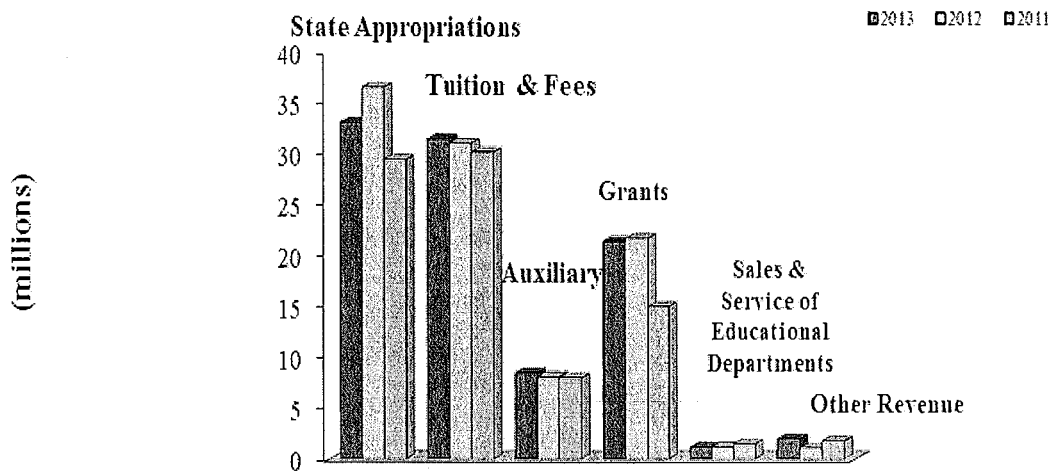
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tuition & fees revenue, net	\$ 31,360	\$ 30,681	\$ 29,985
Other operating revenue	<u>17,508</u>	<u>16,680</u>	<u>19,927</u>
Total operating revenue	48,868	47,361	49,912
Operating expenses	<u>(79,153)</u>	<u>(74,403)</u>	<u>(72,059)</u>
Operating loss	(30,285)	(27,042)	(22,147)
Total state appropriations	30,788	29,797	29,333
Other revenue (expense), net	<u>16,797</u>	<u>21,967</u>	<u>6,002</u>
Increase in net position	<u>\$ 17,300</u>	<u>\$ 24,722</u>	<u>\$ 13,188</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, 2013, 2012 and 2011, the University's net operating revenues ratio was 1.0%, 4.0% and 9.6%, respectively.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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, 2013, 2012 and 2011 was \$97.5, \$99.7 and \$85.8 million, respectively.

### Total Revenue by Source



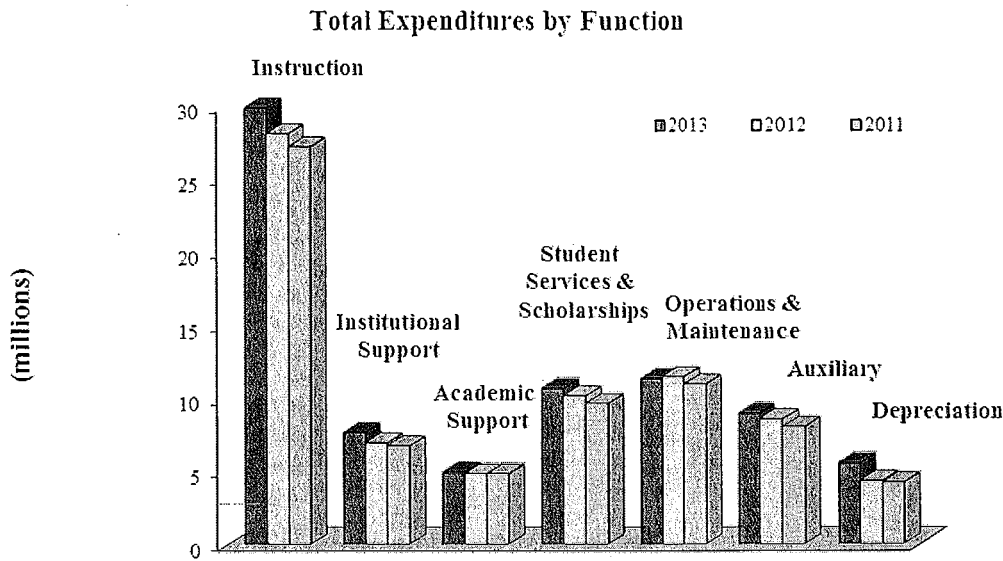
For the fiscal year ended June 30, 2013, general appropriations increased by 3.3% from 2012 funding levels. Total appropriations decreased by 9.6% due to the receipt of \$6.8 million in capital appropriations in 2012 compared with \$2.3 million received in 2013. Although there was a modest increase in appropriations in 2013, 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 2013 that percentage is now 38.4%. 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 (2.2%) is due to increases in student fees. During fiscal year 2013, 2012 and 2011, in-state tuition and fees for full time resident students was \$8,656, \$8,320 and \$7,953 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2013, 2012 and 2011 was \$4,355, \$4,150 and \$3,900 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. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs. Grant revenue also includes \$14.3 million in capital grant funds used primarily for the construction of the new science center.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2013, 2012 and 2011 were \$80.2, \$75.0 and \$72.6 respectively.



Expenditures, exclusive of depreciation, increased by 5.0% primarily due to increases in payroll mandated by collective bargaining agreements and non capitalized expenditures for the Science Center Lab Wing. The most significant area of expense remains Instruction, which represents 37.7% of total operating expenses. Faculty payroll (\$19.2 million) and related benefits (\$5.0 million) represent approximately 80.8% 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 \$5.5, \$4.3 and \$4.2 million in depreciation expense for 2013, 2012 and 2011, respectively.

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

Expense	2013	2012	2011
Instruction	36.9%	36.0%	33.8%
Institutional Support	9.4%	8.8%	8.4%
Academic Support	6.1%	6.1%	6.0%
Student Services & Scholarships	13.0%	13.1%	12.0%
Operations & Maintenance	13.9%	14.7%	13.5%
Auxiliary	10.9%	10.9%	10.0%
Depreciation	6.9%	5.5%	5.3%

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

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

### 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, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash received from operations	\$ 49,307	\$ 47,691	\$ 50,760
Cash expended for operations	<u>(65,419)</u>	<u>(61,682)</u>	<u>(59,930)</u>
Net cash used by operations	(16,112)	(13,991)	(9,170)
Net cash provided by non-capital financing activities	23,967	22,199	21,850
Net cash used by capital and related financing activities	<u>(4,013)</u>	<u>(13,222)</u>	<u>6,822</u>
Net cash (used) provided by investing activities	<u>(360)</u>	<u>(3,504)</u>	<u>294</u>
Net increase (decrease) in cash and equivalents	3,482	(8,518)	19,796
Cash and equivalents, beginning of the year	<u>33,168</u>	<u>41,686</u>	<u>21,890</u>
Cash and equivalents, end of the year	<u>\$ 36,650</u>	<u>\$ 33,168</u>	<u>\$ 41,686</u>

The University's cash and cash equivalents increased by approximately \$3.5 million during fiscal 2013, resulting in the cash and cash equivalents balance of \$36.7 million at fiscal year end. The increase is primarily due to increases in state appropriations and bond proceeds for various construction projects still in process at June 30, 2013. 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 various short-term money management vehicles.

### Capital Assets

Capital assets consist of land, land improvements, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2013, net capital assets increased to \$129.8 million after depreciation expense of \$5.5 million. During the current fiscal year there were \$32.2 million in additions to capital assets. Major capital initiatives either continuing or undertaken during 2013 include:

- Phase II construction of the Science Center modernization project, Condiike Wing renovations
- Phase II & III renovations of the Hammond Hall, \$6.8 million (to date)
- Parking Expansion project, \$968,000 (to date)

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

**Physical Asset Renewal Ratio:** The extent to which capital renewal is occurring as compared to physical usage (depreciation) can be measured by the physical asset renewal ratio. A ratio above 1:1 indicates increasing investment in plant facilities. The University's physical asset renewal ratio for fiscal years ended June 30, 2013, 2012 and 2011 was 5.8, 9.8 and 3.1, respectively.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

### 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 2.25% 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, 2013 and is inclusive of any bond premiums or discounts.

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service Payments	Debt Outstanding	Maturity
MDFA	Recreation Center	1997	\$6,000,000	DSF	1.25%	\$246,763	\$3,614,320	2023
MSCBA	Holmes Dining Hall Renovations	2005	\$1,090,000	DSF	3.83%	\$76,228	\$755,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	\$4,020,000	DSF	3.82%	\$289,545	\$2,765,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	\$2,060,000	DSF	4.03%	\$151,970	\$1,606,987	2026
MSCBA	Hammond Campus Center Renovations	2011	\$15,935,656	DSF & operating funds	3.46%	\$1,106,019	\$14,626,127	2030
MSCBA	Hammond Campus Center Renovations	2012	\$7,043,416	DSF & operating funds	4.44%	\$511,735	\$6,855,285	2031
MSCBA	Hammond Campus Center Renovations	2013	\$11,300,906	DSF & operating funds	3.24%	—	\$11,274,192	2032
MSCBA	Parking Expansion	2013	\$2,563,127	DSF & operating funds	3.24%	—	\$2,557,056	2032
Total			\$50,013,105			\$2,382,260	\$44,053,967	

For the fiscal years ended June 30, 2013, 2012 and 2011, the total debt (current and long term) attributable to interagency payments and bond premiums amounted to \$44.1, \$31.6 and \$26.1 million, respectively.

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

**Viability Ratio:** The availability of expendable net position to cover debt (the viability ratio) is a basic determinant of financial health. A viability ratio of 1.0 indicates that, as of the statement of net position date, the University has sufficient net position to satisfy its debt obligations. As of June 30, 2013, 2012 and 2011, the University's viability ratio was .6, 1.0 and 1.0, 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, 2013, 2012 and 2011, the University's debt burden was 3.1%, 3.2% and 2.2%, respectively.

### Looking Forward

In the fall of 2013, a new era began at Fitchburg State University with the opening of the newly constructed Science Laboratory Wing. The project took three years to complete and is the most technologically sophisticated facility of its type. The state of the art structure houses laboratories and support spaces. In keeping with the University's pursuit of energy sustainability, the modernized facility was designed and built to the maximum possible standards. The building represents a striking new presence on North Street and defines the boundaries of the University's core academic space. The 55,000 square foot building was erected adjacent to the existing Condiak Science building which began its own year long renovation project. When complete, the two structures, with a combined project cost of \$57 million, will provide more than 100,000 square feet of peerless instructional space. Phase I of the Hammond Hall renovations are complete. The \$25 million project created a stunning new entrance to the University with the construction of a six story glass tower that welcomes visitors as they travel up North Street to the campus. The project also transformed significant gathering spaces for students, faculty and staff to provide modern day amenities and features. Phase II and III of the renovation project are underway and include updates to the building's infrastructure and further renovations to the student Campus Center. The Parking Expansion project is nearing completion and will provide a net gain of 150 parking spaces as well as construct new curbs and sidewalks at the McKay complex to better connect it to the main campus.

Over the last several years, the University has embarked on a series of ambitious technology initiatives including establishment of a wireless campus, upgrades to computer laboratories and the creation of dozens of smart classrooms that allow faculty to access the latest technologies. The University is implementing Starfish Retention Systems and Blackboard Analytics software. These tools provide a means to analyze student performance in an effort to increase retention rates and improve student success. In addition, a group of campus leaders have visited Apple Computer's Executive Briefing Center in the hopes of developing a pilot program to use mobile technology in the classroom to enhance teaching and learning. The pilot program will incorporate the latest technologies in order to improve student learning and retention while lowering textbook costs.

In the fall of 2013, Fitchburg State University became the first public institution in New England to offer a bachelor's degree program in game design. Approved by the Board of Higher Education in December 2012, the program provides students with readily marketable skills needed in one of the region's fastest growing industries. The University's investment in the new major includes hiring additional faculty and renovating dedicated space to accommodate new labs. The major is designed as a multi-disciplinary program that will prepare students for employment in the state's thriving game design sector. The program also requires a one semester, 12 credit hour internship that will provide students with practical, real world experience. 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. Currently, there are 43 students enrolled in the program.

Major elements of the revitalization of the Fitchburg State University campus were realized this past year with the completion of the new Science Laboratory Wing and the reopening of Hammond Hall. The renderings and blueprints that inspired the University's vision for the future took physical form and were more inspiring than could have been hoped for. There is a renewed excitement across campus and the commitment to excellence in teaching and learning remains strong. This fall the University will welcome the first parents participating in Fitchburg State University's *Family First* program. The program allows the parents of any first generation freshman student to take one free undergraduate class at the University. This innovative program further illustrates the University's quest to be an educational leader, expand access to public education and to be a strong community resource to the constituents it serves.

### 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.

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FOR DISCUSSION PURPOSES ONLY



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
**Fitchburg State University**  
Fitchburg, Massachusetts

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Fitchburg State University (the University) (a department of the Commonwealth of Massachusetts), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of Fitchburg State University as of June 30, 2013 and 2012, and the respective results of operations and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1, the financial statements of 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, 2013 and 2012, 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. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

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 shown on pages 78 to 79, and the statistical section on pages 80 to 84 are presented for purposes of additional analysis and are not a required part of the 2013 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2013 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 financial statements or to the 2013 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the residence hall fund and residence hall damage fund activity information are fairly stated, in all material respects, in relation to the 2013 financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the 2013 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of Fitchburg State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2013. 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* in considering Fitchburg State University's internal control over financial reporting and compliance.

*Ercolini & Company LLP*

Boston, Massachusetts  
October 15, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

**STATEMENTS OF NET POSITION**

JUNE 30, 2013 AND 2012

ASSETS	<u>2013</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2013</u>	<u>2012</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2012</u>
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 15,531,951	\$ 2,468,384	\$ 14,861,891	\$ 2,415,022
Restricted cash and cash equivalents	6,325,209	-	5,188,966	-
Investments	-	3,772,530	-	3,148,963
Accounts receivable, net	1,656,757	40,124	1,488,663	37,452
Contributions receivable, net	-	169,212	-	190,173
Loans receivable - current portion	1,467	-	2,406	-
Other current assets	<u>156,385</u>	<u>28,300</u>	<u>127,261</u>	<u>75,727</u>
Total current assets	<u>23,671,769</u>	<u>6,478,550</u>	<u>21,669,187</u>	<u>5,867,337</u>
<b><u>Noncurrent Assets</u></b>				
Restricted cash and cash equivalents	14,793,079	-	13,116,648	-
Investments	16,460,012	-	15,284,234	-
Endowment investments	821,436	8,829,156	749,353	8,414,597
Contributions receivable, net	-	71,127	-	153,627
Accounts receivable, net of current portion	246,251	-	424,805	-
Loans receivable, net of current portion	1,977,999	-	1,962,680	-
Capital assets, net	129,816,351	5,227,189	103,169,734	4,771,627
Other noncurrent assets	<u>40,865</u>	<u>131,054</u>	<u>7,102</u>	<u>155,104</u>
Total noncurrent assets	<u>164,155,993</u>	<u>14,258,526</u>	<u>134,714,556</u>	<u>13,494,955</u>
Total assets	<u>187,827,762</u>	<u>20,737,076</u>	<u>156,383,743</u>	<u>19,362,292</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2013 AND 2012

LIABILITIES	<u>2013</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2013</u>	<u>2012</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2012</u>
<b><u>Current Liabilities</u></b>				
Interagency payables - current portion	\$ 1,856,004	\$ -	\$ 1,323,735	\$ -
Accounts payable and accrued liabilities	4,074,939	67,341	3,335,788	72,033
Accounts payable - construction	2,572,364	-	2,722,077	-
Accrued workers' compensation - current portion	146,711	-	133,668	-
Compensated absences - current portion	3,323,893	-	2,584,870	-
Faculty payroll accrual	2,845,417	-	2,840,378	-
Revenue received in advance	1,662,267	104,729	1,404,623	65,224
Long-term debt - current portion	-	154,304	-	154,816
Deposits	370,600	-	292,725	-
Other current liabilities	<u>23,555</u>	<u>-</u>	<u>148,296</u>	<u>-</u>
Total current liabilities	<u>16,875,750</u>	<u>326,374</u>	<u>14,786,160</u>	<u>292,073</u>
<b><u>Noncurrent Liabilities</u></b>				
Interagency payables, net of current portion	42,197,963	-	30,252,903	-
Accrued workers' compensation, net of current portion	598,014	-	544,849	-
Compensated absences, net of current portion	1,859,391	-	1,625,283	-
Long-term debt, net of current portion	-	3,568,453	-	3,497,560
Loan payable - federal financial assistance programs	<u>1,927,071</u>	<u>-</u>	<u>1,902,808</u>	<u>-</u>
Total noncurrent liabilities	<u>46,582,439</u>	<u>3,568,453</u>	<u>34,325,843</u>	<u>3,497,560</u>
Total liabilities	<u>63,458,189</u>	<u>3,894,827</u>	<u>49,112,003</u>	<u>3,789,633</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Service concession arrangement	<u>2,217,995</u>	<u>-</u>	<u>2,419,630</u>	<u>-</u>
Total deferred inflows of resources	<u>2,217,995</u>	<u>-</u>	<u>2,419,630</u>	<u>-</u>

See notes to financial statements.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

**STATEMENTS OF NET POSITION - CONTINUED**

JUNE 30, 2013 AND 2012

NET POSITION	<u>2013</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2013</u>	<u>2012</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2012</u>
Net investment in capital assets	\$ 95,932,514	\$ 1,504,432	\$ 72,858,018	\$ 1,119,251
Restricted for:				
Non-expendable				
Scholarships and fellowships	465,051	4,286,388	448,121	4,219,397
Cultural programs	-	2,949,638	-	2,612,069
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	64,351	-	84,931
Expendable				
Scholarships and fellowships	484,287	1,979,607	452,425	1,684,771
Cultural programs	-	1,386,986	-	1,172,367
Loans	262,845	-	259,783	-
Capital projects	1,810,648	-	8,723,917	-
Debt service	3,222,211	-	2,470,739	-
Other	930	266,815	930	266,100
Unrestricted	<u>19,973,092</u>	<u>2,811,058</u>	<u>19,638,177</u>	<u>2,820,799</u>
Total net position	<u>\$ 122,151,578</u>	<u>\$ 16,842,249</u>	<u>\$ 104,852,110</u>	<u>\$ 15,572,659</u>

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

<u>OPERATING REVENUES</u>	<u>2013</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2013</u>	<u>2012</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2012</u>
Student tuition and fees	\$ 35,378,367	\$ -	\$ 34,957,350	\$ -
Student fees restricted for repayment of Interagency payables	2,838,588	-	2,278,715	-
Less: Scholarship allowances	( 6,856,970)	-	( 6,555,554)	-
Net student tuition and fees	31,359,985	-	30,680,511	-
Federal grants and contracts	6,586,240	-	5,953,575	-
State and local grants and contracts	329,523	193,395	276,885	47,836
Stimulus grants	-	-	210,343	-
Nongovernmental grants and contracts	144,562	-	247,111	-
Sales and services of educational departments	1,193,482	665,285	1,188,283	616,283
Gifts and contributions	-	399,077	-	3,451,722
<b>Auxiliary enterprises:</b>				
Residential life	8,502,987	223,825	8,086,217	198,537
Alcohol awareness and other programs	31,673	-	31,360	-
Other operating revenues	719,919	4,442	686,557	4,836
<b>Total operating revenues</b>	<u>48,868,371</u>	<u>1,486,024</u>	<u>47,360,842</u>	<u>4,319,214</u>
 <u>OPERATING EXPENSES</u>				
<b>Educational and general:</b>				
Instruction	29,842,993	179,489	28,023,197	2,915,898
Research	4,951	-	35,654	-
Public service	594,615	170,257	469,699	191,187
Academic support	4,944,159	21,681	4,761,045	20,782
Student services	9,078,713	185,002	8,598,075	135,624
Institutional support	7,605,890	377,020	6,866,058	339,698
Operations and maintenance of plant	11,246,151	35,250	11,401,192	45,019
Depreciation and amortization	5,544,522	107,441	4,269,822	104,910
Scholarships and awards	1,481,570	366,963	1,518,783	228,509
<b>Auxiliary enterprises:</b>				
Residential life	8,782,538	61,099	8,431,071	55,733
Alcohol awareness and other programs	26,629	-	28,502	-
<b>Total operating expenses</b>	<u>79,152,731</u>	<u>1,504,202</u>	<u>74,403,098</u>	<u>4,037,360</u>
<b>Operating income (loss)</b>	<u>( 30,284,360)</u>	<u>( 18,178)</u>	<u>( 27,042,256)</u>	<u>281,854</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, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

<u>NONOPERATING REVENUES (EXPENSES)</u>	<u>2013</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2013</u>	<u>2012</u>	Component Unit Fitchburg State University Foundation, Inc. <u>2012</u>
State appropriations	\$ 30,787,648	\$ -	\$ 29,797,174	\$ -
Gifts	250	-	75	-
Investment income (loss), net of investment expense	806,668	302,764	509,941	116,770
Investment income (loss) on restricted assets, net of investment expense	50,013	752,224	101,431	305,286
Interest expense on Interagency payables and capital asset related debt	( 897,116)	( 170,780)	( 254,909)	( 197,369)
Debt issuance costs	( 149,868)	-	( 43,416)	-
Proceeds on equipment insurance claim	<u>426,618</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net nonoperating revenues before capital and endowment additions	 <u>31,024,213</u>	 <u>884,208</u>	 <u>30,110,296</u>	 <u>224,687</u>
 <u>INCOME BEFORE CAPITAL AND ENDOWMENT ADDITIONS</u>	 <u>739,853</u>	 <u>866,030</u>	 <u>3,068,040</u>	 <u>506,541</u>
State capital appropriations	2,257,801	-	6,768,104	-
Capital grants	14,301,814	-	15,135,437	-
Transfers (to)/from state agencies	-	-	( 249,437)	-
Private gifts for endowment purposes	<u>-</u>	<u>403,560</u>	<u>-</u>	<u>69,196</u>
 Total capital and endowment additions	 <u>16,559,615</u>	 <u>403,560</u>	 <u>21,654,104</u>	 <u>69,196</u>
 <u>INCREASE (DECREASE) IN NET POSITION</u>	 <u>17,299,468</u>	 <u>1,269,590</u>	 <u>24,722,144</u>	 <u>575,737</u>
 <u>NET POSITION - BEGINNING OF YEAR</u>	 <u>104,852,110</u>	 <u>15,572,659</u>	 <u>80,129,966</u>	 <u>14,996,922</u>
 <u>NET POSITION - END OF YEAR</u>	 <u>\$ 122,151,578</u>	 <u>\$ 16,842,249</u>	 <u>\$ 104,852,110</u>	 <u>\$ 15,572,659</u>



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

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

	<u>2013</u>	<u>2012</u>
Tuition and fees	\$ 31,150,738	\$ 30,922,198
Research grants and contracts	7,076,339	5,983,030
Stimulus funds	-	537,717
Payments to suppliers	( 18,913,142)	( 16,529,167)
Payments to utilities	( 4,297,751)	( 4,464,061)
Payments to employees	( 38,096,057)	( 36,191,851)
Payments for benefits	( 2,295,389)	( 2,643,013)
Payments for scholarships	( 1,518,302)	( 1,557,085)
Loans issued to students	( 298,481)	( 296,504)
Collection of loans to students	269,470	252,099
Auxiliary enterprise receipts:		
Residential life	8,511,961	8,091,540
Alcohol awareness program	31,673	31,360
Receipts from sales and services of educational departments	1,508,354	1,188,968
Other payments	41,398	( 145)
Other receipts	<u>716,870</u>	<u>683,743</u>
<b>Net cash provided by (used in) operating activities</b>	<b>( 16,112,319)</b>	<b>( 13,991,171)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	25,130,522	23,467,647
Tuition remitted to State	( 1,163,098)	( 1,269,170)
Gifts from grants for other than capital purposes	<u>250</u>	<u>75</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>23,967,674</u></b>	<b><u>22,198,552</u></b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State capital appropriations	2,257,801	6,768,104
Loan programs net funds received	27,721	23,509
Capital grants	-	1,172,153
Interagency payable proceeds received	13,864,033	7,043,416
Proceeds from equipment insurance claim	426,618	-
Payments for capital assets	( 18,056,800)	( 25,681,938)
Principal paid on capital debt and leases	( 1,245,356)	( 1,457,350)
Interest paid on Interagency payables and capital leases	( 1,136,904)	( 815,226)
Debt issuance costs	( 149,868)	( 43,416)
Transfers to other state agencies	-	( 249,437)
Refund of arbitrage account	<u>-</u>	<u>17,998</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>( 4,012,755)</b>	<b>( 13,222,187)</b>

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

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

CASH FLOWS FROM INVESTING ACTIVITIES	<u>2013</u>	<u>2012</u>
Purchase of investments	(\$ 3,847,135)	(\$ 17,173,199)
Proceeds from sale of investments	3,135,230	13,340,503
Earnings on investments	<u>352,039</u>	<u>329,341</u>
Net cash provided by (used in) investing activities	( 359,866)	( 3,503,355)
Net increase (decrease) in cash and cash equivalents	3,482,734	( 8,518,161)
Cash and cash equivalents - beginning of year	<u>33,167,505</u>	<u>41,685,666</u>
Cash and cash equivalents - end of year	<u>\$ 36,650,239</u>	<u>\$ 33,167,505</u>

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

Operating loss	(\$ 30,284,360)	(\$ 27,042,256)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Bad debt expense	152,633	84,899
Depreciation and amortization	5,544,522	4,269,822
Miscellaneous other	-	44,324
Fringe benefits paid by the Commonwealth of Massachusetts	6,808,148	7,592,339
Changes in assets and liabilities:		
Receivables	( 127,029)	318,582
Other current and noncurrent assets	( 62,887)	306,672
Accounts payable and accrued liabilities	541,039	736,942
Accrued workers' compensation	66,208	( 73,681)
Compensated absences	973,131	( 163,647)
Accrued faculty payroll	5,039	215,937
Revenue received in advance	257,644	( 238,054)
Other current liabilities	( 36,477)	( 33,710)
Deposits	77,875	33,565
Loans to students	( 27,805)	( 42,905)
Net cash used in operating activities	( <u>\$ 16,112,319</u> )	( <u>\$ 13,991,171</u> )

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

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

<u>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</u>	<u>2013</u>	<u>2012</u>
Acquisition of capital assets	\$ 32,191,139	\$ 41,247,453
Accounts payable thereon:		
Beginning of year	2,722,077	2,495,246
End of year	( 2,572,364)	( 2,722,077)
Capital grants from DCAM	( 14,078,732)	( 14,781,397)
Net interest earned and incurred, capitalized in construction in progress	( 205,320)	( 557,287)
Payments for capital assets	<u>\$ 18,056,800</u>	<u>\$ 25,681,938</u>
Unrealized gain (loss) on investments	<u>\$ 535,957</u>	<u>\$ 358,481</u>
Fringe benefits paid by the Commonwealth of Massachusetts	<u>\$ 6,808,148</u>	<u>\$ 7,592,339</u>
Capital grants - amortization of deferred inflows of resources - service concession arrangement	<u>\$ 201,635</u>	<u>\$ 201,635</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:</u>		
	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 15,531,951	\$ 14,861,891
Restricted cash and cash equivalents	6,325,209	5,188,966
Noncurrent assets:		
Restricted cash and cash equivalents	<u>14,793,079</u>	<u>13,116,648</u>
Total cash and cash equivalents	<u>\$ 36,650,239</u>	<u>\$ 33,167,505</u>

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**1. Summary of significant accounting policies**

**Organization**

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

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

Fitchburg State University Foundation, Inc. (the Foundation) is a component unit of Fitchburg State University. The Foundation is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University, to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the University; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the University as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the University; and to encourage other activities necessary for, or incidental to, any or all of the foregoing. The following programs are supported under the auspices of the Foundation: Center Stage, Alumni Association, Women in Today's Society, Amelia V. Gallucci - Cirio endowment and the University's Booster Clubs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. 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. 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, 2013, has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and the University. The financial information of the Foundation Supporting Organization is consolidated into the financial statements of the Foundation. The Foundation and Foundation Supporting Organization are collectively referred to hereinafter as the FSU Foundation.

During the year ended June 30, 2013, FSU Foundation distributed a net amount of \$369,782 to the University for both restricted and unrestricted purposes. During 2013, FSU Foundation distributed scholarships and awards in the amount of \$366,963 directly to students and faculty of the University, and incurred an additional

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**1. Summary of significant accounting policies - continued**

**Organization - continued**

\$938,238 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, 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.

**Basis of presentation**

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2014

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**1. Summary of significant accounting policies - continued**

**Basis of presentation - continued**

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.

**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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**1. Summary of significant accounting policies - continued**

**Cash and cash equivalents and investments - continued**

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

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

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

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

At June 30, 2013 and 2012, the University had \$414,615 and \$405,660, 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.

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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**1. Summary of significant accounting policies - continued**

**Cash and cash equivalents and investments - continued**

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 \$91,147 and \$31,109 for the years ended June 30, 2013 and 2012. The Foundation's investment expense amounted to \$80,067 and \$78,095 for the years ended June 30, 2013 and 2012, 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 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 \$1,537,505 and \$1,521,862 for Perkins and \$389,566 and \$380,946 for NSL at June 30, 2013 and 2012, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.



**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**1. Summary of significant accounting policies - continued**

**Loans receivable and payable - continued**

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.

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, 2013 and 2012 were \$5,277,968 and \$5,003,675, 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

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**1. Summary of significant accounting policies - continued**

**Capital assets - continued**

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).

**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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**1. Summary of significant accounting policies - continued**

**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, 2013 and 2012.

**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 2013 and 2012, total interest costs incurred were accounted for as follows:

	<u>2013</u>	<u>2012</u>
Total interest costs incurred	\$1,246,752	\$ 937,831
Less: Interest income on unused funds from tax exempt borrowings	( 2,966)	-
Rebate payable increase (decrease)	-	( 17,993)
Bond premium amortization	( 141,350)	( 107,642)
	1,102,436	812,196
Less: Capitalized portion of net interest earned and incurred	( 205,320)	( 557,287)
Interest expense	<u>\$ 897,116</u>	<u>\$ 254,909</u>

**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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**1. Summary of significant accounting policies - continued**

**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 2012 financial statements to conform to the 2013 presentation.

**Recent accounting pronouncements**

**Recently adopted accounting pronouncements**

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. Adoption by the University of GASB Statement No. 61 in fiscal year 2013 had no impact on the University's financial statements.

**Recent accounting pronouncements not yet adopted**

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.

In April, 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the primary objective of which is to improve the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Statement enhances comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees and enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The requirements of GASB Statement No. 70 are effective for financial statements for fiscal years beginning after June 15, 2013 with earlier application encouraged. The University does not believe that its adoption of this Statement in fiscal 2014 will have a material impact on the University's financial statements.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

Cash and cash equivalents - unrestricted and restricted include the following at June 30, 2013 and 2012:

	<u>2013</u>		
	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Noncurrent Restricted</u>
Cash and money market accounts	\$ 8,222,841	\$ 78,486	\$ 29,842
Cash equivalents held by MDFA *	-	219,204	369,601
Cash equivalents held by MSCBA ***	-	1,397,926	12,323,864
Massachusetts Municipal Depository Trust	5,213,964	3,375,630	2,069,772
Massachusetts State Treasurer **	2,093,819	1,253,963	-
Petty cash	<u>1,327</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,531,951</u>	<u>\$ 6,325,209</u>	<u>\$ 14,793,079</u>

	<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 and 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>

\* This amount consists of cash equivalents which are restricted by the Massachusetts Development Finance Agency (MDFA) for the funding of payments to retire the bonds (See Note 12). The University does not have access to these funds except by the authorization of MDFA.

\*\* The University has recorded cash held for the benefit of the University by the State Treasurer in the amount of \$2,093,819 and \$2,189,281 at June 30, 2013 and 2012, respectively, for University funds and \$1,253,963 and \$532,676 at June 30, 2013 and 2012, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year end.

\*\*\* This amount consists of cash and cash equivalents which are restricted by the Massachusetts State College Building Authority (MSCBA) for the funding of certain construction projects at the University and payments to retire bonds (See Note 12). The University does not have access to these funds except by authorization of MSCBA. Interest earned on debt service reserve funds are used on a current basis to offset annual debt service payments.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

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

Money market funds include the Schwab Advisor Cash Reserves Premier Sweep Shares in the aggregate amount of \$199,039 and \$412,281 at June 30, 2013 and June 30, 2012, respectively. The Schwab Advisor Cash Reserves Premier Sweep Shares invests in high-quality short-term money market investments issued by U.S. and foreign issuers, such as commercial paper, including asset-backed commercial paper; promissory notes; certificates of deposit and time deposits; variable and floating-rate debt services; bank notes and bankers' acceptances; repurchase agreements; obligations that are issued by the U.S. government, its agencies or instrumentalities. The fund seeks the highest current income consistent with stability of capital and liquidity. At June 30, 2013 and June 30, 2012, the fund's investment securities had a weighted average maturity of 54 days and 48 days, respectively. The fund was not rated for average credit quality at June 30, 2013 and June 30, 2012, respectively.

Money market funds include the Dreyfus Cash Management Fund Institutional Class in the aggregate amount of \$293,980 and \$429,465 at June 30, 2013 and June 30, 2012, respectively. The Dreyfus Cash Management Fund Institutional Class invests in a diversified portfolio of high-quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities including certificates of deposit, time deposits, bankers' acceptances and other short-term securities issued by domestic banks or foreign banks, or their subsidiaries or branches; repurchase agreements, including tri-party repurchase agreements, asset-backed securities; and domestic and dollar-denominated foreign commercial paper, and other short-term corporate obligations, including those with floating or variable rates of interest. The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. At June 30, 2013 and June 30, 2012, the fund's investment securities had a weighted average maturity of 44 days and 41 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2013 and June 30, 2012, respectively.

Money market funds include the Northern Institutional Diversified Assets Portfolio in the aggregate amount of \$254,817 and \$231,481 at June 30, 2013 and June 30, 2012, respectively. The Northern Institutional Diversified Assets Portfolio invests in a broad range of high quality, U.S. dollar-denominated government, bank and commercial obligations that are available in the money markets. The fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments. At June 30, 2013 and June 30, 2012, the fund's investment securities had a weighted average maturity of 50 days and 49 days, respectively. The fund was not rated for average credit quality at June 30, 2013 and June 30, 2012, respectively.

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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**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, 2013 and 2012, 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, 2013 and 2012, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$10,659,366 and \$11,856,341, respectively. At June 30, 2013, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 40% at 30 days or less; 39% at 31-90 days; 16% at 91-180 days; and 5% at 181 days or more. At June 30, 2013, approximately 97% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 3% had a credit quality rating of P2.

The University's funds held at MDFA are invested in the Short Term Asset Reserve (STAR) Fund and had a fair value of \$588,805 and \$599,374 at June 30, 2013 and 2012, 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, 2013 and 2012, respectively. At June 30, 2013 and 2012, the fund's investment securities maintain a weighted average maturity of 48 and 52 days, respectively.

At June 30, 2013, certain of the University's funds are held at MSCBA. Of the total, \$11,988,248 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$1,733,542 is invested in various funds as listed below:

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

2. Cash and cash equivalents, and investments - continued

Credit risk - continued

<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>	
Federal Home Loan						Not Rated-
Bank discount notes	\$ 283,765	\$ 283,765	\$ -	\$ -	\$ -	AA+
Massachusetts ST Bonds	<u>1,449,777</u>	<u>-</u>	<u>-</u>	<u>485,614</u>	<u>964,163</u>	AAA
Total	<u>\$1,733,542</u>	<u>\$ 283,765</u>	<u>\$ -</u>	<u>\$ 485,614</u>	<u>\$ 964,163</u>	

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>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>	
Federal Home Loan						
Bank 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>	<u>-</u>	<u>-</u>	<u>-</u>	P-1
Total	<u>\$4,551,455</u>	<u>\$ 3,101,678</u>	<u>\$ -</u>	<u>\$ 485,614</u>	<u>\$ 964,163</u>	



**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

The University's investments in marketable securities are represented by the following at June 30, 2013:

	<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>
<u>Noncurrent:</u>		
U.S. Treasury Notes and Government Securities	\$ 1,019,922	\$ 988,592
Corporate Debt Securities	2,136,948	2,071,413
Mortgage backed securities	237,704	237,456
Equity Securities	7,369,022	8,287,897
Mutual Funds	<u>5,890,119</u>	<u>5,696,090</u>
	<u>\$ 16,653,715</u>	<u>\$ 17,281,448</u>

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

	<u>2013</u>	<u>2012</u>
Investments	\$ 16,460,012	\$ 15,284,234
Endowment investments	<u>821,436</u>	<u>749,353</u>
	<u>\$ 17,281,448</u>	<u>\$ 16,033,587</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

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

At June 30, 2013, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
U.S. Treasury Notes and Government Securities						
2.000% to 3.500%	\$ 988,592	\$ 203,755	\$ 514,669	\$ 270,168	\$ -	AA+
Corporate Debt Securities						
3.400% to 4.3000%	190,141	-	-	190,141	-	AA
Corporate Debt Securities						
2.875% to 4.650%	297,744	75,919	158,179	63,646	-	AA+
Corporate Debt Securities						
1.750% to 3.625%	121,103	61,311	59,792	-	-	AA-
Corporate Debt Securities						
1.375% to 6.000%	710,128	77,473	441,202	191,453	-	A
Corporate Debt Securities						
1.875% to 5.625%	317,020	-	191,036	125,984	-	A+
Corporate Debt Securities						
3.100% to 5.200%	375,083	-	191,884	183,199	-	A-
Corporate Debt Securities						
4.875%	60,194	60,194	-	-	-	BBB
Asset Backed Securities						
0.400%	147,636	-	147,636	-	-	AAA
Asset Backed Securities						
0.370%	<u>89,820</u>	<u>-</u>	<u>89,820</u>	<u>-</u>	<u>-</u>	N/A
Total	<u>\$ 3,297,461</u>	<u>\$ 478,652</u>	<u>\$1,794,218</u>	<u>\$1,024,591</u>	<u>\$ -</u>	

FSU Foundation's cash and cash equivalents consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and other demand deposits	\$ 1,057,676	\$ 987,961
Money Market Funds	<u>1,410,708</u>	<u>1,427,061</u>
	<u>\$ 2,468,384</u>	<u>\$ 2,415,022</u>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

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

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 \$197,538, \$26,748, \$179,039, and \$1,007,383 at June 30, 2013 and \$176,183, \$18,726, \$229,444, and \$1,002,708 at June 30, 2012, 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, 2013 are overnight repurchase agreements in the amounts of \$778,730 and \$91,694 each at an interest rate of .05% per annum. 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. At June 30, 2013 and 2012, overnight repurchase agreements were fully collateralized under an agreement between Sovereign Bank and the University. At June 30, 2013 and 2012, 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 \$1,410,708 and \$1,427,061, respectively.

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

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

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 5,327,267	\$ 6,677,258	\$ 5,117,423	\$ 5,718,022
Preferred stock	241,660	239,236	241,230	252,630
Mutual funds	2,880,297	2,965,625	2,756,745	2,718,124
Corporate bonds	1,264,043	1,272,140	1,326,493	1,353,076
U.S. government securities	1,433,244	1,401,309	1,516,359	1,521,708
Mortgage backed securities	46,719	46,118	-	-
Commonfund Realty Investors, LLC	-	-	-	-
	<u>\$ 11,193,230</u>	<u>\$ 12,601,686</u>	<u>\$ 10,958,250</u>	<u>\$ 11,563,560</u>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

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

	<u>2013</u>	<u>2012</u>
Current assets:		
Investments	\$ 3,772,530	\$ 3,148,963
Noncurrent assets:		
Investments	-	-
Endowment investments	<u>8,829,156</u>	<u>8,414,597</u>
	<u>\$ 12,601,686</u>	<u>\$ 11,563,560</u>

At June 30, 2013, net unrealized gains in FSU Foundation's investment portfolio amounted to \$1,408,456. At June 30, 2012, net unrealized gains in FSU Foundation's investment portfolio amounted to \$605,310.

At June 30, 2013 and 2012, respectively, equities include securities in the consumer goods sector which represent 16% and 13%, respectively, of the fair value of FSU Foundation's investment portfolio.

At June 30, 2013 and 2012, 6% and 8%, 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 \$2,054,000 at June 30, 2013 collateralize certain debt agreements (see Notes 13 and 14).

Commonfund Realty Investors, LLC (the Fund) is a commingled, open-end real estate investment fund composed of income oriented, value-add and development properties that are combined to create a value-added portfolio with a strong focus on distributable income. The Foundation made a capital investment in the Commonfund Realty Investors, LLC totaling \$485,000 as of August, 2007. Investment units in the Fund are not deemed to be readily marketable pursuant to and as more fully described in the investment agreement. On June 30, 2010, FSU Foundation wrote down its investment in Commonfund Realty Investors, LLC to zero representing its fair value based upon the latest available information (March 31, 2010) provided by its professional investment manager. The decline in the fair value of this investment resulted from the continuing significant disruptions in the global capital, credit and real estate markets. In the opinion of management of FSU Foundation, the decline in fair value of this investment was considered to be other-than-temporary. During fiscal 2013, FSU Foundation received capital gain distributions from Commonfund Realty Investors, LLC totaling \$35,412, of which \$29,206 is included in investment income (loss) and \$6,206 is included in investment income (loss) on restricted assets in the accompanying 2013 statement of revenues, expenses and changes in net position.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

At June 30, 2013, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

	Maturity				Total
	Within 1 year	1 - 5 Years	5-10 Years	More Than 10 Years	
Corporate bonds	\$ 148,611	\$ 878,179	\$ 245,350	\$ -	\$ 1,272,140
Mortgage backed securities	-	-	-	46,118	46,118
U.S. government securities	389,587	780,649	231,073	-	1,401,309
	<u>\$ 538,198</u>	<u>\$ 1,658,828</u>	<u>\$ 476,423</u>	<u>\$ 46,118</u>	<u>\$ 2,719,567</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, 2013.

Description of Investments	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities	\$ 177,071	\$ 8,044	\$ 588,836	\$ 88,548	\$ 765,907	\$ 96,592
Preferred stocks	133,705	6,241	-	-	133,705	6,241
Mutual funds	261,290	6,829	803,264	92,649	1,064,554	99,478
Corporate bonds	135,987	5,626	263,550	7,759	399,537	13,385
Mortgage backed securities	46,118	601	-	-	46,118	601
U.S. government securities	418,014	16,350	502,702	28,849	920,716	45,199
Total	<u>\$ 1,172,185</u>	<u>\$ 43,691</u>	<u>\$ 2,158,352</u>	<u>\$ 217,805</u>	<u>\$ 3,330,537</u>	<u>\$ 261,496</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

**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, 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	218,528	4,593	448,403	13,658	666,931	18,251
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>

**Equities and preferred stocks**

FSU Foundation has ninety-nine investments in equities of which sixteen were in an unrealized loss position at June 30, 2013. FSU Foundation also has nineteen investments in preferred stocks of which eleven were in an unrealized loss position at June 30, 2013. 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, 2013.

**Mutual funds**

FSU Foundation has twenty-two mutual fund investments of which nine are in an unrealized loss position at June 30, 2013. 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, 2013.

**Corporate bonds**

At June 30, 2013, 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-three corporate debt security investments of which eighteen are in an unrealized loss position at June 30, 2013. 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**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**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, 2013.

**U.S. government obligations**

FSU Foundation has twenty U.S. government investment securities at June 30, 2013, of which fifteen 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, 2013.

**Mortgage backed securities**

FSU Foundation has one investment in a mortgage backed security at June 30, 2013. This investment is in an unrealized loss position at June 30, 2013. The investment balance and unrealized loss at June 30, 2013 are not material to FSU Foundation's financial position or results of operations.

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Student accounts receivable	\$ 1,399,439	\$ 1,338,026
Parking and other fines receivable	73,095	103,868
Commissions receivable	32,974	34,000
Grants receivable (see Note 25)	191,488	234,871
Compass receivable, including accrued interest of \$37,530 and \$16,084 (see Note 11)	446,251	424,805
Miscellaneous other receivable	<u>6,889</u>	<u>12,512</u>
	2,150,136	2,148,082
Less allowance for doubtful accounts	( 247,128)	( 234,614)
	<u>\$ 1,903,008</u>	<u>\$ 1,913,468</u>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**3. Accounts and contributions receivable - continued**

FSU Foundation's contributions receivable consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 171,872	\$ 193,290
Receivable in one to five years	70,900	155,525
Receivable in one to five years	<u>1,000</u>	<u>2,000</u>
	243,772	350,815
Discount on pledges	( 3,433)	( 7,015)
	<u>\$ 240,339</u>	<u>\$ 343,800</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%.

**4. Loans receivable**

Loans receivable include the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Perkins loans receivable	\$ 1,618,893	\$ 1,607,827
Nursing loans receivable	359,306	354,853
Emergency student loans receivable	<u>3,018</u>	<u>3,762</u>
	1,981,217	1,966,442
Less allowance for doubtful accounts	( 1,751)	( 1,356)
	<u>\$ 1,979,466</u>	<u>\$ 1,965,086</u>



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**5. Capital assets**

Capital assets activity of the University for the year ended June 30, 2013 is as follows:

<b>Capital assets:</b>	<b>Totals June 30, 2012</b>	<b>Additions</b>	<b>Reclassifications* and Reductions</b>	<b>Totals June 30, 2013</b>
<u>Non-depreciable capital assets</u>				
Land	\$ 5,130,841	\$ -	\$ -	\$ 5,130,841
Construction in progress	<u>47,516,797</u>	<u>7,973,385</u>	<u>( 47,362,583)</u>	<u>8,127,599</u>
Total non-depreciable assets	<u>52,647,638</u>	<u>7,973,385</u>	<u>( 47,362,583)</u>	<u>13,258,440</u>
<u>Depreciable capital assets</u>				
Land improvements	11,168,908	77,002	-	11,245,910
Buildings	44,491,325	14,522,690	21,577,894	80,591,909
Building improvements	41,167,229	8,422,630	25,784,689	75,374,548
Equipment	14,770,925	1,105,558	( 426,660)	15,449,823
Furniture	597,676	-	-	597,676
Library materials	<u>395,979</u>	<u>89,874</u>	<u>( 44,707)</u>	<u>441,146</u>
Total depreciable assets	<u>112,592,042</u>	<u>24,217,754</u>	<u>46,891,216</u>	<u>183,701,012</u>
Total capital assets	<u>165,239,680</u>	<u>32,191,139</u>	<u>( 471,367)</u>	<u>196,959,452</u>
<b>Less: accumulated depreciation</b>				
Land improvements	2,528,462	558,445	-	3,086,907
Buildings	35,892,801	732,031	-	36,624,832
Building improvements	10,927,437	3,266,133	-	14,193,570
Equipment	12,331,878	843,218	( 426,660)	12,748,436
Furniture	389,368	99,988	-	489,356
Library materials	<u>-</u>	<u>44,707</u>	<u>( 44,707)</u>	<u>-</u>
Total accumulated depreciation	<u>62,069,946</u>	<u>5,544,522</u>	<u>( 471,367)</u>	<u>67,143,101</u>
<b>Capital assets, net</b>	<u><b>\$103,169,734</b></u>	<u><b>\$ 26,646,617</b></u>	<u><b>\$ -</b></u>	<u><b>\$129,816,351</b></u>

As of June 30, 2013, capital assets of the University with a cost of approximately \$26,132,000 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, 2013.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

**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 totaled approximately \$1,165,000 at June 30, 2013. There were no material outstanding contract commitments at June 30, 2012.

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

Capital assets:	Totals <u>June 30, 2011</u>	<u>Additions</u>	Reclassifications* and <u>Reductions</u>	Totals <u>June 30, 2012</u>
<u>Non-depreciable capital assets</u>				
Land	\$ 5,130,841	\$ -	\$ -	\$ 5,130,841
Construction in progress	11,305,864	36,883,503	( 672,570)	47,516,797
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	341,394	106,212	( 51,627)	395,979
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>
<b>Less: accumulated depreciation</b>				
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	-	51,627	( 51,627)	-
Total accumulated depreciation	<u>57,851,751</u>	<u>4,269,822</u>	<u>( 51,627)</u>	<u>62,069,946</u>
<b>Capital assets, net</b>	<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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

**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, 2013 and 2012, respectively.

Capital assets activity of FSU Foundation for the year ended June 30, 2013 is as follows:

	Totals June 30, 2012	Additions	Reclassifications and Reductions	Totals June 30, 2013
<b>Capital assets:</b>				
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	1,667,356	279,428	-	1,946,784
Land improvements	61,899	-	-	61,899
Buildings	556,478	254,445	-	810,923
Building improvements	39,569	-	-	39,569
Equipment	438,530	21,670	-	460,200
Furniture and fixtures	22,287	3,990	-	26,277
Library materials	<u>6,570</u>	<u>-</u>	<u>-</u>	<u>6,570</u>
	<u>2,792,689</u>	<u>559,533</u>	<u>-</u>	<u>3,352,222</u>
Total capital assets	<u>5,569,908</u>	<u>559,533</u>	<u>-</u>	<u>6,129,441</u>
<b>Less: accumulated depreciation</b>				
Real estate under lease to the University:				
Land	-	-	-	-
Building	227,168	38,943	-	266,111
Building improvements	<u>25,950</u>	<u>5,023</u>	<u>-</u>	<u>30,973</u>
	<u>253,118</u>	<u>43,966</u>	<u>-</u>	<u>297,084</u>
Real estate used for student housing:				
Land	-	-	-	-
Building	55,183	10,855	-	66,038
Building improvements	<u>4,052</u>	<u>1,430</u>	<u>-</u>	<u>5,482</u>
	<u>59,235</u>	<u>12,285</u>	<u>-</u>	<u>71,520</u>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**5. Capital assets - continued**

	Totals June 30, 2012	Additions	Reclassifications and Reductions	Totals June 30, 2013
Other:				
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	42,040	3,094	-	45,134
Buildings	54,200	14,443	-	68,643
Building improvements	6,000	1,978	-	7,978
Equipment	372,154	23,612	-	395,766
Furniture and fixtures	8,249	3,279	-	11,528
Library materials	3,285	1,314	-	4,599
	<u>485,928</u>	<u>47,720</u>	<u>-</u>	<u>533,648</u>
Total accumulated depreciation	<u>798,281</u>	<u>103,971</u>	<u>-</u>	<u>902,252</u>
Capital assets, net	<u>\$ 4,771,627</u>	<u>\$ 455,562</u>	<u>\$ -</u>	<u>\$ 5,227,189</u>

Non-depreciable capital assets of FSU Foundation totaled \$2,603,002 at June 30, 2013 and consisted of land.

During fiscal 2013, the FSU Foundation acquired three properties 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. Two of the properties, each of which included land and a building, were purchased for an aggregate cost of \$172,483, and \$144,975, respectively. These two properties will be used for conference, meeting and office space. The third property, which included land and a building, was purchased for an aggregate cost of \$216,415. The University subsequently razed the building and is in the process of using the land to expand an existing parking lot.

At June 30, 2013, capital assets of FSU Foundation with a cost of approximately \$332,500 were fully depreciated and still in service.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**5. Capital assets - continued**

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

Capital assets:	Totals June 30, 2011	Additions	Reclassifications and Reductions	Totals June 30, 2012
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>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**5. Capital assets - continued**

	<u>Totals</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reclassifications and Reductions</u>	<u>Totals</u> <u>June 30, 2012</u>
<b>Less: accumulated depreciation</b>				
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>25,950</u>
	<u>209,152</u>	<u>43,966</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>4,052</u>
	<u>46,949</u>	<u>12,286</u>	-	<u>59,235</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>3,285</u>
	<u>440,740</u>	<u>45,188</u>	-	<u>485,928</u>
Total accumulated depreciation	<u>696,841</u>	<u>101,440</u>	-	<u>798,281</u>
<b>Capital assets, net</b>	<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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**6. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities include the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Accounts payable - trade	\$ 1,727,430	\$ 1,229,723
Salaries and fringe benefits payable	1,646,552	1,503,689
Accrued interest payable	358,579	248,734
Tuition due State	<u>342,378</u>	<u>353,642</u>
	<u>\$ 4,074,939</u>	<u>\$ 3,335,788</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, 2013 and 2012. Based upon the Commonwealth's analyses, \$744,725 and \$678,517 of accrued workers' compensation has been recorded as a liability at June 30, 2013 and 2012, respectively.

**8. Accrued compensated absences**

Accrued compensated absences are comprised of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Vacation time payable	\$ 2,544,904	\$ 1,943,664
Sick time payable	<u>2,638,380</u>	<u>2,266,489</u>
Total	<u>\$ 5,183,284</u>	<u>\$ 4,210,153</u>
Amount representing obligations due to employees funded through sources other than State appropriations	\$ 320,427	\$ 247,931
Amount representing obligations for employees compensated through State appropriations	<u>4,862,857</u>	<u>3,962,222</u>
Total	<u>\$ 5,183,284</u>	<u>\$ 4,210,153</u>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**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 \$24,835,949 and \$23,600,399 at June 30, 2013 and 2012, 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, 2013 of \$2,845,417 will be paid from the University's fiscal 2014 State appropriations. The total amount due at June 30, 2012 of \$2,840,378 was paid from the University's fiscal 2013 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Tuition, fees and professional development	\$ 819,477	\$ 854,360
Grants	833,969	534,490
Other	<u>8,821</u>	<u>15,773</u>
	<u>\$ 1,662,267</u>	<u>\$ 1,404,623</u>

**11. Deferred inflows of resources**

Deferred inflows of resources at June 30, 2013 and 2012, in the amounts of \$2,217,995 and \$2,419,630, 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



**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013, 2012, AND 2011**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**11. Deferred inflows of resources - continued**

in fiscal 2022. As of June 30, 2013, 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 accounts receivable - \$1,121,701. At June 30, 2013, the accompanying statement of net position includes a remaining receivable from Compass in the amount of \$446,251, which includes accrued interest receivable of \$37,530 (see Note 3). 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). The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amount of \$201,635 has been recognized in capital grants revenue in the accompanying statements of revenues, expenses and changes in net position for each of the years ended June 30, 2013 and 2012, respectively.

**12. Interagency payables**

**MDFA**

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

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

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**12. 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, 2013 of \$219,204 was made as scheduled. These payments are made to a restricted cash account held in escrow in the University's name and recorded on the books of the University. These amounts, along with the remaining balance of the initial deposit, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the University elects to release the funds in the debt service reserve to redeem portions of the debt obligation. Earnings on this balance are transferred and used by the University to offset the administrative costs associated with this debt. In a prior year, the University elected to release the annual funding payments from the reserve to redeem portions of the debt obligation. Accordingly, each year the funding payments are now being released from the debt service reserve to redeem portions of the outstanding debt obligation. The outstanding principal balance of this Interagency payable at June 30, 2013 and 2012 was \$3,614,320 and \$3,845,302, 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, 2013 and 2012 was 0.345% and 0.530%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.845% (2013) and 0.837% (2012) 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 2013 and 2012 amounted to 1.25% and 1.44%, respectively.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**12. 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>
2014	\$ 219,204	\$ 11,808	\$ 231,012
2015	232,356	11,006	243,362
2016	246,298	10,157	256,455
2017	261,076	9,256	270,332
2018	276,740	8,301	285,041
2019-2023	1,653,611	25,054	1,678,665
2024	<u>399,815</u>	<u>1,217</u>	<u>401,032</u>
	3,289,100	76,799	3,365,899
Balance of restricted cash held for debt principal	<u>325,220</u>	<u>-</u>	<u>325,220</u>
<b>Total</b>	<b><u>\$ 3,614,320</u></b>	<b><u>\$ 76,799</u></b>	<b><u>\$ 3,691,119</u></b>

- (1) The interest rate in effect at June 30, 2013 of 0.345% was used to calculate the estimated interest on the debt obligation of \$3,614,320. The estimated interest also reflects the reduction of the outstanding debt obligation each year by the annual funding payments.

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

**MSCBA**

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

As of both June 30, 2013 and 2012, the MSCBA held debt service reserve funds in the amount of \$138,898. 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, 2013 and 2012 as noncurrent restricted cash and cash equivalents.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**12. 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, 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, 2013 and 2012, the effective interest rate on this debt was 3.83% and 4.31%, respectively. The outstanding balance of this Interagency payable was \$3,520,000 and \$3,740,000 at June 30, 2013 and 2012, 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>
2014	\$ 235,000	\$ 136,917	\$ 371,917
2015	240,000	127,588	367,588
2016	255,000	117,944	372,944
2017	260,000	107,848	367,848
2018	275,000	65,132	340,132
2019-2023	1,535,000	165,250	1,700,250
2024-2025	<u>720,000</u>	<u>-</u>	<u>720,000</u>
Total	<u>\$ 3,520,000</u>	<u>\$ 720,679</u>	<u>\$ 4,240,679</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, 2013 and 2012, amounts held by MSCBA related to the debt issue and the Project are debt service reserve funds of \$144,841 for both years which are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2013 and 2012, the effective interest rate on this debt was 4.03% and 4.47%, respectively. The outstanding balance of this Interagency payable was \$1,606,987 and \$1,697,670 at June 30, 2013 and 2012, respectively, including unamortized premium.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**12. Interagency payables - continued**

**MSCBA - continued**

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>
2014	\$ 90,000	\$ 62,774	\$ 152,774
2015	95,000	59,213	154,213
2016	95,000	54,899	149,899
2017	100,000	50,233	150,233
2018	105,000	48,375	153,375
2019-2023	605,000	158,448	763,448
2024-2026	<u>445,000</u>	<u>18,501</u>	<u>463,501</u>
	1,535,000	452,443	1,987,443
Plus: Unamortized premiums	<u>71,987</u>	<u>-</u>	<u>71,987</u>
Total	<u>\$ 1,606,987</u>	<u>\$ 452,443</u>	<u>\$ 2,059,430</u>

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

As of June 30, 2013 and 2012, unexpended net proceeds amounted to \$130,503 and \$564,105, respectively.

As of June 30, 2013, amounts held by MSCBA related to the debt issue and the Project are as follows:

	<u>2013</u>	<u>2012</u>
Unexpended debt proceeds	\$ 130,503	\$ 564,105
Debt service reserve fund	<u>1,449,777</u>	<u>1,449,777</u>
	<u>\$ 1,580,280</u>	<u>\$ 2,013,882</u>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

**12. Interagency payables - continued**

**MSCBA - continued**

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Restricted cash and cash equivalents:		
Current	\$ -	\$ 115,498
Noncurrent	<u>1,580,280</u>	<u>1,898,384</u>
	<u>\$ 1,580,280</u>	<u>\$ 2,013,882</u>

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2030. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.0% to 6.54% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2013 and 2012, the effective interest rate on this debt was 3.46% and 3.44%, respectively. The outstanding balance of this Interagency payable was \$14,626,127 and \$15,272,961 at June 30, 2013 and 2012, 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>
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	717,403	389,102	1,106,505
2019-2023	4,024,078	1,608,964	5,633,042
2024-2028	4,834,192	796,891	5,631,083
2029-2030	<u>2,220,638</u>	<u>66,908</u>	<u>2,287,546</u>
	14,372,340	4,708,149	19,080,489
Plus: Unamortized premiums	<u>253,787</u>	-	<u>253,787</u>
Total	<u>\$ 14,626,127</u>	<u>\$ 4,708,149</u>	<u>\$ 19,334,276</u>

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**12. Interagency payables - continued**

**MSCBA - continued**

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	( 43,416)
Net proceeds	<u>\$ 7,000,000</u>

As of June 30, 2013 and 2012, unexpended net proceeds amounted to \$26 and \$2,817,939, respectively.

The amounts held by MSCBA are included in the accompanying statement of net position at June 30, 2013 as follows:

	<u>2013</u>	<u>2012</u>
Restricted cash and cash equivalents:		
Current	\$ -	\$ 1,783,450
Noncurrent	<u>26</u>	<u>1,034,489</u>
	<u>\$ 26</u>	<u>\$ 2,817,939</u>

The University is required to make annual principal payments on this debt each May 1 which commenced in fiscal 2013. The final principal payment is due on May 1, 2031. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.0% to 5.0% over the term of the debt to maturity. For the years ended June 30, 2013 and 2012, the effective interest rate on this debt was 4.44% and 3.41%, respectively. The outstanding balance of this Interagency payable was \$6,855,285 and \$7,020,705 at June 30, 2013 and 2012, respectively, including unamortized premium.

**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

**12. Interagency payables - continued**

**MSCBA - continued**

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>
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	265,000	245,050	510,050
2019-2023	1,515,000	1,039,650	2,554,650
2024-2028	1,905,000	642,750	2,547,750
2029-2031	<u>1,390,000</u>	<u>141,250</u>	<u>1,531,250</u>
	6,015,000	3,168,900	9,183,900
Plus: Unamortized premiums	<u>840,285</u>	<u>-</u>	<u>840,285</u>
Total	<u>\$ 6,855,285</u>	<u>\$ 3,168,900</u>	<u>\$ 10,024,185</u>

During December, 2012, the University signed a financing agreement to receive \$13,864,033 from a Massachusetts State College Building Authority (MSCBA) bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for Phase III of renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

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

	<u>2013</u>
Debt issue	\$ 13,864,033
Amount held by MSCBA for debt service reserve fund (included in restricted cash and cash equivalents - noncurrent)	( 214,164)
Debt issuance costs	( 149,868)
Net proceeds	<u>\$ 13,500,001</u>



**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2014

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**12. Interagency payables - continued**

**MSCBA - continued**

As of June 30, 2013 unexpended net proceeds amounted to \$9,879,373.

As of June 30, 2013, amounts held by MSCBA related to the debt issue and the Project are as follows:

	<u>2013</u>
Unexpended debt proceeds	\$ 9,879,373
Debt service reserve fund	<u>214,164</u>
	<u>\$ 10,093,537</u>

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2013:

	<u>2013</u>
Restricted cash and cash equivalents:	
Current	\$ 849,155
Noncurrent	<u>9,244,382</u>
	<u>\$ 10,093,537</u>

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2014. The final principal payment is due on May 1, 2032. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 2.00% to 5.0% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the year ended June 30, 2013, the effective interest rate on this debt was 3.24%. The outstanding balance of this Interagency payable was \$13,831,248 at June 30, 2013, including unamortized premium.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**12. Interagency payables - continued**

**MSCBA - continued**

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>
2014	\$ 320,000	\$ 598,082	\$ 918,082
2015	490,000	422,513	912,513
2016	515,000	398,012	913,012
2017	535,000	377,413	912,413
2018	560,000	356,012	916,012
2019-2023	3,180,000	1,389,263	4,569,263
2024-2028	3,745,000	820,537	4,565,537
2029-2032	<u>3,395,000</u>	<u>258,600</u>	<u>3,653,600</u>
	12,740,000	4,620,432	17,360,432
Plus: Unamortized premiums	<u>1,091,248</u>	<u>-</u>	<u>1,091,248</u>
Total	<u>\$ 13,831,248</u>	<u>\$ 4,620,432</u>	<u>\$ 18,451,680</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, 2013, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$1,764,208, of which \$548,771 is included in current restricted cash and cash equivalents and \$1,215,437 is included in noncurrent restricted cash and cash equivalents in the accompanying 2013 statement of net position. 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 and \$8,152,500 is included in noncurrent restricted cash and cash equivalents in the accompanying 2012 statement of net position.

**13. FSU Foundation long term debt**

FSU Foundation's long-term debt consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
First mortgage notes payable	\$ 3,112,800	\$ 3,008,325
Notes payable - bank	<u>609,957</u>	<u>644,051</u>
	3,722,757	3,652,376
Less current portion	<u>154,304</u>	<u>154,816</u>
	<u>\$ 3,568,453</u>	<u>\$ 3,497,560</u>

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

**13. FSU Foundation long term debt - continued**

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, 2013 and 2012, the outstanding principal balance of this mortgage note payable amounted to \$464,245 and \$482,848, respectively.

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

The acquisition and related costs were funded with the proceeds of an offering of tax-exempt revenue bonds, Massachusetts Development Finance Agency Revenue Bonds, FSC Foundation Supporting Organization Issue, Series 2006 (the bonds), dated August 1, 2006, in the amount of \$1,900,000, issued by the Massachusetts Development Finance Agency (MDFA), pursuant to a Loan and Trust Agreement. People's United Bank, as successor in interest to Chittenden Trust Company, is the bond Trustee. MDFA assigned all of its rights, title, and interest in and to the loan and related loan documents to the bond Trustee as security for repayment of the bonds. The loan is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of 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 Foundation Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**13. FSU Foundation long term debt - 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, 2013 and 2012, the outstanding principal balance of this first mortgage note payable amounted to \$1,459,087 and \$1,538,180, 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, 2013 and 2012, the Foundation Supporting Organization has total cash balances of \$41,980 and \$81,665, 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 provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$4,714, through June 20, 2013, based on a twenty-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$4,422, based on a twenty-year principal amortization. Pursuant to the provisions of the loan modification agreement, the Foundation Supporting Organization shall be responsible for a prepayment penalty equal to 3% of the outstanding principal balance of the loan in the event the loan is refinanced with another financial institution within three years of the loan modification date.

At June 30, 2013 and 2012, the outstanding principal balance of this first mortgage loan amounted to \$683,416 and \$700,292, 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 Foundation Supporting Organization also provided WCU with a second assignment of leases and rents related to that property. The note is also collateralized by all funds held by the lender. At June 30, 2013 and 2012, the Foundation Supporting Organization has total cash balances of \$41,980 and \$81,665, respectively, held at WCU which serve as additional collateral for both WCU loans to the Foundation Supporting Organization.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**13. FSU Foundation long term debt - continued**

The mortgage note has a term of ten years, expiring on February 19, 2020, and provided for a fixed rate of interest of 6.03% per annum. The interest rate was adjusted to 5.28% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$1,939, through June 20, 2013, based on a twenty-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$1,816, based on a twenty-year principal amortization. Pursuant to the provisions of the loan modification agreement, the Foundation Supporting Organization shall be responsible for a prepayment penalty equal to 3% of the outstanding principal balance of the loan in the event the loan is refinanced with another financial institution within three years of the loan modification date. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Foundation Supporting Organization to WCU.

At June 30, 2013 and 2012, the outstanding principal balance of the mortgage loan amounted to \$280,852 and \$287,005, respectively.

In June, 2013, Rollstone Bank & Trust provided financing to the Foundation Supporting Organization in the form of a note, dated June 19, 2013, in the amount of \$142,000. The proceeds of the loan were used to repay an advance made to the Foundation Supporting Organization by the Foundation in May, 2013 for the acquisition, at a cost of \$172,483, of a real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage note has a term of twenty years, maturing on June 19, 2033, and provides for a fixed rate of interest of 3.25% per annum. Commencing in July, 2013, the loan requires monthly installments of principal and interest of \$809 based on a twenty year principal amortization. The note provides for the payment of a prepayment penalty prior to the fifth anniversary of the loan term in the event the loan is refinanced with another financial institution. The amount of the penalty shall be a specified percentage of the outstanding principal balance with such percentage ranging from 5% during the first loan year and decreasing by 1% per year to 1% in the fifth loan year. There is no prepayment penalty after the fifth loan year. The loan agreement requires the Foundation Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets as more fully described in the loan agreement.

At June 30, 2013, the outstanding principal balance of the mortgage note payable amounted to \$142,000.

In June, 2013, Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a note, dated June 26, 2013, in the amount of \$83,200. The proceeds of the loan were used to repay an advance made to the Foundation Supporting Organization by the Foundation in May, 2013 for the acquisition, at a cost of \$144,975, of a real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage note has a term of twenty years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 2.75% per annum. Commencing in July, 2013, the loan requires monthly installments of principal and interest of \$376 until the next five-year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

**13. FSU Foundation long term debt - continued**

penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests without the prior written consent of the lender.

At June 30, 2013, the outstanding principal balance of the mortgage note payable amounted to \$83,200.

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 was unsecured. The note had a term of three years, and matured on January 5, 2013. The note provided for a fixed rate of interest of 5% per annum. The note required monthly installments of principal and interest of \$2,339 based on a three year principal amortization.

At June 30, 2013, the note was paid in full. At June 30, 2012, the outstanding principal balance of this note payable amounted to \$16,081.

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 \$1,739,000 at June 30, 2013. In addition, payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

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

At June 30, 2013 and 2012, the outstanding principal balance of this note payable amounted to \$609,957 and \$627,970, respectively.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**13. FSU Foundation long term debt - continued**

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

For the year ending June 30,	<u>Principal</u>	<u>Estimated Interest (1)</u>	<u>Total</u>
2014	\$ 154,304	\$ 163,265	\$ 317,569
2015	161,449	156,162	317,611
2016	168,656	148,914	317,570
2017	176,770	140,799	317,569
2018	184,995	132,573	317,568
2019-2023	1,690,358	379,855	2,070,213
2024-2028	815,527	131,500	947,027
2029-2033	242,458	39,001	281,459
2034-2038	<u>128,240</u>	<u>6,931</u>	<u>135,171</u>
Total	<u>\$ 3,722,757</u>	<u>\$ 1,299,000</u>	<u>\$ 5,021,757</u>

- (1) The interest rates in effect at June 30, 2013 of 5.75%, 4.5%, 4.99%, 5.28%, 3.5% and 3.25% on the first mortgage notes payable and 2.62% on the note payable - bank were used to calculate the estimated interest on these debt obligations.

**14. FSU Foundation line of credit**

On April 4, 2013, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to \$250,000. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% (\$220,500) of the pledged investment collateral unless otherwise approved by the lender. At June 30, 2013 and 2012, 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, 2013 and 2012, 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 is also collateralized by all funds held by the lender. At June 30, 2013 and 2012, the Foundation has total cash balances of \$57,263 and \$57,505, respectively, held by the lender. The line of credit agreement expires on March 17, 2015. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**15. Long term liabilities**

Long-term liability activity of the University for the year ended June 30, 2013 included the following:

	<u>Totals</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Totals June 30, 2013</u> <u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Interagency payables	\$ 31,576,638	\$ 13,864,033	\$ 1,386,704	\$ 44,053,967	\$ 1,856,004
Total	<u>31,576,638</u>	<u>13,864,033</u>	<u>1,386,704</u>	<u>44,053,967</u>	<u>1,856,004</u>
Other liabilities:					
Workers' compensation	678,517	199,876	133,668	744,725	146,711
Compensated absences	4,210,153	3,558,001	2,584,870	5,183,284	3,323,893
Loan payable - federal					
financial assistance	<u>1,902,808</u>	<u>58,082</u>	<u>33,819</u>	<u>1,927,071</u>	<u>-</u>
Total other liabilities	<u>6,791,478</u>	<u>3,815,959</u>	<u>2,752,357</u>	<u>7,855,080</u>	<u>3,470,604</u>
Long term obligations	<u>\$ 38,368,116</u>	<u>\$ 17,679,992</u>	<u>\$ 4,139,061</u>	<u>\$ 51,909,047</u>	<u>\$ 5,326,608</u>

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

	<u>Totals</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Totals June 30, 2012</u> <u>Ending</u> <u>Balance</u>	<u>Current</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>



**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**15. Long term liabilities - continued**

Long-term liability activity of FSU Foundation for the year ended June 30, 2013 included the following:

	<u>Totals</u>			<u>Totals June 30, 2013</u>	
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Current</u>
				<u>Balance</u>	<u>Portion</u>
First mortgage notes payable	\$ 3,008,325	\$ 225,200	\$ 120,725	\$ 3,112,800	\$ 135,792
Notes payable - bank	<u>644,051</u>	<u>-</u>	<u>34,094</u>	<u>609,957</u>	<u>18,512</u>
Long-term obligations	<u>\$ 3,652,376</u>	<u>\$ 225,200</u>	<u>\$ 154,819</u>	<u>\$ 3,722,757</u>	<u>\$ 154,304</u>

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>

**16. Net position**

Unrestricted net position is comprised of net assets that are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net 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 \$8,576,678 and \$8,594,372 at June 30, 2013 and 2012, respectively. Undesignated unrestricted net assets were \$11,396,414 and \$11,043,805 at June 30, 2013 and 2012, respectively.

At June 30, 2013 and 2012, the net investment in capital assets amount of \$95,932,514 and \$72,858,018, respectively, includes the effect of deferring the recognition of revenue from the installment payments associated with the dining facilities service concession arrangement. At June 30, 2013 and 2012, \$1,861,423 and \$2,030,645, respectively, of the balance of the deferred inflow of resources has been included, as a reduction, in the calculation of net investment in capital assets. This amount will be recognized as revenue and increase the net investment in capital assets net position over the remaining term of the arrangement.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
YEARS ENDED JUNE 30, 2013 AND 2012

**17. Net position restricted by enabling legislation**

Fitchburg State University Foundation, Inc.'s consolidated statements of net position as of June 30, 2013 and 2012 reflect a restricted net position of \$12,526,759 and \$11,632,809, respectively. Of these amounts, \$2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

**18. Operating expenses**

The University's operating expenses for the years ended June 30, 2013 and 2012, on a natural classification basis, are comprised of the following:

	<u>2013</u>	<u>2012</u>
Salaries:		
Faculty	\$ 19,156,231	\$ 18,023,091
Exempt wages	2,771,706	2,987,018
Non-exempt wages	17,318,153	15,376,023
Benefits	9,140,747	10,242,524
Scholarships (endowed)	1,518,302	1,557,085
Utilities	4,611,655	4,399,162
Supplies and other services	19,091,415	17,548,373
Depreciation	<u>5,544,522</u>	<u>4,269,822</u>
Total operating expenses	<u>\$ 79,152,731</u>	<u>\$ 74,403,098</u>

**19. State controlled accounts**

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

The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2013, 2012 and 2011 were as follows (See State appropriations under Note 24):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Commonwealth's retirement system contributions	\$ 2,041,396	\$ 2,313,614	\$ 1,519,792
Employers share of health care premium	\$ 4,766,752	\$ 5,278,725	\$ 5,966,244

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**20. 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 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 \$2,041,396, \$2,313,614 and \$1,519,792 during 2013, 2012 and 2011, respectively. Annual covered payroll was approximately 67%, 63% and 67% of total payroll for the University for the years ended June 30, 2013, 2012 and 2011, 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.

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

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

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

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

**Post Employment Other than Pensions**

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

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

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

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

The GIC is a quasi-independent state agency governed by an eleven-member body (the Commission) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended on June 30, 2013 and 2012, 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, 2013, 2012 and 2011 were \$9,074,539, \$10,242,524 and \$9,983,512, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**22. Lease and license agreements**

As disclosed in Note 13, the Foundation Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006. The lease is for a term of 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, 2013 and 2012, rental income for the Foundation Supporting Organization amounted to \$165,000 in each year. The rental income is reflected in revenue from sales and services of educational departments in the accompanying statements of revenues, expenses and changes in net position. The corresponding rent expense of the University is reflected in operations and maintenance of plant.

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

Year ending June 30,	Amount
2014	\$ 165,000
2015	165,000
2016	165,000
2017	<u>20,625</u>
	<u>\$ 515,625</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 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, 2013 and 2012, rent expense amounted to \$18,947 and \$18,506, respectively.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**22. Lease and license agreements - continued**

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

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 18,947
2015	19,895
2016	20,368
2017	20,368
2018	21,386
Later years	<u>7,299</u>
	<u>\$ 108,263</u>

On February 1, 2013, the Foundation Supporting Organization entered into a ten year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of \$5,696 payable in monthly installments of \$475. The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time after February 1, 2014 with the payment of two months' base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the year ended June 30, 2013, rent expense amounted to \$2,373.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 5,696
2015	5,696
2016	5,696
2017	5,696
2018	5,696
Later years	<u>26,107</u>
	<u>\$ 54,587</u>

The Foundation Supporting Organization and the University are parties to License Agreements whereby the Foundation Supporting Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Foundation Supporting Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in twelve equal monthly installments. All costs to

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**22. Lease and license agreements - continued**

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, 2013 and 2012, license fee income for the Foundation Supporting Organization amounted to \$181,150 and \$178,336, 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.

**23. Donated equipment, materials and services**

The value of donated services received by the Foundation included in gifts and contributions for the year ended June 30, 2013 totaled \$17,500 and has been reflected in educational and general expenses as follows:

Functional Expense <u>Category</u>	<u>Nature of expense</u>	<u>Amount</u>
Speakers and cultural programs	Advertising	\$ <u>17,500</u>

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:

Functional Expense <u>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>

**24. 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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

**24. Management Accounting and Reporting System - continued**

**State appropriations**

The University's State appropriations are comprised of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Gross State appropriations	\$ 27,388,323	\$ 30,235,751
Add: Fringe benefits for benefited employees on the Commonwealth payroll	6,808,148	7,592,339
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	( 1,151,022)	( 1,262,812)
Net State appropriations	<u>\$ 33,045,449</u>	<u>\$ 36,565,278</u>

\$30,587,728 and \$29,797,174 represent appropriations for maintenance and payroll during 2013 and 2012, respectively, \$2,257,801 and \$6,768,104 represents appropriations for capital improvements for 2013 and 2012, respectively, and \$199,920 represents appropriations for other noncapital appropriations for 2013. 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, 2013 and 2012.

**25. Stimulus grants**

In fiscal year 2012, Fitchburg State University, through the Department of Higher Education, was the subrecipient of \$210,343 in stimulus grants as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The funds awarded have been expended as follows:

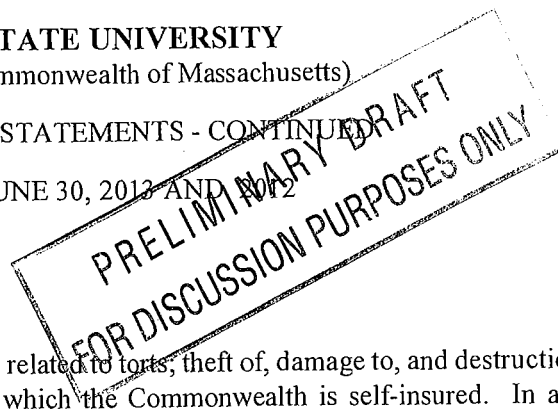
	<u>2013</u>	<u>2012</u>
Regular employee compensation	\$ -	\$ 143,098
Pension and insurance	-	49,970
Scholarship allowances	-	17,275
	<u>\$ -</u>	<u>\$ 210,343</u>



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012



**26. 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 21).

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

**27. Commitments and contingencies**

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

The University receives significant financial assistance from federal and state agencies in the form of grants. Expenditure of funds under these programs require compliance with the grant agreements and are subject to audit by representatives of these federal and state agencies. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of management, such liabilities, if any, are not expected to materially affect the financial condition of the University.

The University participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase, increased by changes in the Consumer Price Index plus 2%. The University is obligated to accept as payment of tuition the amount determined by this program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the University. The effect of this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the University.

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

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**28. 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, 2013 and 2012 were \$819,487 for both years. 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.

**29. 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 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.

**FITCHBURG STATE UNIVERSITY**  
(a department of the Commonwealth of Massachusetts)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**29. Civic Center - continued**

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.

SUPPLEMENTAL INFORMATION AND REPORTS  
REQUIRED BY OMB CIRCULAR A-103

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

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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, 2013, which collectively comprise Fitchburg State University's basic financial statements, and our report thereon dated October 15, 2013, which appears on page 1, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 2013 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 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2013 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 financial statements or to the 2013 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 2013 financial statements as a whole.

*Ercolini & Company LLP*

Boston, Massachusetts  
October 15, 2013

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2013

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

Federal Grantor/Program Title	Federal CFDA Number	Agency or Pass through Agency Number	Federal Expenditures
U.S. Department of Justice			
Direct Programs			
Grants to reduce domestic violence, dating violence, sexual assault and stalking on campus	16.525	16	\$ 84,912
Subtotal Direct Programs			<u>84,912</u>
Total U.S. Department of Justice			<u>\$ 84,912</u>
U.S. Department of Education			
Direct Programs			
Transforming Education and Schools for English Learners	84.365Z	84	\$ 225,986
<u>TRIO Cluster:</u>			
TRIO - Student Support Services	84.042	84	\$ 281,047
TRIO - Upward Bound	84.047	84	<u>334,630</u>
Total TRIO Cluster			<u>615,677</u>
<u>Student Financial Assistance Cluster:</u>			
Federal Supplemental Educational Opportunity Grants	84.007	84	\$ 239,940
Federal Work-Study Program	84.033	84	231,243
Federal Pell Grant Program	84.063	84	5,246,293
Nursing Student Loans	93.364	93	<u>62,460</u>
Total Student Financial Assistance Cluster			<u>5,779,936</u>
Subtotal Direct Programs			<u>6,621,599</u>
Total U.S. Department of Education			<u>\$ 6,621,599</u>
Total Federal Expenditures			<u>\$ 6,706,511</u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**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, 2013 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 2013 totaled \$18,916,997.

**5. Federal Perkins Loan Program**

The Federal Perkins Loan Program (CFDA 84.038) is administered by Fitchburg State University. Fiscal year 2013 activity included loan repayments of \$208,697 and loan funds disbursed of \$233,800. Loans outstanding at June 30, 2013 totaled \$1,618,893.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University (the University) (a department of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon, dated October 15, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## Compliance and Other Matters

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

## Purpose of this Report

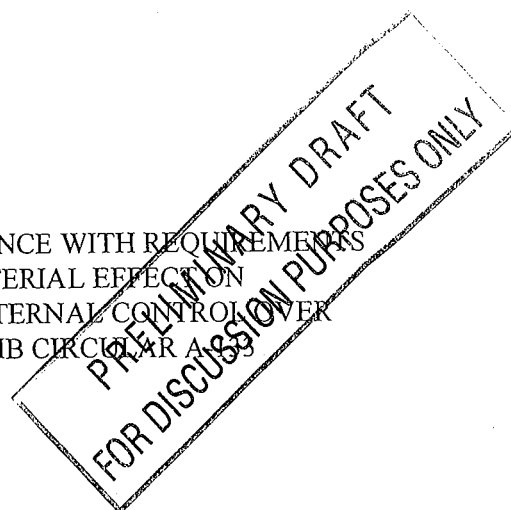
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed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

*Ercolini & Company LLP*

Boston, Massachusetts  
October 15, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

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

We have audited Fitchburg State University's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fitchburg State University's major federal programs for the year ended June 30, 2013. Fitchburg State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, Fitchburg State University complied, in all material respects, with the 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, 2013.

## Report on Internal Control Over Compliance

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

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

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

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

*Ercoleini & Company LLP*

Boston, Massachusetts  
October 15, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2013

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

**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 are reported in the Schedule of Findings and Questioned Costs.
7. The auditor's report on compliance for the major federal award programs for Fitchburg State University is 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, 2013 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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

YEAR ENDED JUNE 30, 2013

**A. Summary of auditor's results - continued**

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

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

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

**B. Findings - audit of financial statements**

None

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

None

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2013**

There were no findings noted in the audit report for the year ended June 30, 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

SUPPLEMENTAL INFORMATION OTHER

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

**RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY**

JUNE 30, 2013

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2013 are as follows:

Statements of Net Position

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
<b>Assets:</b>		
Cash	\$ 646,028	\$ 40,008
Cash held by State Treasurer	104,964	-
Investments	1,085,771	65,170
Accounts receivable, net	<u>47,058</u>	<u>19,931</u>
Total assets	1,883,821	125,109
<b>Liabilities:</b>		
Accounts payable	69,435	758
Deposits	370,600	-
Salaries payable	99,349	-
Compensated absences	<u>139,906</u>	<u>-</u>
Total liabilities	<u>679,290</u>	<u>758</u>
<b>Net position</b>	<u>\$ 1,204,531</u>	<u>\$ 124,351</u>



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

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY - CONTINUED

YEAR ENDED JUNE 30, 2015

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

	Residence Hall Fund	Residence Hall Damage Fund
Revenues:		
Student fees	\$ 8,317,390	\$ -
Interest	22,858	759
Investment income (loss)	37,679	1,251
Commissions	33,828	-
Rentals	39,518	-
Room damage assessments	-	20,459
Miscellaneous	29,245	-
Total revenues	<u>8,480,518</u>	<u>22,469</u>
Expenses:		
Regular employee compensation	1,198,390	-
Regular employee related expenses	9,206	-
Special employee/contract services	209,160	-
Pension and insurance	327,392	-
Facility operating supplies and related expenses	65,974	-
Administrative expenses	19,724	-
Energy and space rental	1,103,635	-
Consultant services	450	-
Operational services	21,328	-
Equipment purchases	39,072	-
Equipment lease - purchase, lease, rent, repair	7,524	14,998
Purchased client services and programs	-	-
Construction and improvements	477,386	1,120
Benefit program	36,732	-
Loans and special payments	5,227,967	-
Other - bad debt expense (recovery)	7,629	516
Information technology expenses	14,335	-
Total expenses	<u>8,765,904</u>	<u>16,634</u>
Transfers (in)/out:		
Interdepartmental rental income	( 89,440)	-
Printing	6,397	-
Total transfers	<u>( 83,043)</u>	<u>-</u>
Total expenses and transfers	<u>8,682,861</u>	<u>16,634</u>
Increase (decrease) in net position	( 202,343)	5,835
Net position - beginning of year	1,406,874	118,516
Net position - end of year	<u>\$ 1,204,531</u>	<u>\$ 124,351</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

Fiscal Year

Schedule of Net Position by Category

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net investment in capital assets	\$ 21,045,366	\$ 20,186,185	\$ 20,360,103	\$ 25,806,513	\$ 30,983,682	\$ 39,530,560	\$ 43,903,456	\$ 52,186,987	\$ 72,858,018	\$ 95,932,514
Restricted-expendable	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	5,780,921
Restricted-non-expendable	576,826	588,587	597,461	600,377	511,206	437,045	470,158	458,004	448,121	465,051
Unrestricted	9,583,813	11,085,627	14,253,916	12,699,422	11,914,978	18,305,072	18,305,072	21,356,150	19,638,177	19,973,092
Total net position	\$ 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	\$ 122,151,578

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

Sources and Uses of Funds

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Source of Revenue										
Student charges (net of scholarships)	\$ 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	\$ 31,359,985
Grants & contracts	3,962,244	3,831,266	3,486,237	3,656,979	3,951,007	4,483,292	6,112,586	6,616,044	6,477,571	7,060,325
Stimulus grants	-	-	-	-	-	-	6,666,991	3,098,023	210,343	-
Auxiliary enterprises	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	8,534,660
Other operating revenue	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	1,913,401
Total operating revenue	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	48,868,371
State appropriations	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	30,787,648
State capital appropriations	-	407,191	1,195,000	1,799,754	475,000	497,822	-	140,046	6,768,104	2,257,801
Capital grants	118,358	121,217	123,535	123,535	178,264	325,351	1,683,802	5,319,402	15,135,437	14,301,814
Other non-operating revenue	265,905	510,689	1,078,894	1,393,662	819,844	(179,115)	1,329,091	1,125,671	611,447	1,283,549
Total non-operating revenue	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	48,630,812
Total revenue	\$ 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	\$ 97,499,183

Functional Expense										
Instruction	\$ 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	\$ 29,842,993
Research	130,803	164,787	165,550	61,077	37,104	99,265	106,458	68,156	35,634	4,951
Public service	785,084	636,765	598,273	486,633	558,388	390,127	409,901	456,372	469,699	594,615
Academic support	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	4,944,159
Student services	5,426,794	5,980,391	6,560,972	7,022,806	7,478,709	7,445,019	8,030,813	8,598,075	9,078,713	9,078,713
Institutional support	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	7,605,890
Operations and maintenance of plant	5,944,096	7,246,710	8,185,991	9,699,216	11,040,391	11,306,190	10,818,202	10,881,270	11,401,192	11,246,151
Scholarships	926,658	949,222	971,606	1,198,719	1,280,862	1,456,842	1,608,419	1,618,980	1,518,783	1,481,570
Sub-total	42,299,429	45,612,848	50,140,134	54,418,795	59,667,141	56,564,861	56,419,716	59,768,774	61,673,703	64,799,042
Auxiliary enterprises	4,032,223	4,762,364	5,419,873	5,714,435	5,809,898	6,200,539	7,411,777	8,048,914	8,459,573	8,809,167
Total operating expense	46,331,652	50,375,212	55,560,007	60,133,230	65,477,039	62,765,400	63,831,493	67,817,688	70,133,276	73,608,209
Interest expense and debt issue costs	198,855	307,292	316,491	548,265	657,783	545,680	384,861	583,060	298,325	1,046,984
Transfers (to)/from State Agencies	-	-	-	-	-	-	-	-	-	-
Total non-operating expense	198,855	307,292	316,491	548,265	657,783	545,680	384,861	583,060	298,325	1,046,984
Total expenses	\$ 46,530,507	\$ 50,682,504	\$ 55,876,498	\$ 60,681,495	\$ 66,134,822	\$ 63,311,080	\$ 64,216,354	\$ 68,400,748	\$ 70,431,601	\$ 74,655,193

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."

See independent auditor's report on supplemental information on page 1.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

## Supplemental Statistical Information - Unaudited

## Schedule of Capital Asset Information

	Academic Year
Land (acreage)	2013
	222
Buildings (square feet)	
100 Instruction /classroom	90,827
200 Labs	111,285
300 Administrative	124,327
400 Study facilities	57,176
52x Athletic	48,778
5xx Other Special Use	9,228
600 General Use	127,259
700 Support facilities	18,711
800 Health Care	717
000 Unclassified	2,956
Unassigned/ unassignable	341,020
<b>Total Sq Ft</b>	<b>932,284</b>
Residence Halls	438,140
Rental space	111,775

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Dormitories - # of residents	1,355	1,434	1,443	1,466	1,499	1,483	1,639	1,620	1,568	1,577

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

*Note:* Classification of juveniles space is consistent with a number of studies. 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  
**PRELIMINARY DRAFT**  
**FOR DISCUSSION PURPOSES ONLY**

Schedule of Tuition & Mandatory Fees

		Academic Year									
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Resident Undergraduate</i>											
Tuition	\$ 970	\$ 3,216	\$ 3,618	\$ 4,032	\$ 4,572	\$ 5,022	\$ 5,430	\$ 5,930	\$ 6,830	\$ 7,330	\$ 7,740
Mandatory Fees											
<i>Total</i>	\$ 4,186	\$ 4,588	\$ 5,002	\$ 5,542	\$ 5,992	\$ 6,400	\$ 6,900	\$ 7,800	\$ 8,300	\$ 8,710	
<i>Non Resident Undergraduate</i>											
Tuition	\$ 7,050	\$ 3,216	\$ 3,618	\$ 4,032	\$ 4,572	\$ 5,022	\$ 5,430	\$ 5,930	\$ 6,830	\$ 7,330	\$ 7,740
Mandatory Fees											
<i>Total</i>	\$ 10,266	\$ 10,668	\$ 11,082	\$ 11,622	\$ 12,072	\$ 12,480	\$ 12,980	\$ 13,880	\$ 14,380	\$ 14,790	
<i>Resident Graduate</i>											
Tuition	\$ 900	\$ 432	\$ 510	\$ 510	\$ 653	\$ 653	\$ 653	\$ 720	\$ 762	\$ 762	\$ 960
Mandatory Fees											
<i>Total</i>	\$ 1,332	\$ 1,332	\$ 1,410	\$ 1,410	\$ 1,553	\$ 1,553	\$ 1,553	\$ 1,620	\$ 1,662	\$ 1,662	\$ 1,734

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)

**PRELIMINARY DRAFT**

**FOR DISCUSSION PURPOSES ONLY**

Supplemental Statistical Information

**Admissions, Enrollment, and Degree Statistics**

	Fall Term									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Admissions-Freshman (1)</b>										
Applications	3,861	3,514	3,859	3,880	4,057	4,342	4,572	4,193	3,814	4,271
Applications accepted	2,498	2,468	2,777	2,795	2,838	2,982	3,152	3,034	2,797	3,188
Accepted as a percentage of applications	65%	70%	72%	72%	70%	69%	69%	72%	73%	75%
Students enrolled (2)	988	1,016	1,007	1,086	1,067	1,133	1,163	1,085	1,053	1,110
Enrolled as a percentage of accepted	40%	41%	36%	39%	38%	38%	37%	36%	38%	35%

(1) Includes all undergraduate admissions including transfer students.

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

	Annual									
	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
<b>Enrollment</b>										
Full-time equivalent	4,360	4,670	5,029	5,018	5,159	5,305	5,461	5,287	5,128	5,005
Unduplicated credit headcount	11,302	11,272	12,578	11,906	11,756	12,140	11,855	11,784	11,623	11,268
Percent undergraduate (3)	70%	68%	68%	68%	57%	60%	41%	42%	42%	43%
Percent graduate	30%	32%	32%	32%	43%	40%	59%	58%	58%	57%

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

	Fall Term									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Student Population Demographics (4)</b>										
Percentage of men	39%	38%	38%	38%	37%	39%	39%	39%	37%	37%
Percentage of women	61%	62%	62%	62%	63%	61%	61%	61%	63%	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%	89%	89%	89%
Percentage of Latino	3%	3%	3%	3%	3%	3%	3%	5%	5%	5%
Percentage of Other (5)	2%	2%	2%	2%	2%	2%	2%	3%	3%	3%
< 20	21%	22%	21%	21%	18%	18%	19%	18%	17%	19%
20 to 24	38%	36%	38%	40%	35%	36%	34%	37%	36%	31%
25 to 44	30%	30%	29%	29%	33%	33%	33%	32%	33%	36%
44 & Over	11%	12%	12%	10%	14%	13%	14%	13%	14%	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.

<b>Degrees Granted</b>										
Bachelor's	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
	579	489	553	622	628	640	696	696	812	817
Master's	465	368	484	475	370	531	460	506	435	440

FITCHBURG STATE UNIVERSITY  
(a department of the Commonwealth of Massachusetts)  
Supplemental Statistical Information

**PRELIMINARY DRAFT**  
**FOR DISCUSSION PURPOSES ONLY**

Schedule of Employment

	2001	2003	2005	2006	2007	2008	2009	2010	2011	2012
Faculty - Primary Instruction (1)	474	283	252	269	266	350	377	369	422	380
Part-time	273	115	86	95	90	166	197	193	236	196
Full-time	201	168	166	174	176	184	180	176	186	184
Staff and Administrators	346	329	439	385	386	410	419	394	395	435
Part-time	9	13	143	81	75	93	112	77	95	125
Full-time	337	316	296	304	311	317	307	317	300	310
Total Employees	820	612	691	654	652	760	796	763	817	815
Part-time	282	128	229	176	165	259	309	270	331	321
Full-time	538	484	462	478	487	501	487	493	486	494

(1) Includes Instruction, Research & Public Service

Notes: This schedule reflects personnel as of November 1, Full-Time Equivalent Employees is 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, 2013**



Preliminary draft - for discussion purposes only - 9.9.13

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, 2013

CONTENTS

	<u>Page</u>
Independent Accountant's Report on Management's Assertions on Compliance with Specified Requirements Applicable to The Massachusetts Office of Student Financial Assistance Program Cluster	1
Schedule of Findings and Questioned Costs	2
Summary Schedule of Prior Findings	3
Independent Auditor's Report on Supplementary Information	4
Schedule of Population, Items Tested, and Findings for Massachusetts State Financial Aid Program Cluster	5 - 7

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, 2013, 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, 2013:

- 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, 2013 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, 2013

FITCHBURG STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

NONE

Preliminary draft - for discussion purposes only - 9.9.13

FITCHBURG STATE UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

NONE

Preliminary draft - for discussion purposes only - 9.9.13

## 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, 2013, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon, dated October XX, 2013, which contained an unmodified 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 conducted 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, 2013

FITCHBURG STATE UNIVERSITY

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

FOR THE YEAR ENDED JUNE 30, 2013

	<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	951	100%	\$ 531,881	100%
	Tested	11	1.16%	6,650	1.25%
	Findings	-	0.00%	-	0.00%
Part Time Grant Program	Population	24	100%	\$ 7,200	100%
	Tested	1	4.17%	225	3.13%
	Findings	-	0.00%	-	0.00%
Cash Grant Program	Population	501	100%	\$ 856,975	100%
	Tested	5	1.00%	8,370	0.98%
	Findings	-	0.00%	-	0.00%
Massachusetts No Interest Loan Program	Population	71	100%	\$ 147,150	100%
	Tested	1	1.41%	1,500	1.02%
	Findings	-	0.00%	-	0.00%
Foster Child Grant Program	Population	3	100%	\$ 13,500	100%
	Tested	1	33.33%	4,500	33.33%
	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, 2013

	<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	6	100%	\$ 20,077	100%
	Tested	1	16.67%	2,700	13.45%
	Findings	-	0.00%	-	0.00%
Early Childhood Educators Scholarship	Population	11	100%	\$ 56,235	100%
	Tested	1	9.09%	4,800	8.54%
	Findings	-	0.00%	-	0.00%
John & Abigail Adams Scholarship	Population	455	100%	\$ 417,660	100%
	Tested	9	1.98%	8,730	2.09%
	Findings	-	0.00%	-	0.00%
GEAR UP Scholarship	Population	17	100%	\$ 15,950	100%
	Tested	1	5.88%	1,000	6.27%
	Findings	-	0.00%	-	0.00%
National Guard Tuition & Fee Assistance	Population	20	100%	\$ 14,388	100%
	Tested	1	5.00%	485	3.37%
	Findings	-	0.00%	-	0.00%
Need Based Tuition Waiver	Population	632	100%	\$ 507,844	100%
	Tested	6	0.95%	5,159	1.02%
	Findings	-	0.00%	-	0.00%
Categorical Tuition Waivers	Population	78	100%	\$ 57,716	100%
	Tested	5	6.41%	2,385	4.13%
	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, 2013

	<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	42	100%	\$ 6,391	100%
	Tested	42	100%	6,391	100%
	Findings	-	0.00%	-	0.00%
MassTransfer Tuition Waiver	Population	15	100%	\$ 3,864	100%
	Tested	1	6.67%	80	2.07%
	Findings	-	0.00%	-	0.00%
Senator Paul E. Tsongas Scholarship Tuition Waiver	Population	6	100%	\$ 5,820	100%
	Tested	1	16.67%	970	16.67%
	Findings	-	0.00%	-	0.00%
Washington Center Program Tuition Waiver	Population	2	100%	\$ 970	100%
	Tested	1	50.00%	485	50.00%
	Findings	-	0.00%	-	0.00%
DSS Adopted Children Tuition Waiver	Population	6	100%	\$ 5,335	100%
	Tested	1	16.67%	485	9.09%
	Findings	-	0.00%	-	0.00%
DSS Foster Care Children Tuition Waiver	Population	11	100%	\$ 9,215	100%
	Tested	1	9.09%	485	5.26%
	Findings	-	0.00%	-	0.00%
Stanely Z. Koplik Certificate of Mastery Tuition Waiver	Population	7	100%	\$ 6,790	100%
	Tested	1	14.29%	970	14.29%
	Findings	-	0.00%	-	0.00%

FOUNDATION & SUPPORTING  
ORG. AUDIT AGENDA

**Fitchburg State University Foundation, Inc. Audit Committee &  
Supporting Organization  
Tuesday, November 12, 2013  
10:30 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, 2013 and 2012**

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 3):**

- Total assets increased by approximately \$1.4 million due to portfolio gains and acquisition of certain properties.
- Property & equipment totaled \$5.2 million.
- Total debt outstanding at June 30, 2013 was \$3.7 million.

**Consolidated Statement of Activities (page 4):**

- There was an overall increase in net assets of \$1.3 million. Unrestricted gifts and donations were approximately \$185,000. Total gifts and donations were \$803,000.
- Rental income, license fees and residence hall fees totaled \$570,000 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 \$313,000. Investment gains totaled \$822,000.
- Program expenses decreased by \$2.5 million to \$1.4 million in 2013. The decrease is the result of an in kind donation of software in 2012 that required a corresponding expense of \$2.8 million in that period.
- Management and general expenses totaled \$281,000 and are consistent with the prior year.
- Fundraising expenses decreased by 8.7% due to the completion of the capital campaign in 2012.

**Consolidated Statement of Cash Flows (pages 5 - 6):**

- There was \$344,000 in positive cash flow provided by operating activities. There was an overall net increase in cash of approximately \$53,000.
- Proceeds from the sale of investments totaled \$2.4 million. Acquisition of investments totaled \$2.6 million.
- Cash paid for interest was \$170,000.

**Notes to the Financials Statements (pages 7-35):**

- Most of the notes are standard disclosures.
- Detail on investments is disclosed in Note 3 beginning on page 16, as well as Note 5 beginning on page 21.
- Detail on property and equipment and its related debt is disclosed in Note 6 beginning on page 23 and Notes 9 and 10 beginning on page 25. Detail on lease and license agreements is disclosed in Note 11 beginning on page 31.
- Related party transactions are disclosed in Note 13 on page 34.

**Consolidated Statement of Functional Expenses (page 37):**

- This statement presents expenses by major activity and purpose. The significant variances from fiscal 2012 have been mentioned above.

October XX, 2013

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. and FSU Foundation Supporting Organization, Inc. (collectively referred to hereinafter as the Organization) for the year ended June 30, 2013, and have issued our report thereon dated October XX, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as information related to the planned scope and timing of our audit, and certain other matters related to the audit.

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

As stated in our engagement letter dated June 10, 2013, 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 internal control of the Organization. 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.

We gave consideration to the nonaudit services provided to the Organization during the period of our engagement, which may reasonably be thought to bear on independence, in reaching the conclusion that our independence has not been impaired in accordance with professional standards.

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, 2013.

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.

## Planned Scope and Timing of the Audit - continued

Our audit included obtaining an understanding of the entities and their 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 entities or to acts by management or employees acting on behalf of the entities. 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 fiscal 2013, the Organization adopted new FASB guidance on *Fair Value Measurement, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. Adoption by the Organization of this new accounting guidance in fiscal 2013 had no impact on the Organization's 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 consolidated 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. We found no such accounting estimates affecting the consolidated financial statements to be particularly sensitive during our audit.

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.

The financial statements disclosures are neutral, consistent, and clear.

### *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.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

## 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, 2013.

### *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.

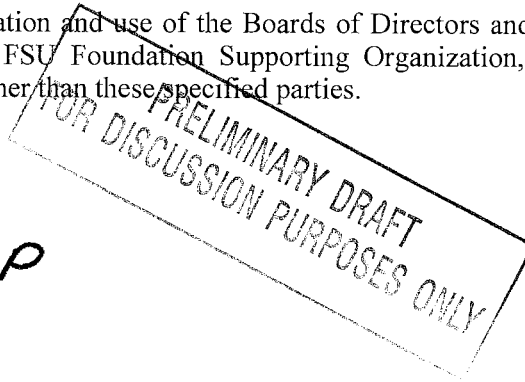
### *Other Matters*

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

Index **F1000-03**

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

Balance Sheet Date: **06/30/13**

Completed by: **RFC**

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

Reviewed by: **JMC**

Increased to \$3,000 based on review of performance materiality(PM). 5% of PM 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 nonsampling 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		1,350		1,350		300
<b>Total</b>				(\$4,650)	\$0	(\$4,650)	\$0	\$300
Less Audit Adjustments Subsequently Booked								
Net Unadjusted Audit Differences—This Year				(\$4,650)	\$0	(\$4,650)	\$0	\$300
Effect of Unadjusted Audit Differences—Prior Years							0	0
<b>Net Audit Differences</b>				(\$4,650)	\$0	(\$4,650)	\$0	\$300
Combined Financial Statement Caption Totals				\$20,737,076	\$3,894,827	\$16,842,249	\$3,024,640	\$1,269,590
Net Audit Differences as % of F/S Captions				-0.02%	0.00%	-0.03%	0.00%	0.02%

**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

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# AUDIT DIFFERENCE EVALUATION FORM

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Increased to \$3,000 based on review of performance materiality(PM). 5% of PM 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

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2013



**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS**  
**AND ADDITIONAL INFORMATION**  
**YEAR ENDED JUNE 30, 2013**

**CONTENTS**

	<u>Page</u>
Independent auditor's report	1 - 2
Financial statements:	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of cash flows	5 - 6
Notes to consolidated financial statements	7 - 35
Additional information:	
Independent auditor's report on additional information	36
Consolidated statement of functional expenses	37
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 <i>Government Auditing Standards</i>	38 - 39

## INDEPENDENT AUDITOR'S REPORT

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



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

We have audited the accompanying consolidated financial statements of Fitchburg State University Foundation, Inc. (Foundation) (a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

In our opinion, 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, 2013, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 16, 2012. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 2013 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, and grant agreements and other matters for the year ended June 30, 2013. 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* in considering Fitchburg State University Foundation, Inc.'s internal control over financial reporting and compliance.

*Ercoleini & Company LLP*

Boston, Massachusetts  
October XX, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(with comparative totals as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
Cash and equivalents	\$ 2,468,384	\$ 2,415,022
Investments	12,601,686	11,563,560
Accrued investment income receivable	34,123	33,668
Accounts receivable	6,000	3,783
Contributions receivable, net	240,339	343,800
Prepaid expenses and other current assets	28,301	75,728
Property and equipment, net of accumulated depreciation	5,227,189	4,771,627
Deferred financing costs, net of accumulated amortization of \$21,056 and \$17,586, respectively	37,678	41,148
Other assets	<u>93,376</u>	<u>113,956</u>
<b>Total assets</b>	<b><u>\$ 20,737,076</u></b>	<b><u>\$ 19,362,292</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable, trade	\$ 57,758	\$ 62,939
Accrued interest payable	9,583	9,094
Deferred revenue	104,729	65,224
Notes payable - bank	609,957	644,051
First mortgage notes payable	<u>3,112,800</u>	<u>3,008,325</u>
<b>Total liabilities</b>	<b><u>3,894,827</u></b>	<b><u>3,789,633</u></b>
Net assets:		
Unrestricted	4,293,133	3,917,459
Temporarily restricted	3,655,765	3,145,829
Permanently restricted	<u>8,893,351</u>	<u>8,509,371</u>
<b>Total net assets</b>	<b><u>16,842,249</u></b>	<b><u>15,572,659</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 20,737,076</u></b>	<b><u>\$ 19,362,292</u></b>

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY



# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

(with comparative totals for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Revenue and support:</b>					
Program revenues:					
Gifts and donations	\$ 185,268	\$ 213,809	\$ 403,560	\$ 802,637	\$ 3,520,918
Grants and contracts	-	193,395	-	193,395	47,836
Sales and services	109,545	209,590	-	319,135	272,945
Rental income	165,000	-	-	165,000	165,000
Residence hall income	223,825	-	-	223,825	198,537
License fee income	181,150	-	-	181,150	178,336
Other revenue:					
Interest and dividends	86,000	227,418	-	313,418	317,071
Gain (loss) on investments	238,031	583,607	-	821,638	183,080
Increase in cash surrender value of life insurance	-	-	4,442	4,442	4,836
Net assets released from restrictions	916,883	( 916,883)	-	-	-
Reclassification of net assets	25,022	( 1,000)	( 24,022)	-	-
<b>Total revenue and support</b>	<u>2,130,724</u>	<u>509,936</u>	<u>383,980</u>	<u>3,024,640</u>	<u>4,888,559</u>
<b>Expenses:</b>					
Program services	1,385,271	-	-	1,385,271	3,959,309
Management and general	281,320	-	-	281,320	256,663
Fundraising	88,459	-	-	88,459	96,850
<b>Total expenses</b>	<u>1,755,050</u>	<u>-</u>	<u>-</u>	<u>1,755,050</u>	<u>4,312,822</u>
<b>Increase (decrease) in net assets</b>	<u>375,674</u>	<u>509,936</u>	<u>383,980</u>	<u>1,269,590</u>	<u>575,737</u>
<b>Net assets at beginning of year</b>	<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>
<b>Net assets at end of year</b>	<u>\$ 4,293,133</u>	<u>\$ 3,655,765</u>	<u>\$ 8,893,351</u>	<u>\$ 16,842,249</u>	<u>\$ 15,572,659</u>

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

(with comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 1,269,590	\$ 575,737
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on investments	( 821,638)	( 183,080)
Depreciation	103,971	101,440
Discount on pledges	( 3,582)	( 4,400)
Bad debt expense	12,225	12,500
Amortization of deferred financing costs	3,470	3,470
Contributions restricted for long term purposes	( 403,560)	( 69,196)
Contributions of investment securities	( 3,399)	-
(Increase) decrease in cash surrender value of life insurance	22,454	( 2,963)
(Increase) decrease in accounts receivable	( 2,217)	1,610
(Increase) decrease in accrued investment income receivable	( 455)	( 28,150)
(Increase) decrease in contributions receivable	84,818	44,816
(Increase) decrease in prepaid expenses and other current assets	47,427	( 42,063)
Increase (decrease) in accounts payable, trade	( 5,181)	( 5,722)
Increase (decrease) in accrued interest payable	489	( 3,226)
Increase (decrease) in deferred revenue	<u>39,505</u>	<u>42,819</u>
<b>Net cash provided by (used in) operating activities</b>	<u>343,917</u>	<u>443,592</u>
<b>Cash flows from investing activities:</b>		
Payments for property and equipment	( 559,533)	( 57,315)
Proceeds from sale of investments	2,432,741	1,620,877
Purchase of investments	( 2,645,830)	( 2,882,910)
Life insurance premiums	( 81,247)	( 1,874)
Proceeds on surrender of life insurance policy	<u>79,373</u>	<u>-</u>
<b>Net cash provided by (used in) investing activities</b>	<u>( 774,496)</u>	<u>( 1,321,222)</u>

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED**

YEAR ENDED JUNE 30, 2013

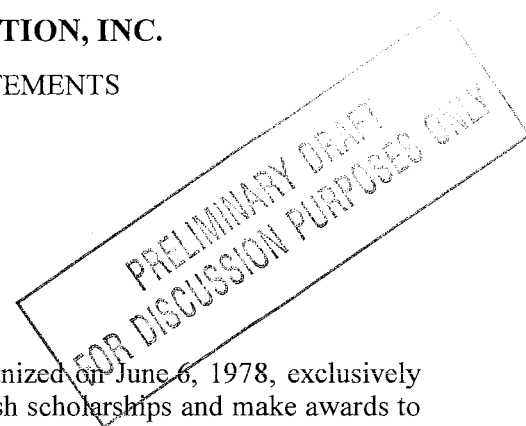
(with comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>Cash flows from financing activities:</b>		
Proceeds of first mortgage notes payable	\$ 225,200	\$ -
Payments on first mortgage notes payable	( 120,725)	( 113,470)
Payments on notes payable - bank	( 34,094)	( 37,765)
Collections of contributions restricted for long term purposes	<u>413,560</u>	<u>1,173,345</u>
 Net cash provided by (used in) financing activities	 <u>483,941</u>	 <u>1,022,110</u>
 Net increase (decrease) in cash and equivalents	 53,362	 144,480
 Cash and equivalents, beginning of year	 <u>2,415,022</u>	 <u>2,270,542</u>
 Cash and equivalents, end of year	 <u>\$ 2,468,384</u>	 <u>\$ 2,415,022</u>
 <b>Supplemental disclosure of cash flow information:</b>		
 Cash paid for interest during the year	 <u>\$ 170,290</u>	 <u>\$ 200,595</u>
 <b>Supplemental schedule of noncash investing and financing activities:</b>		
 Donations of publicly traded common stock at their readily determinable fair value	 <u>\$ 3,399</u>	 <u>\$ -</u>

# **FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**



### **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.

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. As of June 30, 2013, 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.

##### **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.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

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

#### 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 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

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

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

#### Revenue recognition - continued

#### Contributions and bequests - continued

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.

#### 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.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

#### 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 70% 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, 2013. 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 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.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

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

#### Endowments - continued

#### Interpretation of Relevant Law - continued

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, 2013

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, 2013 and 2012, 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, 2013. 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, 2013.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

### 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, 2013. 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, 2010, 2011 and 2012.

#### 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, 2012, from which the summarized information was derived.

#### Subsequent events

The Organization has evaluated subsequent events through October XX, 2013, which is the date these consolidated financial statements were issued.

#### Recent accounting pronouncements

##### Recently adopted accounting pronouncements

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. Adoption by the Organization of this guidance in fiscal year 2013 had no material impact on the Organization's consolidated financial statements.

##### Recent accounting pronouncements not yet adopted

In October, 2012, the FASB issued guidance which will require a not-for-profit entity to classify cash receipts from the sale of donated financial assets, such as securities, consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of the donated financial

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

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

#### Recent accounting pronouncements - continued

#### Recent accounting pronouncements not yet adopted - continued

assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Donated financial assets that are not converted nearly immediately into cash but are subsequently converted into cash should be classified as cash flows from investing activities in the statement of cash flows. The guidance is effective prospectively for fiscal years and interim periods beginning after June 15, 2013. The Organization does not believe that its adoption of this guidance in fiscal year 2014 will have a material impact on the Organization's financial statements.

In April, 2013, the FASB issued guidance which will require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The guidance is effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. Management is currently evaluating the impact of this FASB guidance on the Organization's fiscal year 2015 consolidated financial statements.

### 2. Cash and equivalents

Cash and equivalents consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Cash and other demand deposits	\$ 1,057,676	\$ 987,961
Money Market Funds	<u>1,410,708</u>	<u>1,427,061</u>
	<u>\$ 2,468,384</u>	<u>\$ 2,415,022</u>

Money market funds include the SSgA US Government Money Market Fund in the aggregate amount of \$197,538 and \$176,183 at June 30, 2013 and June 30, 2012, 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, 2013 and 2012, the fund's investment securities had a weighted average maturity of 47 days and 33 days, respectively. The fund had an average credit quality rating of AAAM at June 30, 2013 and June 30, 2012, respectively.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

### 2. Cash and equivalents - continued

Money market funds include the Schwab Advisor Cash Reserves Fund in the aggregate amount of \$26,748 and \$18,726 at June 30, 2013 and June 30, 2012, 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, 2013 and June 30, 2012, the fund's investment securities had a weighted average maturity of 54 days and 46 days, respectively. The fund was not rated for average credit quality at June 30, 2013 and June 30, 2012, respectively.

Money market funds include the Dreyfus Cash Management Institutional - Shares Fund in the aggregate amount of \$179,039 and \$229,444 at June 30, 2013 and June 30, 2012, 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, 2013 and June 30, 2012, the fund's investment securities had a weighted average maturity of 44 days and 34 days, respectively. The fund had an average credit quality rating of AAAM at June 30, 2013 and June 30, 2012, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management money market account with a balance of \$1,007,383 and \$1,002,708 at June 30, 2013 and June 30, 2012, respectively.

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, 2013 are overnight repurchase agreements in the amounts of \$778,730 and \$91,694 each at an interest rate of .05% per annum. 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. At June 30, 2013 and 2012, the Organization's overnight repurchase agreements were fully collateralized under an agreement between Sovereign Bank and Fitchburg State University. At June 30, 2013 and 2012, 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 \$1,410,708 and \$1,427,061, 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.

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

YEAR ENDED JUNE 30, 2013

**3. Investments**

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

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 5,327,267	\$ 6,677,258	\$ 5,117,423	\$ 5,718,022
Preferred stock	241,660	239,236	241,230	252,630
Mutual funds	2,880,297	2,965,625	2,756,745	2,718,124
Corporate bonds	1,264,043	1,272,140	1,326,493	1,353,076
U.S. government securities	1,433,244	1,401,309	1,516,359	1,521,708
Mortgage backed securities	46,719	46,118	-	-
Commonfund Realty Investors, LLC	-	-	-	-
	<u>\$ 11,193,230</u>	<u>\$ 12,601,686</u>	<u>\$ 10,958,250</u>	<u>\$ 11,563,560</u>

At June 30, 2013 and 2012, net unrealized gains in the Organization's investment portfolio amounted to \$1,408,456 and \$605,310, respectively.

At June 30, 2013 and 2012, equities include securities in the consumer goods sector which represent 16% and 13%, respectively, of the fair value of the Organization's investment portfolio.

At June 30, 2013 and 2012, 6% and 8%, respectively, of the fair value of the Organization's investment portfolio represents foreign investments.

Investments with an equivalent fair value of \$2,054,000 at June 30, 2013 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. During fiscal 2013, the Organization received capital gain distributions from Commonfund Realty Investors, LLC totaling \$35,412, which is included in net realized gains (losses) in 2013.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

### 3. Investments - continued

At June 30, 2013, the fair value of investments in debt securities by contractual maturities is as follows:

	<b>Maturity</b>				
	<b><u>Within 1 year</u></b>	<b><u>1 - 5 Years</u></b>	<b><u>5-10 Years</u></b>	<b><u>More Than 10 Years</u></b>	<b><u>Total</u></b>
Corporate bonds	\$ 148,611	\$ 878,179	\$ 245,350	\$ -	\$ 1,272,140
Mortgage backed Securities	-	-	-	46,118	46,118
U.S. government Securities	<u>389,587</u>	<u>780,649</u>	<u>231,073</u>	<u>-</u>	<u>1,401,309</u>
	<u>\$ 538,198</u>	<u>\$ 1,658,828</u>	<u>\$ 476,423</u>	<u>\$ 46,118</u>	<u>\$ 2,719,567</u>

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, 2013 and 2012 are as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Net realized gains (losses)	\$ 18,492	(\$ 4,826)
Net unrealized gains (losses)	<u>803,146</u>	<u>187,906</u>
Net gains (losses) on investments	<u>\$ 821,638</u>	<u>\$ 183,080</u>

The Organization incurred investment management fees of \$80,067 in 2013 and \$78,095 in 2012 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, 2013.

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2013**

**3. Investments - continued**

<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	\$ 177,071	\$ 8,044	\$ 588,836	\$ 88,548	\$ 765,907	\$ 96,592
Preferred stocks	133,705	6,241	-	-	133,705	6,241
Mutual funds	261,290	6,829	803,264	92,649	1,064,554	99,478
Corporate bonds	135,987	5,626	263,550	7,759	399,537	13,385
Mortgage backed securities	46,118	601	-	-	46,118	601
U.S. government securities	418,014	16,350	502,702	28,849	920,716	45,199
Total	<u>\$ 1,172,185</u>	<u>\$ 43,691</u>	<u>\$ 2,158,352</u>	<u>\$ 217,805</u>	<u>\$ 3,330,537</u>	<u>\$ 261,496</u>

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	218,528	4,593	448,403	13,658	666,931	18,251
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>

**Equities and preferred stocks**

The Organization has ninety-nine investments in equities of which sixteen were in an unrealized loss position at June 30, 2013. The Organization also has nineteen investments in preferred stocks of which eleven were in an unrealized loss position at June 30, 2013. 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, 2013.

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2013**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**3. Investments - continued**

**Mutual funds**

The Organization has twenty-two mutual fund investments of which nine are in an unrealized loss position at June 30, 2013. 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 impairments. 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, 2013.

**Corporate bonds**

At June 30, 2013, 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-three corporate debt security investments of which eighteen are in an unrealized loss position at June 30, 2013. 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.

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, 2013.

**Mortgage backed securities**

The Organization has one investment in a mortgage backed security at June 30, 2013. This investment is in an unrealized loss position at June 30, 2013. The investment balance and unrealized loss at June 30, 2013 are not material to the Organization's financial position or results of operations.

**U.S. government obligations**

The Organization has twenty U.S. government investment securities at June 30, 2013, of which fifteen 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, 2013.

The endowment net asset composition by type of fund at June 30, 2013 is as follows:

<u>Fund Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ 687,650	\$ 2,881,113	\$ 8,893,351	\$ 12,462,114



# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

### 3. Investments - continued

Changes in the endowment net assets for the year ended June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 563,502	\$ 2,338,127	\$ 8,509,371	\$ 11,411,000
Investment return:				
Investment income	48,567	222,922	-	271,489
Appreciation (depreciation), realized and unrealized	124,148	572,117	-	696,265
Total investment return	172,715	795,039	-	967,754
Contributions	-	1,383	403,560	404,943
Other income	-	4,860	-	4,860
Appropriation of endowment assets for expenditure	( 35,924)	( 161,840)	-	( 197,764)
Investment management fees	( 12,643)	( 57,631)	-	( 70,274)
Reclassification of net assets	-	-	( 19,580)	( 19,580)
Transfer upon removal of donor restrictions	-	( 38,825)	-	( 38,825)
Endowment net assets, end of year	<u>\$ 687,650</u>	<u>\$ 2,881,113</u>	<u>\$ 8,893,351</u>	<u>\$ 12,462,114</u>

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	<u>\$ 563,502</u>	<u>\$ 2,338,127</u>	<u>\$ 8,509,371</u>	<u>\$ 11,411,000</u>

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	<u>\$ 563,502</u>	<u>\$ 2,338,127</u>	<u>\$ 8,509,371</u>	<u>\$ 11,411,000</u>

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

YEAR ENDED JUNE 30, 2013

**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.

Contributions receivable consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 171,872	\$ 193,290
Receivable in one to five years	70,900	155,525
Receivable in more than five years	<u>1,000</u>	<u>2,000</u>
	243,772	350,815
Discount on pledges	( <u>3,433</u> )	( <u>7,015</u> )
	<u>\$ 240,339</u>	<u>\$ 343,800</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%.

**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.

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

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

YEAR ENDED JUNE 30, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**5. Fair value measurements - continued**

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, 2013 and 2012, Level 2 securities consist primarily of corporate fixed income securities, U.S. government securities, preferred stocks and mortgage backed securities.

At June 30, 2013 and 2012, the Organization's assets included in Level 3 of the fair value measurement hierarchy consisted of its investment in Commonfund Realty Investors, LLC. 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, 2013, management's estimate of the fair value of this investment remains unchanged.

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.

The fair value of assets measured on a recurring basis at June 30, 2013 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	\$ 6,677,258	\$ 6,677,258	\$ -	\$ -
Preferred stocks	239,236	-	239,236	-
Mutual funds	2,965,625	2,965,625	-	-
Corporate bonds	1,272,140	-	1,272,140	-
Mortgage backed securities	46,118	-	46,118	-
U.S. government securities	1,401,309	-	1,401,309	-
Commonfund Realty Investors, LLC	-	-	-	-
Total	<u>\$ 12,601,686</u>	<u>\$ 9,642,883</u>	<u>\$ 2,958,803</u>	<u>\$ -</u>

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2013**

**5. Fair value measurements - continued**

The fair value of assets measured on a recurring basis at June 30, 2012 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	\$ 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	-	-	-	-
Total	<u>\$ 11,563,560</u>	<u>\$ 8,436,146</u>	<u>\$ 3,127,414</u>	<u>\$ -</u>

**6. Property and equipment**

Property and equipment at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</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	1,946,785	1,667,357
Land improvements	61,899	61,899
Buildings	810,923	556,478
Building improvements	39,569	39,569
Equipment	98,354	82,684
Computer software	361,845	355,845
Furniture and fixtures	26,277	22,287
Library materials	<u>6,570</u>	<u>6,570</u>
	<u>3,352,222</u>	<u>2,792,689</u>
	6,129,441	5,569,908
Less accumulated depreciation	<u>902,252</u>	<u>798,281</u>
	<u>\$ 5,227,189</u>	<u>\$ 4,771,627</u>

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2013**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**6. Property and equipment - continued**

Accumulated depreciation on real estate under lease amounted to \$297,084 and \$253,118 at June 30, 2013 and 2012, respectively. Accumulated depreciation on real estate used for student housing amounted to \$71,520 and \$59,234 at June 30, 2013 and 2012, respectively.

In fiscal 2013, the Supporting Organization acquired three properties 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. Two of the properties, each of which included land and a building, were purchased for an aggregate cost of \$172,483, and \$144,975, respectively (see Notes 9 and 13). These two properties will be used for conference, meeting and office space. The third property, which included land and a building, was purchased for an aggregate cost of \$216,415. The University subsequently razed the building and is in the process of using the land to expand an existing parking lot.

During 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.

At June 30, 2013 and 2012, property and equipment with a cost of approximately \$332,500 and \$331,000, respectively, were fully depreciated and still in service.

**7. Other assets**

Other assets at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Cash surrender value of life insurance	\$ 54,351	\$ 74,931
Art collection	<u>39,025</u>	<u>39,025</u>
	<u>\$ 93,376</u>	<u>\$ 113,956</u>

**8. Line of credit**

On April 4, 2013, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to \$250,000. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% (\$220,500) of the pledged investment collateral unless otherwise approved by the lender. At June 30, 2013 and 2012, 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, 2013 and 2012, the effective interest rate was 6% per annum. For the year ended June 30, 2013, interest expense incurred on borrowings under this line of credit amounted to \$1,493. The borrowings under the line, during 2013, were advanced to and subsequently repaid by the Supporting Organization (see Note 9) and, accordingly, the interest expense incurred on the borrowings has been reflected as an expense on the books of the Supporting Organization. There were no borrowings or interest expense on the line of credit during the year ended June 30, 2012. Borrowings are secured by investments with equivalent fair value of \$315,000. The line of credit is also collateralized by all funds held by the

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

### 8. Line of credit - continued

lender. At June 30, 2013, the Foundation has total cash balances of \$57,263 held by the lender. The line of credit agreement expires on March 17, 2015. 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, 2013 and 2012, the outstanding principal balance of this mortgage note payable amounted to \$464,245 and \$482,848, respectively.

For the years ended June 30, 2013 and 2012, interest expense on this mortgage note payable amounted to \$27,700 and \$28,750, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2013, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 19,800
2015	20,986
2016	21,176
2017	23,570
2018	24,981

#### 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.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

### 9. First mortgage notes payable - continued

#### Supporting Organization - 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 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, 2013 and 2012, the outstanding principal balance of this mortgage note payable amounted to \$1,459,087 and \$1,538,180, respectively.

For the years ended June 30, 2013 and 2012, interest expense on this mortgage note payable amounted to \$69,300 and \$73,268, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2013, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 82,778
2015	86,635
2016	90,516
2017	94,888
2018	99,309

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

### 9. First mortgage notes payable - continued

#### Supporting Organization - continued

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, 2013, the Supporting Organization has total cash balances of \$41,980 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 provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$4,714, through June 20, 2013, based on a twenty-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$4,422, based on a twenty-year principal amortization. Pursuant to the provisions of the loan modification agreement, the Supporting Organization shall be responsible for a prepayment penalty equal to 3% of the outstanding principal balance of the loan in the event the loan is refinanced with another financial institution within three years of the loan modification date.

At June 30, 2013 and 2012, the outstanding principal balance of this mortgage note payable amounted to \$683,416 and \$700,292, respectively.

For the years ended June 30, 2013 and 2012, interest expense on this mortgage note payable amounted to \$38,564 and \$40,711, respectively.

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

<u>Year</u>	<u>Amount</u>
2014	\$ 19,401
2015	20,391
2016	21,433
2017	22,527
2018	23,677

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, 2013, the Supporting Organization has total cash balances of \$41,980 held at WCU which serve as additional collateral for both WCU loans to the Supporting Organization.



# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

### 9. First mortgage notes payable - continued

#### Supporting Organization - continued

The mortgage note has a term of ten years, expiring on February 19, 2020, and provided for a fixed rate of interest of 6.03% per annum. The interest rate was adjusted to 5.28% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$1,939, through June 20, 2013, based on a twenty-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$1,816, based on a twenty-year principal amortization. Pursuant to the provisions of the loan modification agreement, the Supporting Organization shall be responsible for a prepayment penalty equal to 3% of the outstanding principal balance of the loan in the event the loan is refinanced with another financial institution within three years of the loan modification date. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Supporting Organization to WCU.

At June 30, 2013 and 2012, the outstanding principal balance of the mortgage note payable amounted to \$280,852 and \$287,005, respectively.

For the years ended June 30, 2013 and 2012, interest expense on this mortgage note payable amounted to \$17,773 and \$17,500, respectively.

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

<u>Year</u>	<u>Amount</u>
2014	\$ 7,128
2015	7,514
2016	7,920
2017	8,349
2018	8,800

In June, 2013, Rollstone Bank & Trust provided financing to the Supporting Organization in the form of a note, dated June 19, 2013, in the amount of \$142,000. The proceeds of the loan were used to repay an advance made to the Supporting Organization by the Foundation in May, 2013 for the acquisition, at a cost of \$172,483, of a real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage note has a term of twenty years, maturing on June 19, 2033, and provides for a fixed rate of interest of 3.25% per annum. Commencing in July, 2013, the loan requires monthly installments of principal and interest of \$809 based on a twenty year principal amortization. The note provides for the payment of a prepayment penalty prior to the fifth anniversary of the loan term in the event the loan is refinanced with another financial institution. The amount of the penalty shall be a specified percentage of the outstanding principal balance with such percentage ranging from 5% during the first loan year and decreasing by 1% per year to 1% in the fifth loan year. There is no prepayment penalty after the fifth loan year. The loan agreement requires the Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2013**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets as more fully described in the loan agreement.

At June 30, 2013, the outstanding principal balance of the mortgage note payable amounted to \$142,000.

For the year ended June 30, 2013, interest expense on this mortgage note payable amounted to \$132.

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

<u>Year</u>	<u>Amount</u>
2014	\$ 5,100
2015	5,272
2016	5,437
2017	5,630
2018	5,819

In June, 2013, Fidelity Co-Operative Bank provided financing to the Supporting Organization in the form of a note, dated June 26, 2013, in the amount of \$83,200. The proceeds of the loan were used to repay an advance made to the Supporting Organization by the Foundation in May, 2013 for the acquisition, at a cost of \$144,975, of a real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage note has a term of twenty years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 2.75% per annum. Commencing in July, 2013, the loan requires monthly installments of principal and interest of \$376 until the next five-year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests without the prior written consent of the lender.

At June 30, 2013, the outstanding principal balance of the mortgage note payable amounted to \$83,200.

For the year ended June 30, 2013, interest expense on this mortgage note payable amounted to \$32.

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

### 9. First mortgage notes payable - continued

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2013, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 1,585
2015	1,642
2016	1,694
2017	1,762
2018	1,826

### 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 was unsecured.

The note had a term of three years and matured on January 5, 2013. The note provided for a fixed rate of interest of 5% per annum. The note required monthly installments of principal and interest of \$2,339 based on a three year principal amortization.

At June 30, 2013, the note was paid in full. At June 30, 2012, the outstanding principal balance of this note payable amounted to \$16,081.

For the years ended June 30, 2013 and 2012, interest expense on this note payable amounted to \$218 and \$1,463, respectively.

#### 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 \$1,739,000 at June 30, 2013. 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 (April 26, 2017, 2022, 2027 and 2032) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2013**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**10. Notes payable - bank - continued**

**Supporting Organization - continued**

of principal and interest of \$4,122 through May 7, 2012. Commencing thereafter, the monthly installments of principal and interest are \$2,875 until the next five-year interval adjustment date of April 26, 2017. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2013 and 2012, the outstanding principal balance of this note payable amounted to \$609,957 and \$627,970, respectively.

For the years ended June 30, 2013 and 2012, interest expense on this note payable amounted to \$15,568 and \$35,677, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2013, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 18,512
2015	19,009
2016	19,480
2017	20,044
2018	20,583

**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, 2013 and 2012, rental income amounted to \$165,000 in each year.

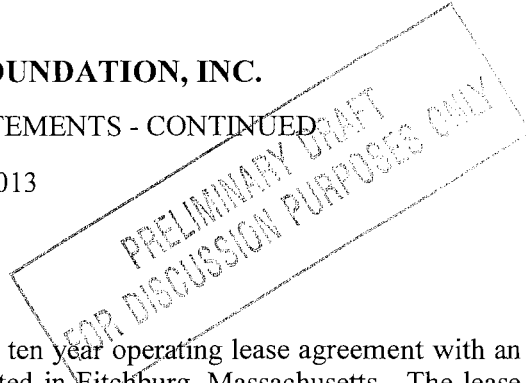
The following is a schedule of future minimum rental payments to be received on this lease:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 165,000
2015	165,000
2016	165,000
2017	<u>20,625</u>
	<u>\$ 515,625</u>

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013



### 11. Lease and license agreements - continued

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 with the payment of two months' base rent as a 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, 2013 and 2012, rent expense amounted to \$18,947 and \$18,506, 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>
2014	\$ 18,947
2015	19,895
2016	20,368
2017	20,368
2018	21,386
Later years	<u>7,299</u>
	<u>\$ 108,263</u>

On February 1, 2013, the Supporting Organization entered into a ten year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of \$5,696 payable in monthly installments of \$475. The 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 February 1, 2014 with the payment of two months' base rent as a 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 year ended June 30, 2013, rent expense amounted to \$2,373.

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2013**

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**11. Lease and license agreements - continued**

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

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 5,696
2015	5,696
2016	5,696
2017	5,696
2018	5,696
Later years	<u>26,107</u>
	<u>\$ 54,587</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 annual license fees 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, 2013 and 2012, license fee income amounted to \$181,150 and \$178,336, respectively.

**12. Restricted net assets**

Temporarily restricted net assets in the amount of \$3,655,765, as of June 30, 2013, are available as follows: equipment which use is restricted, in the amount of \$34,493; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of \$3,621,272. Temporarily restricted net assets in the amount of \$3,145,829, as of June 30, 2012, were 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 released from restrictions during 2013 represent the satisfaction of program restrictions in the amount of \$660,980; the satisfaction of scholarship-related restrictions in the amount of \$248,144, and the satisfaction of equipment donation restrictions in the amount of \$7,759.

Permanently restricted net assets in the amounts of \$8,893,351 and \$8,509,371 as of June 30, 2013 and 2012, 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, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**12. Restricted net assets - continued**

During 2013, \$1,000 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 \$1,000 was reclassified to permanently restricted net assets. In addition, \$25,022 was reclassified from permanently restricted net assets to unrestricted net assets representing the excess of the cash surrender value received by the Foundation from a life insurance policy surrendered during the year over the cash surrender value accrued to the Foundation during the year on a replacement life insurance policy.

**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, 2013 and 2012, the Supporting Organization incurred expenses totaling \$29,245 and \$33,775, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing.

As of June 30, 2013, the Supporting Organization has a miscellaneous accounts receivable in the amount of \$6,000 from Fitchburg State University, which is reflected as an accounts receivable in the accompanying 2013 statement of financial position.

At June 30, 2013 and 2012, the Foundation has miscellaneous payables to Fitchburg State University in the amounts of \$30,818 and \$48,150, respectively.

**14. Major donors**

During fiscal 2013, the Organization received temporarily restricted donations of \$205,331 from two donors and a permanently restricted donation of \$315,061 from one donor. The total of these donations of \$520,392 represent approximately 65% of total gifts and donations revenue during 2013.

During fiscal 2012, the Foundation received a temporarily restricted donation of a one year license to use certain computer software with an annual commercial value of \$2,822,400. The donation represents approximately 80% of total gifts and donations revenue during 2012. The computer software was being used in academic courses by the Industrial Technology Department of Fitchburg State University. The license expired on June 30, 2012 and it was not renewed.

**FITCHBURG STATE UNIVERSITY FOUNDATION, INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

**15. Donated equipment, materials and services**

The value of donated services included in temporarily restricted donations for the year ended June 30, 2013 totaled \$17,500 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	\$ <u>17,500</u>

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>

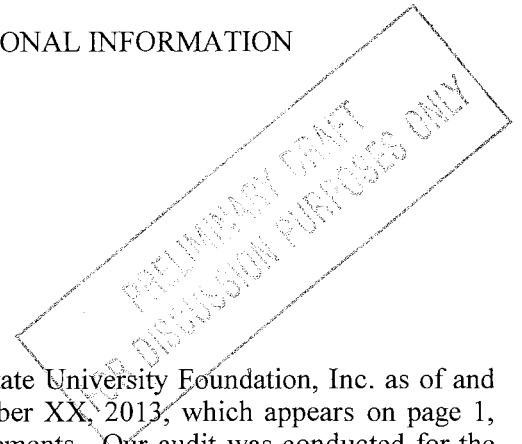


## **ADDITIONAL INFORMATION**

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



We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. as of and for the year ended June 30, 2013, and our report thereon dated October XX, 2013, which appears on page 1, expressed an unmodified 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, 2013 contained on page 36 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 2012 consolidated financial statements and, in our report on additional information dated October 16, 2012, we expressed our opinion that such information was fairly stated in all material respects in relation to the 2012 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, 2012, from which the summarized information was derived.

*Ercolini & Company LLP*

Boston, Massachusetts  
October XX, 2013

# FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

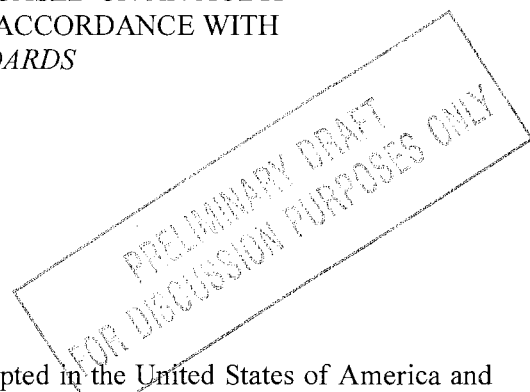
## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

(with comparative totals for the year ended June 30, 2012)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2013 Consolidated Total</u>	<u>2012 Consolidated Total</u>
Scholarships	\$ 248,144	\$ -	\$ -	\$ 248,144	\$ 195,865
Speakers and cultural programs	113,028	-	-	113,028	168,513
Outside services	143,364	-	-	143,364	115,433
Accounting and audit	-	13,977	-	13,977	19,360
Insurance	20,006	34,213	-	54,219	25,756
Supplies	73,121	5	4	73,130	61,861
Postage	11,122	-	14,213	25,335	20,222
Equipment and maintenance	31,790	35,146	295	67,231	2,879,096
Printing and publications	86,573	7,544	37,713	131,830	119,033
Travel	150,771	7,326	621	158,718	74,061
Meetings and conferences	65,059	14,949	35,373	115,381	94,044
Professional and consulting services	1,231	5,410	-	6,641	4,850
Awards and grants	118,819	-	-	118,819	32,644
Real estate and other taxes	2,989	-	-	2,989	3,306
Repairs and maintenance	29,245	-	-	29,245	33,775
Rent	21,320	-	-	21,320	18,506
Utilities	21,554	-	-	21,554	23,266
Interest	142,862	27,918	-	170,780	197,369
Miscellaneous	25,784	22,443	240	48,467	38,822
Investment management fees	-	80,067	-	80,067	78,095
Other financial fees	-	3,370	-	3,370	4,035
	<u>1,306,782</u>	<u>252,368</u>	<u>88,459</u>	<u>1,647,609</u>	<u>4,207,912</u>
Depreciation and amortization	<u>78,489</u>	<u>28,952</u>	<u>-</u>	<u>107,441</u>	<u>104,910</u>
	<u>\$ 1,385,271</u>	<u>\$ 281,320</u>	<u>\$ 88,459</u>	<u>\$ 1,755,050</u>	<u>\$ 4,312,822</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*



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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Fitchburg State University Foundation, Inc., which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October XX, 2013.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

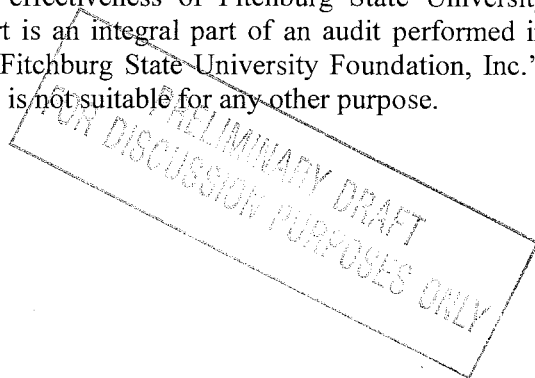
As part of obtaining reasonable assurance about whether Fitchburg State University Foundation, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance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

## Purpose of this Report

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

*Ercolini & Company LLP*

Boston, Massachusetts  
October XX, 2013



FSU SUPPORTING ORG. EXECUTIVE  
SUMMARY AND AUDIT

**FSU Foundation Supporting Organization, Inc.****Executive Summary****Report on Audit of Financial Statements****Years Ended June 30, 2013 and 2012**

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 3):**

- Total assets are \$4.7 million at June 30, 2013, an increase of approximately \$303,000 over the previous fiscal year.
- Property and equipment, net of depreciation totaled \$4.6 million.
- Total debt outstanding at June 30, 2013 was \$3.3 million.

**Statements of Activities (page 4):**

- There was an overall increase in net assets of \$256,000 due to an overall reduction of interest rates on various debt instruments.
- Rental income, license fees and residence hall fees totaled \$570,000 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 \$143,000.
- Program expenses totaled \$307,000, management and general expenses totaled \$7,600.

**Statements of Cash Flows (page 5):**

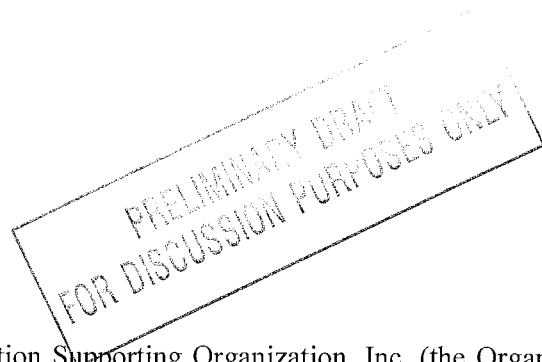
- There was positive cash flows from operating activities of \$317,000. There was an overall net decrease in cash of approximately \$172,000 due to the acquisition of various Highland Avenue properties.
- Acquisition of property and equipment totaled \$534,000.
- Net cash provided by financing activities totaled \$45,000

**Notes to the Financials Statements (pages 6-18):**

- Most of the notes are standard disclosures.
- Details on property and equipment is disclosed in Note 3 beginning on page 10.
- Mortgage and notes payable agreements are disclosed in Notes 4 and 5 beginning on page 11.
- Lease and license agreements between the Supporting Organization and the University are disclosed in Note 6 beginning on page 16.
- Related party transactions are disclosed in Note 7 beginning on page 18.

October XX, 2013

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) for the year ended June 30, 2013, and have issued our report thereon dated October XX, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as information related to the planned scope and timing of our audit, and certain other matters related to the audit.

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

As stated in our engagement letter dated June 10, 2013, 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.

We gave consideration to the nonaudit services provided to FSU Foundation Supporting Organization, Inc. during the period of our engagement, which may reasonably be thought to bear on independence, in reaching the conclusion that our independence has not been impaired in accordance with professional standards.

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, 2013.

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.



## Planned Scope and Timing of the Audit - continued

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.

During fiscal 2013, the Organization adopted new FASB guidance on *Fair Value Measurement, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. Adoption by the Organization of this new accounting guidance in fiscal 2013 had no impact on the Organization's 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 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. The most sensitive estimate affecting the financial statements was the estimate of fair value of the real estate property determined by management to be impaired. The fair value of the real estate property was measured using Level 3 inputs. These inputs are unobservable inputs determined by management with the assistance of its real estate broker. The inputs reflect management's determination of the assumptions that market participants would use when pricing the asset, including assumptions about risk. Such inputs include the location and condition of the property. We reviewed management's determination of fair value of the real estate property in determining that it is reasonable, in all material respects, in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure of the impairment loss recognized in fiscal 2013 related to the real estate property mentioned above and found in Note 3 to the financial statements.

The financial statements disclosures are neutral, consistent, and clear.

#### *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.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

Significant Audit Findings - continued

*Corrected and Uncorrected Misstatements- continued*

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, 2013.

*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.

*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,

*Ercolini & Company LLP*

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

# AUDIT DIFFERENCE EVALUATION FORM

Index 1000-03

Project Owner: Fitchburg State University Foundation, Inc.

Balance Sheet Date: 06/30/13

Completed by: rfc

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		1,050		1,050		300
PY land purchase understated	Expensed back taxes and utilities	SO-H-02	(2,538)		(2,538)		
<b>Total</b>			(\$7,488)	\$0	(\$7,488)	\$0	\$300
Less Audit Adjustments Subsequently Booked							
Net Unadjusted Audit Differences—This Year							
Effect of Unadjusted Audit Differences—Prior Years							0
<b>Net Audit Differences</b>			(\$7,488)	\$0	(\$7,488)	\$0	\$300
Combined Financial Statement Caption Totals			4,725,974	(3,368,238)	(1,357,736)	(570,466)	(255,628)
Net Audit Differences as % of F/S Captions			(0.002)	0.000	0.006	0.000	(0.001)

**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: **06/30/13**

Completed by: **rfc**

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

**ESU FOUNDATION SUPPORTING ORGANIZATION, INC.**

REPORT ON AUDITS OF FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012



FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6 - 18
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 <i>Government Auditing Standards</i>	19 - 20

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**FSU Foundation Supporting Organization, Inc.**  
Fitchburg, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of FSU Foundation Supporting Organization, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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





## *Opinion*

In our opinion, 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 2013 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, and grant agreements and other matters for the year ended June 30, 2013. 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* in considering FSU Foundation Supporting Organization, Inc.'s internal control over financial reporting and compliance.

*Ercolini & Company LLP*

Boston, Massachusetts  
October XX, 2013

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 71,621	\$ 243,633
Prepaid expenses and other current assets	8,692	640
Property and equipment, net of accumulated depreciation	4,607,983	4,137,214
Deferred financing costs, net of accumulated amortization of \$21,056 and \$17,586, respectively	<u>37,678</u>	<u>41,148</u>
<b>Total assets</b>	<b>\$ <u>4,725,974</u></b>	<b>\$ <u>4,422,635</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable, trade	\$ 2,067	\$ 34
Due to affiliate	99,114	159,088
Accrued interest payable	8,545	7,958
Note payable - bank	609,957	627,970
First mortgage notes payable	<u>2,648,555</u>	<u>2,525,477</u>
<b>Total liabilities</b>	<b><u>3,368,238</u></b>	<b><u>3,320,527</u></b>
Net assets:		
Unrestricted	<u>1,357,736</u>	<u>1,102,108</u>
<b>Total net assets</b>	<b><u>1,357,736</u></b>	<b><u>1,102,108</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>4,725,974</u></b>	<b>\$ <u>4,422,635</u></b>

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Revenue and support:</b>		
Program revenues:		
Rental income	\$ 165,000	\$ 165,000
Residence hall income	223,825	198,537
License fee income	181,150	178,336
Other revenue:		
Interest income	<u>491</u>	<u>637</u>
<b>Total revenue and support</b>	<u>570,466</u>	<u>542,510</u>
<b>Expenses and losses:</b>		
Program services:		
Utilities	21,554	23,266
Repairs and maintenance	29,245	33,775
Rent	21,320	18,506
Real estate and other taxes	2,989	3,306
Professional services	1,231	2,200
Insurance	20,006	18,874
Miscellaneous other	1,454	1,020
Interest	142,862	167,156
Depreciation and amortization	<u>66,574</u>	<u>66,044</u>
	<u>307,235</u>	<u>334,147</u>
Management and general:		
Professional services	5,410	5,410
Miscellaneous other	<u>2,193</u>	<u>2,193</u>
	<u>7,603</u>	<u>7,603</u>
<b>Total expenses</b>	<u>314,838</u>	<u>341,750</u>
<b>Increase (decrease) in net assets</b>	<b>255,628</b>	<b>200,760</b>
<b>Net assets at beginning of year</b>	<u><b>1,102,108</b></u>	<u><b>901,348</b></u>
<b>Net assets at end of year</b>	<u><b>\$ 1,357,736</b></u>	<u><b>\$ 1,102,108</b></u>

**FSU FOUNDATION SUPPORTING ORGANIZATION, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 255,628	\$ 200,760
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	63,104	62,574
Amortization of deferred financing costs	3,470	3,470
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses and other current assets	( 8,052)	18
Increase (decrease) in liabilities:		
Accounts payable, trade	2,033	34
Accrued interest payable	<u>587</u>	<u>( 3,095)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>316,770</u>	<u>263,761</u>
<b>Cash flows from investing activities:</b>		
Payments for property and equipment	<u>( 533,873)</u>	<u>( 57,315)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>( 533,873)</u>	<u>( 57,315)</u>
<b>Cash flows from financing activities:</b>		
Payments on first mortgage notes payable	( 102,122)	( 95,916)
Proceeds of first mortgage notes payable - bank	225,200	-
Payments on note payable - bank	( 18,013)	( 11,256)
Advances from affiliate	250,026	-
Payments on advances from affiliate	<u>( 310,000)</u>	<u>( 60,000)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>45,091</u>	<u>( 167,172)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>( 172,012)</u>	<u>39,274</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>243,633</u>	<u>204,359</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 71,621</u>	<u>\$ 243,633</u>

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

### 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. As of June 30, 2013, 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, 2013 and 2012, 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 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

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

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

#### Revenue recognition - continued

##### Contributions - continued

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.

##### 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.

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

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

#### Property and equipment - continued

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, 2013 and 2012. 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, 2013. 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, 2010, 2011 and 2012.

#### 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.

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

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

#### Subsequent events

The Organization has evaluated subsequent events through October XX, 2013, which is the date these financial statements were issued.

#### Recent accounting pronouncements

#### Recently adopted accounting pronouncements

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. Adoption by the Organization of this guidance in fiscal 2013 had no impact on the Organization's financial statements.

#### Recent accounting pronouncements not yet adopted

In October, 2012, the FASB issued guidance which will require a not-for-profit entity to classify cash receipts from the sale of donated financial assets, such as securities, consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of the donated financial assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Donated financial assets that are not converted nearly immediately into cash but are subsequently converted into cash should be classified as cash flows from investing activities in the statement of cash flows. The guidance is effective prospectively for fiscal years and interim periods beginning after June 15, 2013. The Organization does not believe that its adoption of this guidance in fiscal year 2014 will have a material impact on the Organization's financial statements.

In April, 2013, the FASB issued guidance which will require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The guidance is effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. Management is currently evaluating the impact of this FASB guidance on the Organization's fiscal year 2015 financial statements.



# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013 and 2012 are overnight repurchase agreements in the amounts of \$91,694 and \$163,488, respectively, at interest rates of .05% and .11% per annum, respectively. At June 30, 2013 and 2012, the Organization's cash balances were fully insured and the overnight repurchase agreements at June 30, 2013 and 2012 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, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</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	1,812,495	1,533,067
Building	383,549	129,104
Land improvements	<u>61,899</u>	<u>61,899</u>
	<u>2,257,943</u>	<u>1,724,070</u>
	5,035,162	4,501,289
Less accumulated depreciation	<u>427,179</u>	<u>364,075</u>
	<u>\$ 4,607,983</u>	<u>\$ 4,137,214</u>

Accumulated depreciation on real estate under lease amounted to \$297,084 and \$253,118 at June 30, 2013 and 2012, respectively. Accumulated depreciation on real estate used for student housing amounted to \$71,520 and \$59,234 at June 30, 2013 and 2012, respectively.

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

### 3. Property and equipment - continued

In fiscal 2013, the Organization acquired three properties 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. Two of the properties, each of which included land and a building, were purchased for an aggregate cost of \$172,483 and \$144,975, respectively (see Notes 4 and 7). These two properties will be used for conference, meeting and office space. The third property, which included land and a building, was purchased for an aggregate cost of \$216,415. The University subsequently razed the building and is in the process of using the land to expand an existing parking lot.

During 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.

### 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.

**FSU FOUNDATION SUPPORTING ORGANIZATION, INC.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEARS ENDED JUNE 30, 2013 AND 2012**

**4. First mortgage notes payable - continued**

**Massachusetts Development Finance Agency (MDFA) - 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.

As of June 30, 2013 and 2012, the outstanding principal balance of the mortgage loan amounted to \$1,459,087 and \$1,538,180, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2013, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 82,778
2015	86,635
2016	90,516
2017	94,888
2018	99,309

**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, 2013, the Organization has total cash balances of \$41,980 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 provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$4,714, through June 20, 2013, based on a twenty-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$4,422 based on a twenty-year principal amortization. Pursuant to the provisions of the loan modification agreement, the Organization shall be responsible for a prepayment penalty equal to 3% of the outstanding principal balance of the loan in the event the loan is refinanced with another financial institution within three years of the loan modification date.

As of June 30, 2013 and 2012, the outstanding principal balance of the mortgage loan amounted to \$683,416 and \$700,292, respectively.

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

### 4. First mortgage notes payable - continued

#### Workers' Credit Union (WCU) - continued

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

<u>Year</u>	<u>Amount</u>
2014	\$ 19,401
2015	20,391
2016	21,433
2017	22,527
2018	23,677

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, 2013, the Organization has total cash balances of \$41,980 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 provided for a fixed rate of interest of 6.03% per annum. The interest rate was adjusted to 5.28% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of \$1,939, through June 20, 2013, based on a twenty-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are \$1,816 based on a twenty-year principal amortization. Pursuant to the provisions of the loan modification agreement, the Organization shall be responsible for a prepayment penalty equal to 3% of the outstanding principal balance of the loan in the event the loan is refinanced with another financial institution within three years of the loan modification date. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Organization to WCU.

As of June 30, 2013 and 2012, the outstanding principal balance of the mortgage loan amounted to \$280,852 and \$287,005, respectively.

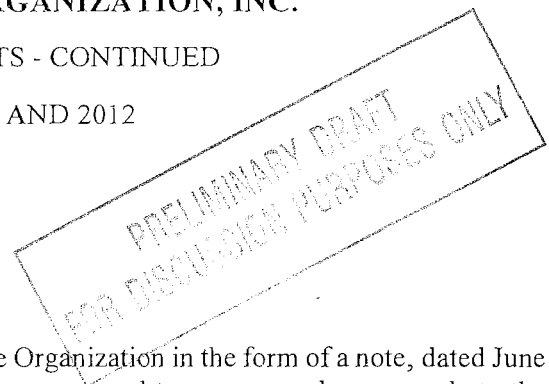
Aggregate principal maturities on the loan for each of the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 7,128
2015	7,514
2016	7,920
2017	8,349
2018	8,800

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012



4. First mortgage notes payable - continued

**Rollstone Bank & Trust**

In June, 2013, Rollstone Bank & Trust provided financing to the Organization in the form of a note, dated June 19, 2013, in the amount of \$142,000. The proceeds of the loan were used to repay an advance made to the Organization by the Foundation in May, 2013 for the acquisition, at a cost of \$172,483, of a real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage note has a term of twenty years, maturing on June 19, 2033, and provides for a fixed rate of interest of 3.25% per annum. Commencing in July, 2013, the loan requires monthly installments of principal and interest of \$809 based on a twenty year principal amortization. The note provides for the payment of a prepayment penalty prior to the fifth anniversary of the loan term in the event the loan is refinanced with another financial institution. The amount of the penalty shall be a specified percentage of the outstanding principal balance with such percentage ranging from 5% during the first loan year and decreasing by 1% per year to 1% in the fifth loan year. There is no prepayment penalty after the fifth loan year. The loan agreement requires the Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets as more fully described in the loan agreement.

As of June 30, 2013, the outstanding principal balance of the mortgage note amounted to \$142,000.

Aggregate principal maturities on the loan for each of the next five years, at June 30, 2013, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 5,100
2015	5,272
2016	5,437
2017	5,630
2018	5,819

**Fidelity Co-Operative Bank**

In June, 2013, Fidelity Co-Operative Bank provided financing to the Organization in the form of a note, dated June 26, 2013, in the amount of \$83,200. The proceeds of the loan were used to repay an advance made to the Organization by the Foundation in May, 2013 for the acquisition, at a cost of \$144,975, of a real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

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

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

4. First mortgage notes payable - continued

Fidelity Co-Operative Bank - continued

loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests without the prior written consent of the lender.

As of June 30, 2013, the outstanding principal balance of the mortgage loan amounted to \$83,200.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2013, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 1,585
2015	1,642
2016	1,694
2017	1,762
2018	1,826

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 \$1,739,000 at June 30, 2013. In addition, payment and performance of the 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 (April 26, 2017, 2022, 2027 and 2032) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of \$4,122 through May 7, 2012. Commencing thereafter, the monthly installments of principal and interest are \$2,875 until the next five year interval adjustment date of April 26, 2017. The note may be prepaid at any time, in whole or in part, without premium or penalty.

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

### 5. Note payable - bank - continued

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2013, are estimated to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 18,512
2015	19,009
2016	19,480
2017	20,044
2018	20,583

### 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, 2013 and 2012, 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>
2014	\$ 165,000
2015	165,000
2016	165,000
2017	20,625
	<u>\$ 515,625</u>

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 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, 2013 and 2012, rent expense amounted to \$18,947 and \$18,506, respectively.

# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

### 6. Lease and license agreements - continued

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

Year ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 18,947
2015	19,895
2016	20,368
2017	20,368
2018	21,386
Later years	<u>7,299</u>
	<u>\$ 108,263</u>

On February 1, 2013, the Organization entered into a ten year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of \$5,696 payable in monthly installments of \$475. The 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 February 1, 2014 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 year ended June 30, 2013, rent expense amounted to \$2,373.

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

Year ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 5,696
2015	5,696
2016	5,696
2017	5,696
2018	5,696
Later years	<u>26,107</u>
	<u>\$ 54,587</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 annual license fees 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, 2013 and 2012, license fee income amounted to \$181,150 and \$178,336, respectively.



# FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

### 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.

Repairs and maintenance expense in the accompanying 2013 and 2012 statements of activities includes \$29,245 and \$33,775, 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 \$1,493 and \$0 in fiscal 2013 and 2012, respectively. Accrued interest payable to the Foundation at June 30, 2013 and 2012 amounted to \$1,082 and \$0, respectively. During fiscal 2013, the Foundation made advances of \$250,026 to the Organization. During fiscal 2013 and 2012, the Organization repaid advances in the amount of \$310,000 and \$60,000, respectively. As of June 30, 2013 and 2012, outstanding advances payable to the Foundation amounted to \$99,114 and \$159,088, respectively. The outstanding advances do not have any specified repayment provisions and due dates.

As of June 30, 2013, the Organization has a miscellaneous accounts receivable in the amount of \$6,000 from the University, which is included in prepaid expenses and other current assets in the accompanying 2013 statement of financial position.

### 8. Supplemental cash flows information

	<u>2013</u>	<u>2012</u>
Cash paid for interest during the year	<u>\$ 142,275</u>	<u>\$ 170,251</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

To the Board of Directors  
**FSU Foundation Supporting Organization, Inc.**  
Fitchburg, Massachusetts

PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of FSU Foundation Supporting Organization, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October XX, 2013.

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

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

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

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

## Compliance and Other Matters

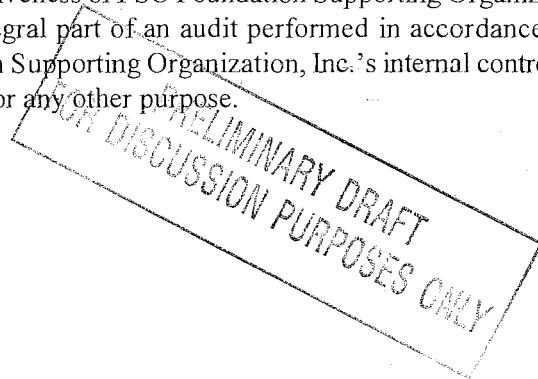
As part of obtaining reasonable assurance about whether FSU Foundation Supporting Organization, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which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

## Purpose of this Report

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

*Ercolini & Company LLP*

Boston, Massachusetts  
October XX, 2013



BOARD OF TRUSTEES  
SELF-ASSESSMENT



## Board of Trustees Self-Assessment

**1. The Board understands and supports the Fitchburg State University mission.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**2. The Board reviews the University's mission documents periodically to assess whether they need to be revised or updated.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**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.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**4. The Board is appropriately involved in the development of the university's policies and strategic direction.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**5. The Board is adequately informed regarding material issues.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**6. Board members participate actively, asking pertinent questions and contributing meaningfully to deliberations.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**7. Board discussions are conducive to reaching timely and constructive decisions.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**8. Materials provided for Board members are useful, sufficient and properly focused.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**9. The Board's deliberations and decisions are adequately documented.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**10. Materials are received far enough in advance to allow thorough preparation.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**11. The location and accommodations for Board meetings are adequate.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**12. The Board, as a whole, is generally prepared for meetings.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**13. The Board and its committees meet with the right frequency.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**14. The Board focuses on meaningful matters and its meetings are productive.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**15. Board members are given adequate orientation and training.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree



**16. Financial statements are intelligible and Board members' questions regarding finances are answered fully.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**17. The actions of the Board are fiscally responsible.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**18. The Board ensures the University acts legally.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Agree

**19. Senior management responds appropriately to Board requests and needs.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**20. The Board regularly reviews the performance of the President.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**21. The Board periodically asked the President to evaluate his/her success in meeting established goals.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Agree

**22. The division of authority and allocation of responsibilities between the Board and executive management is clear.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

**23. The Board enables the President and other chief administrative personnel to exercise effective leadership.**

- ☐ Strongly Agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly Disagree

## SABBATICALS

**Fitchburg State University**  
**REQUEST FOR BOARD ACTION**

TO: <b>Board of Trustees</b>	DATE: November 12, 2013
FROM: The President	REQUEST NUMBER:
SUBJECT: President's recommendation to defer sabbatical requests	04-13/14

It is requested that the Board of Trustees of Fitchburg State University defer the review of the FY2014 Sabbatical requests until the January 30, 2014 meeting.

## ARTICLE XV - SABBATICAL LEAVE

No person to whom a sabbatical leave has been granted shall, during the period of such leave, be eligible or permitted to teach as a part-time member of the faculty in the day program at any University.

Prior to the Board's granting any sabbatical leave, the unit member must enter into a written agreement with the Board of Trustees that, upon the termination of such leave, he/she will return to the service of the University for a period equal to twice the length of such leave and that, in default of the completion of such service, he/she will refund to the Commonwealth, unless excused therefrom by the Board of Trustees for reasons satisfactory to it, an amount equal to such proportion of the salary received by him/her while on leave as the amount of service not actually rendered as agreed bears to the whole amount of the services agreed to be rendered.

Upon completion of any sabbatical leave the member of the bargaining unit to whom it was granted shall submit to the Vice President for his/her approval an appropriate written summary of the work undertaken and accomplished relative to the purpose or purposes for which the sabbatical leave was granted.

Whenever the Vice President shall require additional information previously not submitted in the aforementioned summary, the Vice President shall communicate his/her reasons therefore in writing to said member of the bargaining unit.

The application for and approval of sabbatical leaves shall be done in accordance with the Personnel Calendar in Appendix M.

### D. APPLICATION AND APPROVAL

No later than October 1 of each academic year, each member of the bargaining unit who is or will be eligible on the date on which the sabbatical will begin if approved, and who wishes to do so, shall submit to his/her Department Chair or to the Library Director, as the case may be, a written proposal setting forth the purposes for which the sabbatical leave is sought.

Thereafter the Department Chair or the Library Director, as the case may be, shall submit each such application, together with his/her written recommendation, to the Vice President in accordance with the applicable Personnel Calendar.

The Vice President, after consultation with the Department Chair or the Library Director, as the case may be, shall determine which course or courses or other professional duties or services among those that would otherwise be taught or assumed by the member of the bargaining unit are deemed essential to the curriculum of the department or to a program or service at the University.

The Vice President shall further determine whether such course or service or other professional duties or services so deemed essential are able to be taught or assumed by other members of the bargaining unit at the University without creating a workload in excess of that provided for in Article XII of this Agreement.

Thereafter, the Vice President shall submit a written recommendation to the President concerning each such application. He/she shall also transmit the application itself and the

## ARTICLE XV - SABBATICAL LEAVE

recommendation of the Department Chair or the Library Director, as the case may be, to the President.

In determining which courses are essential, the President shall ensure that the quality of education to be provided to students shall not be diminished by the granting of any sabbatical leave.

Subject to the foregoing provisions of this Article, sabbatical leaves shall be granted by the Board of Trustees, upon the recommendation of the President, or by the President as its designee.

In any case in which a Board of Trustees acts upon the granting of sabbatical leaves, the President shall first transmit to the Board his/her written recommendations in that regard, which recommendation shall contain statements of his/her reasons for the making of each such recommendation. Whenever the Board shall not have accepted any such recommendation of the President, it shall set forth its reasons therefor fully and completely. In any such event, such reasons shall be transmitted to the unit member.

Following the final decision of the Board of Trustees or of the President as its designee, each applicant shall be notified of the decision with respect to his/her application.

### E. FUNDING/IMPLEMENTATION

The funding and implementation of every such sabbatical leave is contingent on the availability of moneys to be used solely for the purpose, to the extent necessary, of employing qualified temporary or part-time personnel to teach such essential courses, assume such essential duties or render such essential services during the absence of any member of the bargaining unit who shall have been granted a sabbatical leave.

Whenever the President shall have determined that any essential course, duty or service cannot be so taught or assumed, the President shall make available any savings that may be realized from the granting of a sabbatical for a full year.

### F. DEFERRAL

This Section F shall be of application only to sabbatical leaves the purposes for which (being study and research) the University has approved and for which application was made during academic year 2008-2009 or thereafter.

Whenever,

1. for lack of the availability of moneys to be used in the manner described in the second paragraph of the preceding Section E, the University requires a unit member, or
2. because at the request of the University for some professional purpose or obligation (e.g., to assist with accreditation), a unit member agrees, or
3. because of compelling reasons that make it impracticable for a unit member to carry out the purposes of his/her sabbatical leave, the University permits the unit member,

## 2013-2014 PERSONNEL CALENDAR

### SABBATICAL LEAVE

#### Action Required

Candidate submits proposal for 2014-2015 leave to Chair/Library Director/LPAC (Note that a year-long sabbatical at half-pay earns only a half year of creditable service.)

10/1

Chair/Library Director/LPAC recommends to Vice President

10/11

Vice President recommends to President

11/1

President recommends to Trustees

11/12

### DEPARTMENT CHAIR EVALUATION AS CHAIR

#### Action Required

Chair selects third member of Peer Evaluation Committee<sup>2</sup>

9/30<sup>v</sup>

Receipt of comments from department by Peer Evaluation Committee

11/12

Evaluation by Peer Evaluation Committee (Transmit to Chair who has 10 calendar days to respond to the PEC.)

12/2

Peer Evaluation Committee transmits to Vice President (copy to Chair)

12/15

#### NOTES:

1. Including salaried part-time faculty at Massachusetts College of Art and Design (reappointment and promotion only) and Clinical Nursing Instructors (reappointment only).
2. Peer Evaluation Committees must be formed no later than **9/30/13<sup>v</sup>**. Candidate selects the third member of the committee. Given the early deadlines for classroom observations for reappointments, it is recommended that PECs be formed as early as possible.
3. For librarians, Library Director or Library Program Area Chair (LPAC) conducts direct observation; if librarian is teaching a credit-bearing course, Chair also conducts classroom observations.
4. During first year, direct observations of librarians and classroom observations for faculty/librarian will be completed and transmitted to Vice President.
5. Faculty should give notice to Chair by **4/1/14** so that classroom observations can be conducted during the Spring 2014 semester. If classroom observations cannot be conducted in the spring, they should be conducted in the Fall 2014 semester, no later than two (2) weeks before the Chair's evaluation is due. Librarians should give notice to Library Director/LPAC by **4/1/14** so that direct observations can be conducted prior to 9/15/14. If direct observations cannot be conducted prior to 9/15/14, they should be conducted no later than two (2) weeks before the Library Director's/LPAC's evaluation is due.
6. The Committee on Promotions must be formed no later than **9/30/13<sup>v</sup>**.
7. For faculty in the Salem School of Social Work, Westfield Program in Social Work and Bridgewater Master of Social Work Program, evaluation by the Peer Evaluation Committee is mandatory (see note 2).
8. The Committee on Tenure should be formed no later than **10/31/13**.

## NOTIFICATIONS



# FITCHBURG STATE UNIVERSITY

## Board of Trustees

### NOTIFICATIONS

<b>TO:</b> Board of Trustees	<b>DATE:</b> November 12, 2013
<b>FROM:</b> The President	<b>REQUEST NUMBER:</b> N02-12/13
<b>SUBJECT:</b> Personnel Actions	

#### **New Hire**

Jason Smith, MED Effective: 9/15/13	Staff Assistant/Coordinator of Career & Mentor Programs (10 mo) Expanding Horizons	\$35,000.00
Nancy White, BA Effective: 10/27/2013	Assistant Director Financial Aid	\$47,000.00
Laura Croteau, MS Effective: 12/8/13	Assistant Director of Residence Life Housing & Residential Services	\$40,000.00

#### **Change in Title and Salary**

Michael Gantt, MA Effective: 9/16/13	From: Associate Director To: Interim Director Admissions	From: \$68,427.57 To: \$80,427.57
Annette Sullivan, Ed.D. Effective: 1/1/14	From: Assistant Professor, Education To: Interim Dean of Education Center for Excellence in Education	From \$74,680.62 To: \$89,680.62

#### **Change in Title**

Melissa Demerest, BS Effective: 10/14/13	From: Director of Budgeting To: Staff Assistant, Academic Affairs Finance and Grant Coordinator Finance/Academic Affairs	\$89,394.17 (no change)
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#### **Change in Salary (adjustment)**

Denise LaFrance, Ed.D. Effective: 9/1/13	Assistant Professor Education	From: \$59,012.46 To: \$61,760.46
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Elizabeth Walsh, Ph.D. Effective: 9/1/13	Assistant Professor Behavioral Sciences	From: \$66,985.84 To: \$69,733.84
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Lola Meskauskas, MS Effective: 9/1/13	Instructor (9 to 11 credits) Nursing	From: \$45,610.36 To: \$60,544.72
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**Retirement**

Judith Ciottone, Ph.D. Effective: 5/31/14	Professor Biology/Chemistry	\$93,494.06
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**Resignation**

Francis McGee, MBA/MEd Effective: 10/5/13	Assistant Professor Industrial Technology	\$66,662.97
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**Termination**

Jacklyn Sutcvini, BS Effective: 10/7/13	Staff Assistant/Grant Writer Alumni & Development/Grants	\$48,000.00
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ENCLOSURES

TO: Dr. Robert Antonucci, President  
C/o Kristin Murphy, Director of Residence Life  
Fitchburg State University

FROM: Edward Adelman  
Executive Director

DATE: September 11, 2013

SUBJECT: RESIDENCE HALL OCCUPANCY - FALL SEMESTER 2013/FY2014

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 2013 semester and include the certification date. Return the form via email to David Spolidoro at [dspolidoro@mscba.org](mailto:dspolidoro@mscba.org) by Thursday, September 19, 2013 and mail the original signed form as soon as possible thereafter.

Fall assessment notices will be sent out by Thursday, September 26, 2013 for payment to US Bank Corporate Trust by Thursday, October 3, 2013.

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 2012	Fall 2013	Fall 2012	Fall 2013	% Change	Fall 2012	Fall 2013
Apartments	189	189	189	189	0.0%	100.0%	100.0%
Aubuchon	316	316	353	387	9.6%	111.7%	122.5%
Herlihy	148	148	161	163	1.2%	108.8%	110.1%
Mara Village	328	328	314	313	(0.3%)	95.7%	95.4%
Russell Towers	452	452	473	441	(6.8%)	104.6%	97.6%
<b>Subtotal - System</b>	<b>1,433</b>	<b>1,433</b>	<b>1,490</b>	<b>1,493</b>	<b>0.2%</b>	<b>104.0%</b>	<b>104.2%</b>
Cedar House	28	28	29	31	6.9%	103.6%	110.7%
Mara New	104	104	100	102	2.0%	96.2%	98.1%
<b>Subtotal - Campus</b>	<b>132</b>	<b>132</b>	<b>129</b>	<b>133</b>	<b>3.1%</b>	<b>97.7%</b>	<b>100.8%</b>
<b>Total</b>	<b>1,565</b>	<b>1,565</b>	<b>1,619</b>	<b>1,626</b>	<b>0.4%</b>	<b>103.5%</b>	<b>103.9%</b>
<b>Certification Date:</b>							

*[Double-click the table to add 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  
Henry C. Parkinson III, Assistant Dean for Student Development and Housing - FIT

October 15, 2013

Commissioner Richard Freeland  
Massachusetts Department of Higher Education  
Office of the Commissioner  
One Ashburton Place, Room 1401  
Boston, MA 02108

*Re: Evaluation and Compensation  
Recommendation of Robert V. Antonucci,  
President, Fitchburg State University*

Dear Commissioner Freeland:

On behalf of the Board of Trustees of Fitchburg State University (“the Board”), I submit this annual evaluation and recommendation for an increase in compensation for President Robert V. Antonucci. The following evaluation and compensation recommendation is in accordance with the Department of Education’s newly established *Compensation and Evaluation Guidelines and Procedures for State University Presidents* dated June 2013.

I. ANNUAL EVALUATION

The Board met at its regular session on Tuesday, September 10, 2013 and, among other various items on its agenda, reviewed and discussed at length President Antonucci’s institutional goals and achievements for academic year 2012-2013. The Board concluded that the President experienced an exemplary year.

In addition to the institutional goals, the Board also reviewed and discussed at its open meeting, the President's participation and leadership in the Department of Higher Education's system-level goals and activities as it established in June of this year. After such discussion, the Board again determined that the President was highly successful in attaining these statewide initiatives. Consequently, the Board unanimously authorized me to submit this evaluation to you.

President Antonucci successfully attained the approved objectives that were set forth for the 2012-2013 academic year, and is continually progressing toward achieving and improving upon those goals and objectives. The following is this Board's comprehensive evaluation and recommendation to increase the compensation of President Antonucci.

A. Institutional Goals and Objectives

In September of 2012, the Board unanimously voted to accept the president's goals and objectives that are outlined in Schedule A and are attached hereto and incorporated herein by reference. His accomplishments in capital improvements are noteworthy. The Fitchburg State University's ("the University" or "Fitchburg State"), state of the art science center is complete, the renovation of Hammond Hall, the student center, is commencing its fourth and final phase of construction with the overhaul of the library.

The President's drive to improve curriculum is unsurpassed. He has achieved his objective in securing that Fitchburg State is the first public institution in New England to offer a bachelor's degree in the increasingly popular major of game design. The Education Department received a positive recommendation for national recognition from the National Council for Accreditation of Teacher Education, and the University received approval to offer graduate credit courses required for teachers across the state. These last two achievements are significant given Fitchburg State's reputation for its selective education major.

While maintaining its competitive education curriculum, the President and his staff were rewarded with a \$225,000 developmental math performance grant from the Department of Higher Education. The University prides itself in its undergraduate program; it also strives to improve its graduate and continuing education department. To that end, the President succeeded in substantially increasing the number of online courses and programs, and expanded its off-campus partnerships.

Perhaps the President's greatest achievement is attaining the ten-year accreditation of the New England Association of Schools and Colleges' Commission on Higher Education ("NEASC"). NEASC describes the University as a forward-looking institution committed to excellence and investing in its facilities and community.

Upon review of Schedule A, the foregoing summary is the list of major accomplishments the President has achieved in one academic year, and he continues to improve upon it in the next.

1. Evaluation of Institutional Mission, Goals and Objectives, and the University's Strategic Plan

Fitchburg State University's Mission Statement:

*Fitchburg State University is committed to excellence in teaching and learning and blends liberal arts and sciences and professional programs within a small college environment. Our comprehensive public university prepares students to lead, serve, and succeed by fostering lifelong learning and civic and global responsibility. A Fitchburg State education extends beyond our classrooms to include residential, professional, and co-curricular opportunities. As a community resource, we provide leadership and support for the economic, environmental, social, and cultural needs of North Central Massachusetts and the Commonwealth.*

The University's mission statement was revised and improved upon in 2009 after review and input from the All College Committee, the President, and the Board in anticipation of the state's legislation establishing a state university system. The mission is

in keeping with its strategic plan in that the University prepares students for a global society through curricular innovation and program development, achieves academic excellence by investing in our faculty and librarians in their pursuit of knowledge, professional competency, and scholarship, employs innovative uses of technology in the library and across our campus to maximize student learning, creates a culture of diversity to meet the needs of the region and enhance the personal and academic lives of the university community, and builds partnerships within our community to provide real-world opportunities for our students and collaborative solutions to community issues, build and maintain a high quality campus. This mission and strategic vision allows the University to continue to be affordable, accessible, a supportive partner with the community, and to strive for academic excellence.

## 2. Interrelation of Institutional Goals with System-Level Goals

The system-level goals to be addressed in this year's evaluation are the Vision Project and Collaboration and Efficiency. The President has been exceptional in making certain that the University's goals are parallel to that of the Commonwealth's Vision Project in order to attain the best state education possible so that our graduates may enhance the state's fiscal and cultural atmosphere in the workforce.

One example of the shared objective between the University's goals and the System-Level goals is President Antonucci's influence and participation in securing a federal grant to work with the University's three partner school districts of Lowell, Fitchburg, and Leominster, along with the Collaborative for Educational Services, to improve instruction for students with limited English proficiency and upgrade the qualifications of educational personnel working with ELLS. This achievement is paralleled with the Commonwealth's goals of closing achievement gaps among students from different ethnic, racial and income groups in all areas of educational progress. He was also a member of the development group to review and establish state university completion rate goals for 2016-2021 for Hispanic, Black, and Caucasian students. This accomplishment serves the dual role of closing the achievement gaps and increasing the percentage of students who complete degree and certificate programs.



For a comprehensive review of President Antonucci's success in merging Fitchburg State's goals with the Commonwealth's, please review Vision Project and State Collaboratives attached hereto and incorporated herein by reference as Schedule B.

### 3. Institutional Leadership and Management Skills

Leadership and management skills are President Antonucci's greatest attributes. He works with a high quality and highly competent staff and they have the fortunate ability to demonstrate both respect and affection for him. They possess that respect and affection for him because of his talent to establish authority simultaneously with his ability to demonstrate an avuncular disposition with them. He effectively handles the lawful hiring and terminating of employees and immediately notifies the Chair and the Board of such actions. Rarely does any employee voluntarily terminate his or her employ from the University. The professional yet good-natured atmosphere causes any other potential place of employment to pale in comparison. Furthermore, the President has wisely overseen the University's budget to allow him to tend to unanticipated future deficiencies. His swift decision-making skills and problem solving has attributed to minimal student and campus issues.

#### a. General Management and Planning

The President has vast, effective experience in management and planning. Only within the last three years has the President faced the need to assemble a search committee to hire a new Vice-President of Academic Affairs ("VPAA") and Associate Vice President of Academic Affairs. He recently experienced the need to hire an Associate VPAA, which, after an extensive search, came internally, with the appointment of the head of the Political Science Department as Associate VPAA. The President has the rare talent of transitioning from an administrator-faculty relationship to a peer relationship instantaneously. The new Associate VPAA bridged into his new role seamlessly and President Antonucci's leadership skills only facilitated in that progression.

His leadership attributes emerged three years ago as he welcomed our newly selected VPAA from Kansas. The President implemented his leadership skills in such a way to allow a seamless transition from the former popular VPAA to our current VPAA. Dr. Bowen was recently promoted to Executive Vice-President and Provost. After the promotion, the President was quoted by the press by stating, "Dr. Bowen has been an outstanding member of the leadership team at Fitchburg State and I am honored that she will be taking on additional responsibilities at the campus," Antonucci said. "She has played a pivotal role in moving the institution forward, including the development of our new game design major." The President is continually advocating that every accomplishment at the University is a team effort. He credits his staff for every achievement.

b. Fiscal Management and Budgeting

The President also introduces his leadership skills in his method of fiscal management and budgeting. In these times of fiscal struggle in Massachusetts, the President has astutely, conservatively, and lawfully maintained reserve funds to cover any deficiencies in the Commonwealth's waning budget. The University remains modest in its increase in student fees compared to its companion institutions.

c. Decision-Making and Problem-Solving

As President of a state university in a metropolitan city such as Fitchburg, his ability to make swift, thoughtful decisions is exercised daily. President Antonucci faces the challenges of off-campus and non-student crime. He immediately and rationally reacts to any activity that affects the student community. He speaks to his students in a paternal yet authoritative manner and instructs his staff to notify the entire student body and university community when a criminal or inappropriate act has been reported. President Antonucci has consistently resolved issues immediately upon his knowledge of them.

#### 4. Personal Attributes/Trust/Integrity

The President has been one of the most approachable leaders for Fitchburg State. He knows every student and every student feels welcome walking into his office to seek advice or assistance.

This year, President Antonucci immediately took the initiative to disclose to me, to the campus community, the entire Board, the Foundation, and to the State Ethics Commission his entire spending history during his tenure as president. The results are modest and reasonable. He has detailed verbally and in writing information involving the University credit card and his personal credit card, and the manner in how he and his staff maintain those cards. This is one most recent example of how his transparency and forthrightness only confirm his integrity and our trust in him

#### 5. Experience and Competency

President Antonucci is undeniably one of the Commonwealth's most experienced and competent university leaders. As education commissioner in the 1990s, he played a key role in the passage and enactment of the state's historic Education Reform Act of 1993, a landmark law now seen as a national model.

He has vast experience in the private sector as well. The President is former president of the school group at Cambridge-based Riverdeep—The Learning Company, a leading provider of electronic educational software. He has also held the positions of president and chief executive officer with Harcourt Learning Direct and Harcourt Higher Education, and chief executive officer of Harcourt eLearning and the California College for Health Sciences.

President Antonucci is most well known for his 12- year tenure as superintendent of schools in Falmouth, serving as the chief executive officer of the town's K-12 system. From 1974 to 1980, he served as assistant superintendent of the Leominster Public Schools.

Most importantly, this year is Mr. Antonucci's tenth year of service as President of the University.

#### 6. Fundraising

Approximately two years ago, President Antonucci launched a successful fundraising capital campaign that raised \$12 million dollars; the campus community continues to revel in that success. He appeared to navigate the campaign effortlessly and enthusiastically.

He would not take all the credit for such success, attributing most of the hard work to the Vice President of Advancement. However, the President should be credited for his fundraising efforts while the Advancement Office was in need of staff and, moreover, when he sought out to hire whom he believed to be the most competent leader in the area. The President was astute to modify the title to Vice-President and to increase the salary for the position. The salary increase has since paid for itself with the President's choice for the current Vice-President of Advancement. 2012-2013 has been the most successful in fundraising in recent years.

#### 7. Campus Climate

The continual capital, technological, and aesthetic improvements have resulted in a positive and enthusiastic campus climate. During the last year, a major renovation of the university's Campus Center was completed, attracting students to socialize, dine, and study in the new Hammond Building. The campus climate experienced the greatest boost upon completion of the project that closed much of a former public street, converting it to a tree-lined plaza.

The President and his staff's enthusiasm, the balanced budget, and the steady income of financial contributions are also major contributors to the positive climate at Fitchburg State.

## 8. Leadership in the Community

Growing up within the area, attending Fitchburg State to earn two degrees, and working within the local school systems, President Antonucci has had ties within the community for decades. He has great rapport with the current City of Fitchburg Administration and, while sometimes challenging, is widely influential in gaining its support to improve the attractiveness of the downtown area. He was successful in the purchase of property in a landmark area of the city that is now the gateway to the campus. The President has been influential in convincing the mayor and her staff to allow the University to maintain the lot of land as attractive green open space in lieu of immediate commercial development.

President Antonucci's leadership within the community is not limited to his role as the president of the university. He is a member of a host of local, regional, and national boards. During the 2012-2013 year, he has maintained his membership of the NCAA Division III Chancellors/Presidents Council. He continues to serve as a member of its Joint Legislative Steering Committee.

President Antonucci is a trustee or director at Eastern Bank, Unifit, Fallon Clinic and Our Father's House, as well as a incorporator at Cape Cod Healthcare and the Greater Worcester Community Foundation. Within the last year he was re-elected as a town meeting member in Falmouth. He remains a member of the board of directors of the United Way of North Central Massachusetts', and the North Central Massachusetts Chamber of Commerce.

President Antonucci has also chaired the New England Association of Schools and Colleges strategic planning initiative and the State University System of Massachusetts Council of Presidents.

## 9. Challenges and Improvements

While I depict a campus that is bright, a university that is thriving, and a President that is the reason for both, Fitchburg State does not move forward without its challenges and need for improvement.

At the top of the President's list of challenges is addressing the need for a dean structure to improve the academic progress of the departments. The President has reported that reintroducing academic deans to the university has been a long-term objective and the organization of such is now underway.

Second, the infrastructure of antiquated campus buildings and facilities constantly requires significant attention and, certainly, the President addresses these issues patiently. For example, the aged Condiak building is currently undergoing a cosmetic overhaul and will be an asset to the attached Science Center.

A third obstacle for the University is the struggle to sell and market the City of Fitchburg to potential incoming students. The want of an attractive downtown and surrounding area has been a barrier for enrollment. The positive side of this concern has been the great aesthetic make up of the University campus itself and the main artery leading to the campus. The Foundation's purchase of real estate has diminished the constant marketing struggle.

Further, the Board must undertake the task this year of a self-assessment, which has yet to be formally completed. The President's staff has taken the initiative to prepare a rubric for the Board to assist it in its assessment. The President and the board must now exercise its obligation.

#### 10. Exceptional Performance

The bright side of the President's challenges is that he and his staff have acknowledged the various needs for improvement and taken action to address them. Any such challenges, however, are superseded by this past year's exceptional performance of completing significant capital improvements, achieving record high first year enrollment, and attaining the NEASC ten year accreditation, to name only a few.

B. System-Level Goals and Activities

I have addressed the President's involvement in System-Level goals as they are connected with his own institutional goals in Section A2 above. A comprehensive view of his participation follows.

1. Vision Project

President Antonucci's leadership in advancing system-level goals and activities has surpassed this Board's expectations. The 2012-2013 goals concerned the Commonwealth's Vision Project. The Project's mission is to make Massachusetts a national leader in certain key outcomes in order to compete effectively for jobs, investment and talent.

a. College Participation

With regard to raising the percentage of high-school graduates going to college, and the readiness of these students for college-level work, President Antonucci has provided data on high enrollment courses and high transfer enrollment courses for the AACU Qualified Collaboratives Dyad. He has been a member of the Massachusetts Public Education Marketing/PR Collaborative, and participated in setting parameters and tracking elements for Starfish implementation.

b. College Completion

The Vision Project's second goal is that of increasing the percentage of students who complete degree and certificate programs.

The President has been highly active and successful in this objective. He played a key role in developmental math design associated with the Vision Project Performance Incentive Fund 2013, from which the Department of Higher Education recently awarded the University \$107,217. His activities included the development of Starfish Retention Software in order to generate emails to students regarding various aspects of their progress toward the math requirements.

c. Student Learning

In order to achieve higher levels of student learning through better assessment and more extensive use of assessment results, President Antonucci has chaired the State Teacher Education initiative, coordinated the math placement testing and required “MyMathLab” preparation as part of the Developmental Math Project, and developed reports to identify students who have not followed a math track enrollment in consecutive math courses from year one through the completion of the requirement.

d. Workforce Alignment

The objective of aligning occupationally oriented degree and certificate programs with the needs of statewide, regional and local employers, the President has undertaken the task of participating in MCLA @Scale grant for STEM Pathways to develop and promote best practices in STEM major retention.

e. Preparing Citizens

The new goal of providing students with the knowledge, skills and dispositions to be active, informed citizens has allowed the President to form new partnerships through extended campus programs with the New England Aquarium, the Parker Charter Essential School, and the Massachusetts Institute for Teaching Science. He also participated in workforce articulations related to manufacturing with local community colleges in the areas of computer science and biotechnology.

f. Closing Achievement Gaps

Closing achievement gaps among students from different ethnic, racial and income groups in all areas of educational process has allowed the President to succeed in the development of Blackboard Analytics Software to improve retention and expand student engagement. He has also secured a federal grant to work with Lowell, Fitchburg and Leominster to improve instruction for students with limited English proficiency and upgrade the qualifications of educational personnel working with ELLS.

The foregoing are only a few of President Antonucci’s participation, successes and achievements in the Vision Project’s goals. Please review Schedule B for a full comprehensive listing.



## 2. Collaboration and Efficiency

The President's leadership in advancing the work of the Partnership to Advance Collaboration and Efficiency (PACE) has been comprehensive and effective in cost savings. PACE is a collaboration of all state universities and community colleges focused on improving efficiencies across the system.

President Antonucci's role in collaboration and efficiency is fully described in Schedule B attached, and I outline some notables here. First of all, he serves on the PACE steering committee and as part of its initiative, he worked with the Massachusetts Higher Education Consortia to establish programs that saved the Commonwealth millions of dollars in statewide procurement and power purchase efficiency.

In furtherance of the objective in improving efficiencies, President Antonucci has been a valuable member of the Department of Resources-sponsored council that focused on implementation of Executive Order 484, (where state agencies are called to prioritize practices and programs that address resource use at state facilities including a reduction in energy consumption derived from fossil fuels and emissions associated with such consumption), 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.

The University's Chief Information Officer is collaborating with representatives of Worcester State University, Quinsigamond Community College and Mount Wachusett Community College to determine the overall cost savings actually achieved. This data will be available in the near future. He also serves as a member of the PACE task force with regard to this year's information technology review.

The President has also been actively involved with the Massachusetts Regional Emergency Planning Commission, including the trails coalition to explore trails and greenways access for work and recreation.

## C. Conducting and Documenting the Annual Evaluation

### 1. Process Followed

The Guidelines suggest that this evaluation should clearly state the process followed by the local board of trustees in conducting the annual review process. The members of the Fitchburg State University Board of Trustees each have a close connection with the University in that the President remains transparent with the Board on all University business. The President and the Chair discuss all aspects of the President's goals and challenges on a weekly basis, if not more often.

The Board, particularly the Chair, frequently speak with staff, faculty, and community participants for informal assessments of the President's progress and evaluation. As discussed above, this Board still requires conducting its own self-assessment and strives to do so this academic year. Our own assessment will enhance future Presidential evaluations as well.

All board members seek input and information of the presidential goals and achievements and, therefore, this Board found that full board involvement would serve as the best tool for evaluation purposes.

### 2. Open Meeting Law

The President provided the Board members his list of goals at the start of the 2012-2013 academic year prior to its first board meeting. At that meeting, and pursuant to the open meeting law, the Board and the president discussed his objectives and voted unanimously to accept them.

Prior to the commencement of the 2013-2014 academic year, the President provided the Board with his list of achievements from his 2012-2013 goals, and also presented his list of goals for this academic year. At its first meeting on September 10, 2013, and in compliance with the open meeting law, the Board and the President discussed those at length. The Board also discussed the President's challenges and needs for improvement. The Board voted unanimously to accept the President's new goals for the year and to consent that the President remarkably met his objectives from the previous year.

## II. RECOMMENDATIONS FOR ANNUAL COMPENSATION

Based upon all of the accomplishments of President Robert V. Antonucci from the 2012-2013 academic year at Fitchburg State University, the Board of Trustees recommends to the Department of Higher Education (“DHE”) the following compensation increase.

### A. Annual Inflationary (Cost of Living) Adjustment

While the DHE has not formally established a parameter for compensation as it relates to an inflationary adjustment, the Board recommends a 3.5% increase to his current salary of a modest \$8,907.00 adjustment.

### B. Merit

On September 10, 2013, the DHE notified the local boards it received approval to award merit-based salary adjustments for presidents up to a maximum of 3.5% for any individual president. The potential increase is divided into two parts, with one-half (1.75%) allocated by the Commissioner and the other 1.75% allocated by the local board.

This Board of Trustees allocates the total 1.75% increase which it is authorized to allocate, and recommends that the Commissioner allocate the additional 1.75% for President Antonucci’s foregoing successful performance related to institutional and system-level goals and objectives of 2012-2013. This 3.5% adjustment to his current income is an increase of \$8,907.00.

### C. Equity

The Board also respectfully requests an equity adjustment for President Antonucci consisting of an increase of 3.5%.

Please review Schedule C, which is attached hereto and incorporated herein by reference. This salary summary includes supporting data on salary ranges of current,

sitting presidents in the Commonwealth's public higher education institutions, and of presidents in comparable positions in the northeastern United States

### III. CONCLUSION

On behalf of the Board of Trustees of Fitchburg State University, I submit to you the positive annual evaluation of President Robert V. Antonucci's performance for the 2012-2013 academic year. This successful performance, consequently, merits the maximum possible increase in his compensation, including inflationary, merit, and equity, retroactive to the start of the fiscal year.

Thank you, Department of Higher Education, Commissioner Freeland, and the Board of Higher Education, for taking the time to review this evaluation.

I am happy to address any item involved in this evaluation upon your request.

Very truly yours,

A handwritten signature in black ink, appearing to read "Carol T. Vittorios", with a long horizontal flourish extending to the right.

CAROL T. VITTORIOSO

**Robert V. Antonucci**

PRESIDENT

*Schedule A*

## ***President's Report to the Trustees: Major Accomplishments 2012-13***

- **NEASC 10-year reaccreditation attained.** The New England Association of Schools and Colleges' Commission on Institutions of Higher Education officially renewed Fitchburg State's accreditation through 2022, describing the university as a forward-looking institution committed to excellence and investing in its facilities and community.
- **New Science Center completed.** The building offers state-of-the-art facilities and replaces the aging Condiike Hall laboratories. Phase two of the \$57 million project—complete renovation of the obsolete labs and classrooms in Condiike—is now underway.
- **First two phases of Hammond Hall renovation completed.** The building's rebirth has created a stunning new entrance to campus, complete with new dining areas, meeting rooms, student and staff offices and a campus book store.
- **New game design major approved.** Fitchburg State became the first public institution in New England to offer a bachelor's degree in [game design](#). The Massachusetts Board of Higher Education approved the new major at their December, 2012, meeting. The Bachelor of Science in game design will be part of the Communications Media Department.
- **University Partnership program inaugurated.** The university's Douglas and Isabel Crocker Center for Civic Engagement began a two-year partnership with the Cleghorn Neighborhood Center, assisting the center with its goal of strengthening the Latino community in Fitchburg. Faculty teach specially-tailored courses while students and staff help with homework and afterschool programs. The university donated 30 computers as part of the project.

- **The Education Department successfully prepared for National Council for Accreditation of Teacher Education, earning a positive on-site review.** This fall a lead reviewer will compile a team report, including a recognition decision representing the consensus of the team. The report will be reviewed by an audit committee of the professional association, which determines national recognition.
- **GCE, the Education Department and IT began work to develop an online graduate program in special education.** Strategic planning and development included incorporation of multi-media technologies in course design, creation of standard course templates, and training of faculty. Launch expected in 2014. Significant marketing initiatives being developed for program promotion including promotional videos.
- **Hispanic enrollment exceeded 10% for incoming freshman.** This had been a priority for enrollment management as they work to recruit an incoming class that reflects the demographics of the community.
- **The Advancement Office saw a 6% increase in annual gifts and a 42% increase in annual giving.** With a new alumni director on board and a shift in administrative responsibilities, the division is moving ahead with a more comprehensive focus.
- **Online marketing initiatives increased.** A new digital marketing manager was hired, a mobile website created, the web site design was streamlined and visually “refreshed,” and social media guidelines established.
- **Increased scholarship aid for students**
- **Received Graduate Council approval implementing a formal policy that requires regular reviews of graduate programs consistent with the undergraduate program review process**
- **Hired director and assistant director for the Center for Professional Studies and Extended Campus Programs**
- **Interdisciplinary degree review completed**
- **Undergraduate retention improved by 2 percent**

- Received approval to offer graduate credit courses required for teachers across the state
- Energy initiatives included completion of a climate survey, a workforce articulation agreement, an American Colleges and Universities Quality Collaborative, and creation of internship partnerships
- A \$225,000 Developmental Math Performance Grant was received from the Department of Higher Education
- Graduate & Continuing Education continued to significantly increase the number of online courses and programs, and expanded off-campus partnerships
- Information Technology replaced a third of the core network, added room scheduling/classroom software and implemented high definition television system in the residence halls
- Human Resources/Payroll implemented a new time and attendance program
- Student and Academic Life implemented an e-tutoring program
- Financial Efficiencies: Electronic cashiering , payment plans, credit card processing
- Formed new partnerships with the New England Aquarium, the Francis W. Parker Charter Essential School (New Teachers Collaborative), and the Massachusetts Institute for Teaching Science
- Fitchburg Anti-Violence Education—FAVE—initiative completed its second year of increased training; application made to continue grant
- GCE expanded marketing initiatives into southern New Hampshire
- Academic Affairs, GCE, the Registrar, and IT collaborated to implement the online university catalog Acalog, as well as a new room scheduling system

- **Implemented the Transforming Education and Schools for English Learners grant**



**Robert V. Antonucci**

PRESIDENT

*Schedule B**Vision Project and other Statewide Collaboratives*

- 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.
- Played a role in developmental math redesign associated with the Vision Project Performance Incentive Fund 2013. Activities include the development of Starfish Retention Software and other software to generate emails to students regarding various aspects of their progress toward the Mathematics requirements.
- Developed a suite of reports identifying students who have not followed a “math track,” enrollment in consecutive math courses from freshman year through the completion of the requirement. Additional reports have been developed to identify average grades in math courses following the completion of remedial math, students who failed a math course after

having registered for the upcoming term, students who have failed the Math Accuplacer Exam and have not yet registered for remedial math, etc.

- Assisted with elements of the Transfer Improvement Collaboration between Fitchburg State University and Mount Wachusett Community College. Provided data relating to transfers into Fitchburg State and, specifically, transfer courses accepted from Mount Wachusett Community College.
- Assisting in the development of Blackboard Analytics Software with the goal of improving retention, closing achievement gaps and expanding student engagement as described in the Vision Project Report.
- Participating in the Commonwealth's recently introduced "statewide initiative to provide labor market information and real-time job demand data to our education, workforce and economic development partners." This initiative enables access to real-time data on employer hiring needs and analysis of on-line job posting data at the state and sub-state levels.
- Provided data on high enrollment courses and high transfer enrollment courses for the AACU Quality Collaboratives Dyad
- Coordination of math placement testing and requiring "MY Math Lab" preparation as part of the Developmental math Project
- Workforce articulations related to manufacturing with Quinsigimond and Mount Wachusett community colleges in areas of computer science, biotechnology and manufacturing for technical sales: IDIS/BSAD degree
- Participated in setting parameters and tracking elements for Starfish implementation
- Directed support services for Incentive Grant initiative
- Participant in MCLA @Scale grant for STEM Pathways to develop and promote best practices in STEM major retention
- Member of development group to respond to DHE "Goals and Recommendations" for the Vision working group on graduation and student success rates

- Development group to review and establish state university completion rate goals for 2016 – 2021 for Hispanic, Black and Caucasian students
- Formed new partnerships through extended campus programs with the New England Aquarium, the Francis W. Parker Charter Essential School (New Teachers Collaborative), and the Massachusetts Institute for Teaching Science
- 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 ELLS. The Collaborative for Educational Services is also a partner on the project.
- Co-directed the Central Massachusetts Partnership for Assessing Written Communication project.
- Participants in Advancing Massachusetts Culture of Assessment's experiments grant to support the Vision Project.
- Active in 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 of higher education 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 another state university nursing program and three postsecondary LPN programs to develop best practices for a stand-alone accelerated LPN to BS nursing bridge program that will be disseminated statewide for possible replication at other state universities. Fifteen students are enrolled for our second cohort.
- 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.

*Schedule C***Salary Summary****Dr. Robert V. Antonucci**

This salary summary provided below is a data comparison from two separate salary surveys utilized to compare both national and regional peer institutions.

The salary information for Dr. Antonucci is provided on the last page for review.

**The Survey Group/ Regional-Universities and Colleges****2012 College and University Compensation Survey****Salary Information for CEO, President**

**Summary of data:** The survey below reflects data comparison for the CEO, Presidents of a college/ university for 25 organizations. The job description as defined in the survey matched the job responsibilities of 96% of the CEO's roles. Only 4% reflected their responsibilities to be higher than the description.

In the graph below, the weighted average equals the sum of the individual employee's data divided by the number of employees. In this comparison you will find weighted average, 25<sup>th</sup>ile, 50<sup>th</sup>ile and 75<sup>th</sup>ile. Fitchburg states president data would be reflective in the operating budget of 100 million to 165 million. It also notes the average salary range which is the minimum, midpoint and maximum established for the job by organization with formal salary structures. Broadband structures are not included in these averages.

I have included the full time employee headcount for your review and information.

**Fitchburg State University -Full time employees as of 9/16/2013:** 533

## President - EX01

Serves as the chief executive officer of the institution with the responsibility for the formulation and direction of sound policies and practices in all administrative, fiscal and academic affairs.

### All Organization Data

No of Orgs	No of Ees	Degree of Match Percent of Employees			Annual Base Salary				No of Orgs	Average Salary Range		
		Low	Equal	High	Wtd Avg	25th %ile	50th %ile	75th %ile		Minimum	Midpoint	Maximum
25	25	0.0%	96.0%	4.0%	\$361.1	\$247.1	\$360.5	\$425.0	5	\$208.1	\$277.9	\$347.7

## President - EX01

Organization Type/Size	No of Orgs	No of Ees	Annual Base Salary				Additional Cash Comp  Wtd Avg Bonus	Total Cash Compensation			
			Wtd Avg	25th %ile	50th %ile	75th %ile		Wtd Avg TCC	25th %ile	50th %ile	75th %ile
Operating Budget > 165M	9	9	\$446.0	\$400.0	\$425.0	\$500.0	\$117.6	\$498.3	\$400.0	\$500.0	\$599.5
Operating Budget 100M to 165M	8	8	\$357.6	\$247.1	\$357.0	\$393.8	-	\$361.9	\$247.1	\$364.2	\$409.1
Operating Budget < 100M	8	8	\$269.2	\$208.7	\$238.0	\$292.1	-	\$269.2	\$208.7	\$238.0	\$292.1

## CUPA/ National Peer Institutions/Masters

### 2012 – 2013 Administrative College and University Compensation Survey

#### Salary Information for CEO, President

**Summary of data:** The survey below reflects data comparison for the CEO, Presidents of a college/ university for 360 organizations.

The graph below reflects peer schools by means on quartile. Please review quartile 3, for Fitchburg State's peer assessment. The salary is \$297,041, the median is \$271,454. To compute the quartile the budgets were reported by each institution and ranked from low to high. One quarter of the institutions were then included in each quartile.

**Table 13: Unweighted Median Salary By Budget Quartile - Master's Institutions**

* 4 cases or fewer	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Master's Institutions	
	< \$57.6M	\$57.6M-\$95.9M	\$95.9M-\$155.8M	> \$155.8M	Median	Number
Top Executive and Senior Institutional Officers						
[100000] Chief Exec Officer, System	*	*	*	*	*	3
[101000] CEO, Single Inst/Campus in Syst	223,299	267,500	297,041	298,500	271,454	360

In the next table it reflects the CEO, President unweighted within a master's institution. The percentile ranks are calculated by each institutions average salary, counted once, ranked from low to high and then split at the following points.

**Table 22: Unweighted Salary Percentiles - Master's Institutions**

* 4 cases or fewer	20th Percentile \$	40th Percentile \$	60th Percentile \$	80th Percentile \$	Master's Institutions	
					Median	Number
Top Executive and Senior Institutional Officers						
[100000] Chief Exec Officer, System	*	*	*	*	*	3
[101000] CEO, Single Inst/Campus in Syst	213,000	250,000	289,060	350,000	271,454	360



Salary Summary for Dr. Robert V. Antonucci

Current Salary:	\$254,490.53
<div>Proposed COLA 3.5%: \$8,907</div> <div>Proposed plus merit/equity Adjustment 3.5%: \$8,907</div>	total \$17,814.00
Total	\$272,304.53

## **Fitchburg State University and Fitchburg High School Honors Compact**

This purpose of this Compact is to establish collaborative opportunities between the Fitchburg High School (FHS) Honors Academy and Fitchburg State University and its Honors Program.

Benefits of this Compact will include:

- Priority Admission
- Access to Fitchburg State University resources
- Expanded Dual Enrollment opportunities

### **Priority Admission:**

Students who successfully complete the FHS Honors Academy will receive the following benefits:

- The opportunity to apply to Fitchburg State University under Early Action.
- An On-Site Decision Day specific to the Honors Academy
- University credit for each Advanced Placement (AP) exam score of 3 or higher
- Students who complete their admission application by the priority deadline of January 1<sup>st</sup> will receive the following benefits:
  - Guaranteed admission to the university
  - Guaranteed admission to their preferred major if they meet minimum admission standards to that program
- In addition, students who meet the Fitchburg State University Honors Program admission requirements will receive the following benefits:
  - Guaranteed admission to the Honors Program
  - \$2,000 annual scholarship (renewable with 3.3. minimum GPA and continued participation in the Honors Program)

### **Access to Fitchburg State University Resources:**

While enrolled in the FHS Honors Academy, students will have access to the following Fitchburg State University resources:

- Use of the Library's collection, study areas and wireless network
- Access to cultural activities such as Center Stage events and student performances
  - Center Stage tickets available at a discounted price of \$7.00
- Access to special lectures
- Access to events related to the university's Common Community Read program
- Interaction with the university's Honors Program, such as service learning opportunities, observation of thesis presentations and attendance at the Undergraduate Research Day
- Fitchburg State University Falcon Card

- College planning & advising which would include topics such as college search process, admission process, admission essay writing, scholarship search process and a college financing series, to include financial aid overview, one-on-one FAFSA assistance, and 'after the award' counseling
- Specialized Fitchburg State University campus tour, including meeting with Honors Program faculty advisor
- Communication via direct mail and email regarding cultural, educational and open house events

FHS Honors Academy faculty will also have the opportunity to work collaboratively with Fitchburg State University Honors Program faculty.

#### **Expanded Dual Enrollment Opportunities:**

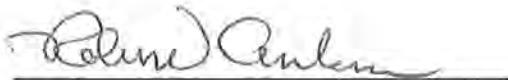
While enrolled in the FHS Honors Academy, junior and senior level students will have access to Fitchburg State University Dual Enrollment courses offered at both FHS and the university. Offerings at the university will include summer courses, in addition to those traditionally offered during the fall and spring semesters. All successfully completed dual enrollment courses will be accepted for university credit at the time of admission.

#### **Additional Benefits:**

Parents of first generation Compact students who enroll at the university will have access to Fitchburg State's Family First Program.

Graduates of the Fitchburg State University Honors Program will be recognized as a Massachusetts Commonwealth Honors Scholar at graduation and will have this designation on their official university transcript.

Evaluation of the existing Compact will occur on an annual basis so as to ensure a mutually effective agreement. In addition, both parties reserve the right to request reconsideration of, or changes to, the Compact throughout the year.



Robert V. Antonucci, President  
Fitchburg State University



Andre Ravenelle, Superintendent  
Fitchburg Public Schools

Signed Wednesday, Oct. 16, 2013

**Robert V. Antonucci**

PRESIDENT

TO: Board of Trustees

FROM: Carol T. Vittorioso, Chairman

RE: Committee Memberships

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**Standing Committees****Academic Affairs**

Anna Maria Clementi  
Nathan Gregoire  
Michael Mahan  
Frank O'Donnell

**Finance and Administration**

Martin Connors, Jr.  
Donald Irving  
Michael Mahan  
Anthony Mercadante  
Cynthia Stevens

**Executive/Nominating**

Carol Vittorioso - Chair  
Martin Connors, Jr. – Vice Chair  
Anna Maria Clementi – Clerk

**Foundation**

Martin Connors, Jr.  
Gladys Rodriguez-Parker  
Cynthia Stevens

**Student Affairs**

Robert Babineau, Jr.  
Anna Maria Clementi  
Nathan Gregoire  
Donald Irving  
Michael Mahan  
Frank O'Donnell

*Carol T. Vittorioso is ex-officio on each standing committee.*

# State: Chemistry, FSU a good mix

## Board votes to reinstate bachelor degree at college

By Michael Hartwell

[mhartwell@sentinelandenterprise.com](mailto:mhartwell@sentinelandenterprise.com)

GARDNER — The state Board of Higher Education on Tuesday gave Fitchburg State University the green light to offer a bachelor of science in chemistry.

The approval came at a meeting held at Mount Wachusett Community College.

FSU chemistry professor Meledath Govindan said the major will not officially be offered until next fall, but he said he is already talking to students who intend to major in chemistry.

Standing inside the school's new \$57 million science building, which opened over the summer, Govindan said there is a growing demand among students for chemistry degrees, and this will allow local students to enroll without commuting to schools in Worcester, Lowell or Amherst.

The science center includes four teaching labs and two research labs for chemistry.

"The chemistry degree will be a great complement



Fitchburg State University assistant professor Mathangi Krishnamurthy instructs students in one of the new science labs Tuesday. The state Board of Higher Education earlier Tuesday approved a bachelor of science degree in chemistry at FSU.

SENTINEL & ENTERPRISE / JOHN LOVE

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***"The chemistry degree will be a great complement to the new science center."***

Margaret Hoey, chairwoman of  
FSU's Biology/Chemistry Department

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to the new science center," said Margaret Hoey, chairwoman of the university's Biology/Chemistry Department. "We have planned for this

while designing the chemistry labs, and the facilities will be able to support the

Please see **CHEMISTRY/5**





Fitchburg State University assistant professor Aisling O'Connor, left, and professor Meledath Govindan talk about the new bachelor of science degree in chemistry the college was awarded Tuesday by the state Board of Higher Education.

SENTINEL & ENTERPRISE PHOTOS / JOHN LOVE

# State: Chemistry, FSU a good mix

**CHEMISTRY** / From Page 1

program into the foreseeable future. Chemistry has seen unprecedented interest among all the state universities, and we expect the same kind of growth into the future."

The new major was approved by the university's board of trustees in April.

FSU has offered chemistry classes for decades, but the major was discontinued in the 1990s. New chemistry majors are expected to enroll in the existing classes for now. Higher-level courses will be added in the fall of 2015.

Assistant biology professor Aisling O'Connor said FSU graduated about 50 students over the past five years with chemistry minors, which factored into the school's decision to bring back its chemistry major.

Chemistry majors are eligible for positions at biotechnology, chemical and pharmaceutical firms, and can become high-school teachers.

The school is preparing to hire three new chemistry instructors. Two will replace instructors who are leaving, and the other will fill a newly created position.

At the Board of Higher Education meeting Tuesday, MWCC President Daniel Asquino gave a welcoming address about his college's principals. He identified the five pillars of the school's philosophy as its focus on academic excellence, civic engagement, workforce training, partnerships with K-12 schools, and a commitment to sustainable energy.

Asquino is also chairman of a task force on civic learning and engagement for the state

board. He recommended ways to increase volunteer work and community involvement among students, such as requiring that the 29 public universities and community colleges in Massachusetts identify, encourage and incorporate civic engagement into their education programs.

He said MWCC students have a 26 percent higher retention rate when civic engagement is incorporated into their classes.

The board also accepted a report from a task force on changing the way schools conduct academic assistance for math classes in the system.

*Follow Michael Hartwell at [facebook.com/michael-hartwell](https://www.facebook.com/michael-hartwell) or on Twitter or Tout @Sehartwell.*



Daniel Asquino, president of Mount Wachusett Community College, speaks during a meeting of the state Board of Higher Education at MWCC in Gardner.



## Pact opens FSU resources to high school honor students

By Paula J. Owen

TELEGRAM & GAZETTE STAFF

FITCHBURG — Fitchburg High School freshman Brianne M. Borey already knows that she wants to open a dance studio when she graduates with a business degree from college.

Upon graduation, the 14-year-old Honors Academy student will be given priority admission to Fitchburg State University, if

**FITCHBURG** she chooses, as well as access to FSU facilities and resources throughout high school.

That is thanks to a compact endorsed last week by the Fitchburg School Committee.

Dubbed the Honors Compact, it gives high-achieving Fitchburg High students a head start on higher education and access to college resources.

Wednesday afternoon, FSU President Robert V. Antonucci and Fitchburg School Superin-



T&G STAFF/PAUL KAPTEYN

Fitchburg State University President Robert Antonucci, left, and Fitchburg School Superintendent Andre Ravenelle sign papers for a collaborative between FSU and Fitchburg High School's Honors Academy, as Mayor Lisa Wong and FHS honors students Carlos Figueroa, 13, and Nathan Walker, 15, watch during a ceremony at the college Wednesday.

tendent Andre Ravenelle endorsed the compact in a meeting room in FSU's Hammond Hall with high school honor teachers and students, and school officials, present.

Fitchburg High School

launched the Honors Academy this fall with more than 50 freshmen who were selected for admission based on criteria including grades and standard-

Turn to Fitchburg/Page B2



From Page B1

ized test scores. Honors Academy students pursue a rigorous program of study, school officials said.

Brianne said her teachers recommended she take the placement test in March for the program while she was still in middle school along with other middle school students chosen.

The prospective first-generation college student said her parents jumped at the idea when she told them.

"I had no idea what it was until the teachers recommended me for it," she said. "I was surprised, but I thought I would reach for it."

Brianne said the honors program is not what she expected.

"I was expecting it to be like normal high school, but they would be going hard and throwing things at you," she said. "But they explain everything and give you review time. I like having something to work up to. In my other classes, I would get bored and goof off because they weren't challenging enough. It's a great program. I think more kids should get involved in it."

Mr. Ravenelle said of the eighth-graders tested in March for the program, a couple of dozen students tested at sophomore and junior levels in high school.

Fitchburg High School Principal Jeremy Roche, a former English teacher, said 12 of the students scored higher on the English portion of the test than he did — some placing at the junior level in college.

"We have so many kids ready for this," he said. "They need it. They want it. We've got to give it to them."

Mr. Antonucci said for the next four years, the students will be pioneers who will make the program better.

"You do your part and we'll do ours, and we'll have a program that is second to none," he said.

The Honors Compact, he said, has the potential to become a model for other high schools and colleges across the state —

especially state universities in an environment like Massachusetts where they are fighting the "loud voice of all the private schools."

Mr. Roche said the compact was unprecedented.

"I don't know any other schools or colleges doing quite what we are doing for the students in Fitchburg," he said.

Honors Academy freshman Nathan A. Walker, 15, said his dad is a math teacher at the high school and influenced him to take the placement test.

"I was skeptical at first, but once I got here I loved every second of it," Nathan said. "I liked the challenging courses. It is harder, but so much more fulfilling than what I was doing in middle school, and the teachers are great. I don't have to worry about being in a class with students who aren't motivated and are distracting me."

Pamela B. McCafferty, dean of enrollment management at FSU, said Honors Academy students can earn college credits while in high school through the dual enrollment program, which can save their families money.

"They can finish college quicker and they get the same degree at the end," she said.

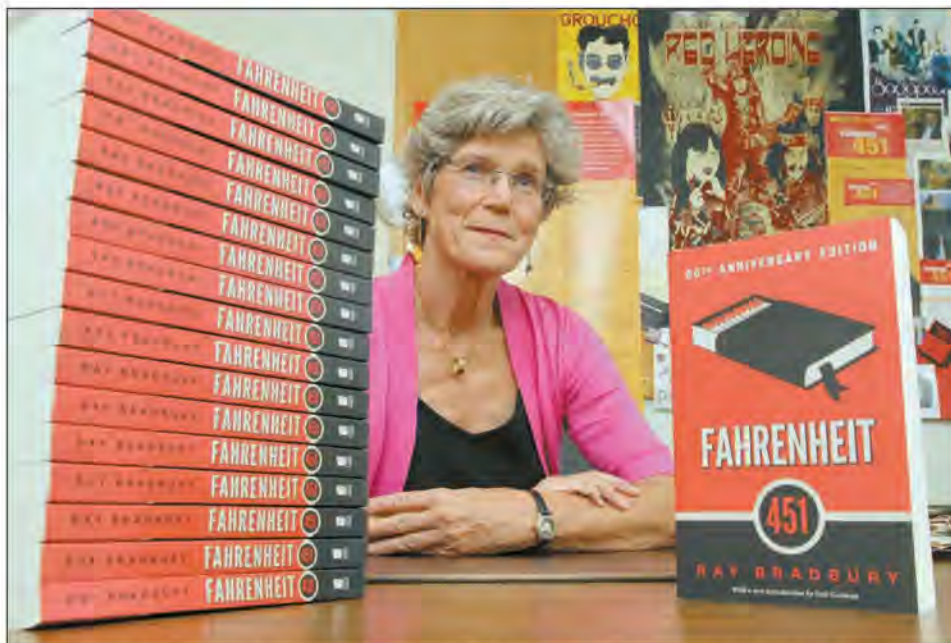
In addition, there is the ease of admission to apply to FSU and its honors program, guaranteed admission, scholarship opportunities and access to FSU resources such as the library, faculty, some lectures, and honors classes.

"It is maximizing resources of both institutions for the (betterment) of students," she said. "In college, you could be the brightest kid, but part of your success is dependent on how well you transition and that is not always about academics or the classroom. We're making sure they are prepared as much as possible for all aspects of college and providing them the opportunities they deserve."

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Contact Paula Owen at [powen@telegram.com](mailto:powen@telegram.com). Follow her on Twitter @PaulaOwenTG





Mary Chapin Durling, director of CenterStage and special events for the President's Office at FSU, is spearheading the "Fahrenheit 451" community read. "It's still a very relevant piece of literature," she said.

SENTINEL & ENTERPRISE / JOHN LOVE



FSU sophomores work on a survey for the "Fahrenheit 451" events. Clockwise from left are Sahrah Marcellin, Danielle Blondin, Cameron Woodcock, Haylee LaBell and Ciara Brady.

## Heat's rising in Fitchburg

### Students and residents getting excited about 'Fahrenheit 451' project

By Alana Melanson  
amelanson@sentinelandenterprise.com

FITCHBURG — It all started with the nationally renowned Aquila Theatre

#### List of activities/6

wanting to perform the stage play of "Fahrenheit 451" at Fitchburg State University.

What it has blossomed into, according to Mary Chapin Durling, director of CenterStage and special events for the President's Office at FSU, is a monthlong community project that involves a wide variety of residents and community part-

ners celebrating Ray Bradbury's dystopian novel about a future American society where books are burned and the firemen start fires instead of putting them out.

"What we're finding as we talk with students is, it's still a very relevant piece of literature, with ideas that are just as timely now as they were 60 years ago, and it's an interesting notion for them to think about how prescient Bradbury was," Durling said. "How could you actually imagine things that are considered science fiction that become real,

Please see **BOOK/6**

# Heat rising in Fitchburg with 'Fahrenheit 451' project

BOOK/From Page 1

and then, what does that mean in terms of what would you imagine that, 60 years from now, could be real?"

The "Fahrenheit 451" Community Read is a partnership of FSU, Fitchburg Public Library, Fitchburg Historical Society, Fitchburg Art Museum, the Fitchburg Cultural Alliance/Rollstone Studios, Fitchburg Access Television, WPKZ Radio, Fitchburg Public Schools and the North Central Charter Essential School.

In addition to reading the novel, public-school students will engage in related activities, such as altered-book workshops, and will attend a performance of the stage play by Aquila Theatre.

At FSU, students in professor Rob Carr's Introduction to Professional Communications course are attending related events, creating various media to represent those events, learning about the novel and its themes, and using those to promote events, he said.

The integrated experience will help them to build professional portfolios of their own

## "FAHRENHEIT 451" COMMUNITY READ EVENTS

■ Saturday, Sept. 14, 11 a.m.: Stage-play reading marathon extravaganza; Fitchburg Public Library; free.

■ Tuesday, Sept. 17, 3:30 p.m.: Constitution Day screening of Francois Truffaut's film version, followed by faculty and student panel discussion; Ellis White Lecture Hall, Hammond Hall, Fitchburg State University; free.

■ Wednesday, Sept. 18, 4 p.m.: Book discussion; Amelia Gallucci-Cirio Library; free.

■ Thursday, Sept. 19, 12:30 p.m.: Book discussion; Fitchburg Public Library; free.

■ Monday, Sept. 23, 12:30 p.m.: Book discussion; Amelia Gallucci-Cirio Library; free.

■ Tuesday, Sept. 24: Aquila Theatre performance of stage adaptation; school show at 10:30 a.m., full-length performance at 7 p.m., preceded by spotlight discussion at 6 p.m.; Weston Auditorium, Fitchburg State University; call 978-665-3347 for tickets.

■ Wednesday, Sept. 25, 7 p.m.: Discussion of burned and banned books; Fitchburg Historical Society; free.

■ Thursday, Sept. 26, 12:30 p.m.: Book discussion; Fitchburg Public Library; free.

■ Wednesday, Oct. 2, 1-2 p.m. and 6-7 p.m.: Library book club; Fitchburg Public Library; free.

■ Thursday, Oct. 3, 12:30 p.m.: Book discussion; Fitchburg Public Library; free.

■ Saturday, Oct. 5, 9 a.m. to noon: Altered-books workshop; Fitchburg Art Museum; \$5 suggested donation per family.

■ Sunday, Oct. 6, 1-4 p.m.: Altered-books workshop; Rollstone Studios; \$5 suggested donation per family.

■ Thursday, Oct. 10, 12:30 p.m.: Book discussion; Fitchburg Public Library; free.

■ Wednesday, Oct. 16, 7 p.m.: Censorship roundtable discussion; Fitchburg Historical Society; free.

■ Thursday, Oct. 17, 12:30 p.m.: Book discussion; Fitchburg Public Library; free.

■ Thursday, Oct. 17, 7 p.m.: Screening of "Storm Center" and conversation; Fitchburg Public Library; free.

■ Saturday, Oct. 19: Progressive Art Exhibition Day, 11 a.m. at Fitchburg Art Museum, noon at Fitchburg Historical Society, 1 p.m. at Rollstone Studios; free.

work, which will help them to land internships and launch their careers, Carr said. They also get to see how the media they create operates in the real world, making it a great

testing ground, he said.

Only two weeks into the class, Ashley Clinton, 21, of Agawam, and Ciara Brady, 19, of Topsfield, have already created a radio ad

for the project at WPKZ.

"We jumped into it so quickly," said Clinton, a photography major. "I feel like I was exposed to so many things I haven't done before in a very



Students in Rob Carr's Introduction to Professional Communications class at Fitchburg State University work on coming up with a survey for all the events this month around the book "Fahrenheit 451." SENTINEL & ENTERPRISE / JOHN LOVE

short period of time. So it was good for just my experiences in this class, and I think that the whole project is really cool."

"I've learned more in the last two weeks than I have in a lot of other classes," said Brady, a professional communications major. "I felt like we were in a conference, like a real professional meeting. I didn't feel like I was in class anymore."

She said students in the

class represent many different majors, and she is enjoying seeing all of the different skills each can bring to the table to collaborate.

Durling said the project is made possible by financial support from Webster First Federal Credit Union, and grants from the New England Foundation for the Arts and Mass Humanities, which have allowed the university to spend \$5,000 on books.



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## 'It's happening all around U.S.': Fitchburg tackles censorship

By Alana Melanson

[amelanson@sentinelandenterprise.com](mailto:amelanson@sentinelandenterprise.com)

FITCHBURG — Censorship is alive and well in the U.S. and around the world, and it is up to us to stop it, Fitchburg State University faculty and students said Tuesday.

In honor of Constitution Day, the anniversary of the signing of the government-defining document on Sept. 17, 1787, FSU held a screening of French filmmaker Francois Truffaut's film adaptation of Ray Bradbury's dystopian novel "Fahrenheit 451," in which firemen don't put out fires, they burn books instead.

After the screening, students and faculty

members held a panel discussion that centered largely around censorship.

"We may think that acts of censorship are a thing of the past, but they're really not," said Daniel Sarefield, professor of economics, history and political science. "In fact, they're happening all around the United States and the world today."

He cited instances in which U.S. military personnel have been censored, via blogs and memoirs that are, for example, even being burned by the U.S. government.

In September 2010, Sarefield said, the Department of Defense purchased and

Please see **CENSORSHIP/6**

Fitchburg State University students arrive at the Ellis White Lecture Hall on Tuesday for a viewing of the film "Fahrenheit 451."

SENTINEL & ENTERPRISE / BRETT CRAWFORD







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## Speaking out about free speech

Fitchburg forum looks at society's ongoing struggle with censorship

By Katina Caraganis

[kcaraganis@sentinelandenterprise.com](mailto:kcaraganis@sentinelandenterprise.com)

**F**ITCHBURG — What happens when free speech is stifled? And do people recognize it when it happens?

Those were the types of questions tackled in a panel discussion on censorship at the Fitchburg Historical Society Wednesday night. The forum showed that understanding of the issue has come a long way in the city.

In recognition of the 60th anniversary of Ray Bradbury's novel, *Fahrenheit 451*, the Fitchburg Public Library, in conjunction with Fitchburg State University, the Fitchburg Art Museum, Rollstone Studios and the Historical Society, has held related events all month.

Wednesday night's discussion on censorship in books and the media allowed the public to hear first-hand how area professionals tackle censorship.

Questions ranged from what policies the Fitchburg Public Schools and Fitchburg State University have in place regarding censorship, to what the *Sentinel & Enterprise* considers in its news coverage.

Paula Giaquinto, assistant superintendent of curriculum and grants for the Fitchburg schools, said that in her 14 years in the district, she has never received a complaint from a parent or student about a book that was taught in the schools or censorship in a class.

She said the district has policies that date back to the 1980s that address controversial issues and stress the need for "free and open discussion." "People were able to articu-



Fitchburg State University President Robert Antonucci makes a point during a forum on censorship at the Historical Society Wednesday night. Looking on are *Sentinel & Enterprise* Editor Charles St. Amand and Paula Giaquinto, assistant superintendent of curriculum and grants for the Fitchburg schools.

SENTINEL & ENTERPRISE PHOTOS / JOHN LOVE

late at that time a vision where open discussions are OK. The district has some really good guiding principles," she said. "Our libraries are pretty robust. The general rule of thumb is if there is a complaint, it is lodged with the librarian in that school."

Fitchburg State President Robert Antonucci said the premise is different with college-aged students because they are considered adults and can make their own decisions.

"With digital media becoming more and more prevalent, there's so much more out

there for kids to have access to," he said. "Hopefully, our students are at the point in their lives where they can determine for themselves things that are appropriate for them to be looking at."

In 1969, then-college president James Hammond asked students working on the student newspaper not to print a certain article in the paper, due in large part to the amount of vulgar language in the piece.

The story ran anyway, and Hammond seized control of the paper. The staff challenged Hammond's ruling in

court, which found in favor of the newspaper.

Antonucci said he would have ruled in the same manner as Hammond did then.

"I was not an ultra-conservative or an ultra-liberal at that time. I was never at Woodstock, but I believed in the cause," he said, while noting the biggest controversy he saw at the time while teaching in Lunenburg was about bell-bottom jeans.

"Today, we just want kids to wear clothes," he said. "If I had a case like that today, I would have made the same decision and let it fall where it did. We do the right thing at the right time at the right minute."

*Sentinel & Enterprise* Editor Charles St. Amand was questioned about the paper's policy on running letters to the editor.

"I probably run about 95 percent of them. You work hard to get things in the paper, not keeping them out," he said. "A lot of things we face are ethical decisions. A letter won't run if it's attacking someone (personally) or unsubstantiated."

Follow Katina Caraganis on Tout and Twitter @kcaraganis.



Moderator Shirley Wagner shares a laugh at the start of the panel discussion.





Students watch a screening of "Fahrenheit 451" in Ellis White Lecture Hall at Fitchburg State University on Tuesday.

SENTINEL & ENTERPRISE PHOTOS/ BRETT CRAWFORD

# 'It's happening all around U.S.: Fitchburg tackles censorship

**CENSORSHIP** / From Page 1

destroyed an entire run — 9,500 copies — of a work called "Operation Dark Heart," a memoir by Lt. Col. Anthony Shaffer, an Army intelligence officer.

He also cited the censorship of WikiLeaks and other government whistleblowers in the news today, such as Chelsea (Bradley) Manning, who was sentenced to 35 years in jail for releasing the largest set of restricted documents ever publicly leaked.

"Issues such as the freedom of speech and the freedom of expression are issues that are just as relevant today in our lives as they were in the lives of the Founding Fathers," Sarefield said.

He said the freedom of speech is not totally free — it has to be fought for or it will be eroded.

Citing data from Reporters Without Borders, Sarefield said that shortly after Sept. 11, in early 2002, the U.S. ranked 17th of 167 countries in annual ranking of worldwide press freedoms. Since then, he said, the U.S. has fallen to 53rd.

"If we sit idly by, if we are content to censor ourselves and allow the people around us to be censored, if we're unwilling to stand up and say, 'Hey, maybe there's something wrong here' when people like, for example, Chelsea Manning, are imprisoned for 35-plus years for being a government whistleblower, then maybe we're headed toward a world that's going to be much more like the one Ray Bradbury wrote about than the world we hope to leave for our children in the future," Sarefield said.

Joseph Moser, a professor of English studies, spoke about the sociopolitical atmosphere of the U.S. during the early 1950s, when Bradbury wrote the novel. In that time, he said, the Truman administration had authorized investigations of people who were suspected of being communists, and federal employees found to be in possession of "The Communist Manifesto" could lose their jobs.

Hollywood was also largely cowed by McCarthyism, Moser said, named after Wisconsin Sen. Joseph McCarthy, who made it his personal quest to hunt and hound those suspected of being communists.

On the positive side, he said, Edward R. Murrow, one of the most respected TV journalists of his time, used his show, "See It Now," to denounce McCarthyism, and to help turn the tide against it and blacklisting or victimizing people "because of their political affiliations and



**Above:** "Fahrenheit 451" is shown in Ellis White Lecture Hall at Fitchburg State on Tuesday.

**Right:** Dr. Paul Weizer, associate vice president of academic affairs at Fitchburg State, speaks before the screening.

ideas they might hold."

Communications-media professor George Bohrer called it a "very sad statistic" that the average American, after finishing his or her formal education, reads less than one book a year.

"So in a sense, we don't even need the firemen to come along and burn the books if we just don't read them anymore," he said.

Ellen Goldman, 20, of Leominster, a communications-media major, said a form of censorship also lies in the books that don't get written and the things that don't get put in museums.

She gave the example of how, during the westward expansion of the 1700s and 1800s, there wouldn't have been any books written from the perspective of a native person, or, today, there are not going to be widely read books or books taught in school from the perspective of Muslim people during Sept. 11.

"So this is a sort of censorship in itself," Goldman said. "It's not from the government, it's from partially our own fault — what will we buy, what does capitalism dictate is valid on the shelves and viable on the shelves?"

Timothy Michalak, 21, of Agawam, a history/secondary-education major, said he's alarmed by the number of his peers who intend to be educators but don't read much themselves. He said he evaluates how many of his friends, peers and people he knows are actually reading the news, and are aware of what's going on around them and how they are making a difference in their own worlds.

"The problem with this is



that so few people are doing this that the government and the people who are allowed to censor are doing it, and we don't have a choice whether or not they do," Michalak said.

P.J. Carmichael, 20, of Wakefield, a professional-communications major, spoke on the theme of education versus indoctrination, the latter of which was depicted in the film, and how a teacher character in the film lost her job because she taught critical thinking, reading and writing instead of rote memorization.

He said this character also "speaks more to human relationships and how TV and technology have caused detachment and alienation and, in a sense, disillusion, both back then and in our modern times today."

Bradbury's "Fahrenheit 451" has also been selected as the focal point of a monthlong Community Read project at FSU. The project is a partnership between FSU, Fitchburg Public Library, Fitchburg Historical Society, Fitchburg Art Museum, the Fitchburg Cultural Alliance/ Rollstone Studios, Fitchburg Access Television, WPKZ Radio, Fitchburg Public Schools and the North Central Charter Essential School.

Follow Alana Melanson at [facebook.com/alanasentinel](https://facebook.com/alanasentinel) or on Twitter @alanamelanson.



# Fitchburg State honors former hockey star



Former Fitchburg State University hockey player Joseph Caveney, third from left, poses with a photo of himself that will hang in the concourse of the Wallace Civic Center. The school honored Caveney's remarkable hockey career Monday. From left are FSU hockey head coach Dean Fuller; Joseph's father, Ed Caveney; Joseph; Joseph's mother, Kim Caveney; Fitchburg State President Robert V. Antonucci; and Director of Athletics Sue Lauder. For the full story, see **page 10**.

SENTINEL & ENTERPRISE / JOHN LOVE

10 TUESDAY, SEPTEMBER 17, 2013

SPORTS

## Caveney honored by Fitchburg State

### Hockey star enjoyed remarkable season

By Nick Mallard  
nmallard@sentinelandenterprise.com

FITCHBURG — During his season-plus with the Fitchburg State University hockey team, Joseph Caveney did everything he could to help his team succeed.

Usually, it meant the dynamic forward was scoring or assisting on goals. At times, it was netting a power-play marker or winning a crucial faceoff. Even pinching in at the defensive end or blocking a shot wasn't that uncommon.

Whatever it took to help the team, Caveney aimed to do.

On Monday, it was the school's turn to do what it could to make sure the Fitchburg native's accomplishments wouldn't be forgotten any time soon.

The FSU hockey program unveiled an action photo of Caveney to be hung in the Wallace Civic Center at Fitchburg State University, adorned with recognition of his selection as a 2013 USCHO East All-American. In addition, the former St. Bernard's standout was awarded plaques for leading the nation in a trio of statistical categories at the Division 3 level.

"Hockey's a team sport, so all



Joseph Caveney, left, receives his plaque from Fitchburg State Director of Athletics Sue Lauder and hockey head coach Dean Fuller during Monday's ceremony at the Wallace Civic Center in Fitchburg.

SENTINEL & ENTERPRISE / JOHN LOVE

the awards and accolades are team awards," the ever-humble Caveney said after the ceremony at the Civic Center's concourse. "I wish the whole team could be up on the picture. But it's nice to see this, and it's comforting to see that hard work does pay off."

Caveney led all Division 3 players in points per game, assists per game and power-play goals his senior season. After the completion of Fitchburg State's season,

he joined the Pensacola Ice Flyers of the Southern Professional Hockey League as the team won the league's President's Cup, tallying 8 points in 18 total games between the regular season and postseason.

"Joey's a hockey player who just loves to play," Fitchburg State head coach Dean Fuller said. "He's a little uncomfortable with (individual accolades), but I told him he brought it upon himself.

We're happy with what he accomplished here and he was able to resurrect his career here."

Caveney spent a pair of injury-marred seasons at Division 1 UMass Lowell before coming to Fitchburg State as a junior. Fuller said he was proud of how the 25-year-old continued to push and come back to the game.

"He gave us everything he had on the ice and it was appreciated," Fuller said. "Injuries happen, but he was able to stay healthy here. He's back on track now."

Next on Caveney's schedule will be a tryout for the East Coast Hockey League on Wednesday.

"I'm more anxious than anything to get down there and try out," he said. "It's been a long summer of training and working out and hopefully I can do what it takes to make a team and stick with them."

And with a single player's success, comes success for a whole team — and a school, for that matter.

"I always tell the hockey team that they're going to a number one school, but having a number one All-American gives some credibility to that statement," FSU president Robert Antonucci joked during the ceremony.

Follow Nick Mallard on Twitter and Tout @n\_mallard



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## State ed secretary 'impressed' with Fitchburg

By Alana Melanson  
amelanson@sentinelandenterprise.com

FITCHBURG — State Secretary of Education Matthew Malone likes what he sees in Fitchburg public schools.

Malone toured two of Fitchburg's regular public schools, as well as Montachusett Regional Vocational Technical School, on Tuesday, and said he was impressed with the early

implementation of Common Core standards, the utilization of technology, and collaborations that are leading to high Please see **SCHOOLS/8**

State Education Secretary Matthew Malone visits a kindergarten class at McKay Arts Academy in Fitchburg on Tuesday.

SENTINEL & ENTERPRISE / BRETT CRAWFORD



## State ed secretary 'impressed' with Fitchburg schools

**SCHOOLS/**From Page 1

levels of success for students.

He said there is "very positive work happening in education in Fitchburg," and that he is excited to see the results that are coming — and that students are excited about school.

"I'm impressed, and I would tell parents to make sure, when they're looking at places to move and raise their kids, Fitchburg has some great stuff going on in their schools," Malone said. "Fitchburg is focused on the needs of all kids, holding everyone accountable and high standards across the board."

In addition to Monty Tech, he visited Longsjo Middle School and McKay Arts Academy, which rose from Level 3 to Level 2 status this year with the release of MCAS scores. All schools in Massachusetts are rated on their performance on a scale of five levels, Level 1 being the best and Level 5 being the worst.

Malone seemed to have an immediate rapport with each child he encountered, from kindergartners at McKay to seventh-graders at Longsjo to cosmetology students at Monty Tech.

Malone was impressed that Fitchburg also saw its first Level 1 school this year with Crocker Elementary School, and that all of the schools are striving to reach Level 1 status.

At Longsjo, an Expanded Learning Time school, he had a round-table discussion with a group of seventh- and eighth-graders that centered around the school's intensive focus on

reading and writing programs. Malone was happy to see that students are engaged in both core-classroom reading as well as individual reading.

Longsjo student Hannah Dunton, 13, said she had reading issues when she came to the school but now is reading at a high-school level — and teaching her little cousin how to read, as well.

At McKay, Principal Dan Hanneken demonstrated the school's use of data to further student achievement and assist with curriculum development, as well as the extent to which the arts are integrated into the school day at the Innovation School, which houses grades prekindergarten to eighth.

A sixth-grade theater-arts class also performed for Malone and the other visitors.

Malone was impressed by the level of collaboration the district has with Fitchburg State University, through McKay and other programs.

Sue Rosa, an associate professor of education at FSU, spoke on the Math Mentoring Initiative, started in 2010, that pairs at-risk McKay students with university mentors after school.

Rosa said the benefits abound from the partnership. The children benefit, she said, because they receive the additional support, while the mentors learn how to present the subject matter in a variety of ways and be mentored by the "exceptional educators" of McKay teachers, who get a chance to and share their knowledge in a different way.

Pamela Hill, dean of education, said the university and



State Education Secretary Matthew Malone talks with seventh-grader Jason Cote during his visit Tuesday to Longsjo Middle School in Fitchburg.

SENTINEL & ENTERPRISE / BRETT CRAWFORD

the district are starting yet another partnership involving the new Honors Academy at Fitchburg High School.

FHS honors students will receive college advising and financial-aid help, as well as expanded dual-enrollment offerings and access to other university resources, she said. Students who complete the program are guaranteed admission to FSU and, with a certain GPA, are guaranteed entry into the school's honors program, Hill said.

"With dual enrollment and (Advanced Placement) courses, these students could enter with one year of college completed before they ever come here," she said.

Malone said a program that can build a pathway to further success can change circumstances for generations.

FSU President Robert Antonucci said the impetus behind FHS Principal Jeremy Roche's creation of the Honors Academy was to keep honors-level students in the district rather than leaving for other districts through school choice.

Superintendent of Schools Andre Ravenelle said when students leave the district,

their high MCAS scores are attributed to other schools as their successes, but the hard work that got them to that performance level was done in Fitchburg public schools.

He said that of 104 eighth-graders who took the exam to join the academy, nearly 30 tested at a sophomore or junior level.

"The educational experience here in Fitchburg has progressed by leaps and bounds under Superintendent Ravenelle, and I think we need to tout that and celebrate it," said state Rep. Stephen DiNatale, adding that he believes Malone is going to be a responsive resource for the district.

Mayor Lisa Wong is encouraged by the fact that Malone was once superintendent of Brockton public schools, a similar urban district, and thus "understands how many challenges we've overcome."

She added that he can appreciate the "forward trajectory" Fitchburg is on and how investments into programming, technology, professional development and new curriculum are paying off.

Malone was also impressed with Monty Tech, a Level 1 vocational school, from its culinary program — he had lunch prepared by students — to the professional-level work completed by students in the renovation of the school library.

Malone had to see the drafting-technology lab, as he was a drafting student at Newton North High School. He was excited the school has a three-dimensional printer, saying it allows students to experience the full design process.

Drafting instructor Michael Robichaud said familiarity and access to 3-D printing helped one of his students, now a senior, to be hired on the spot last year when he interviewed at an Athol company and was able to show not only concept drawings of something he'd designed, but a 3-D, functional representation of it.

Monty Tech Superintendent-Director Steven Sharek said he enjoyed the opportunity to show off his school's programs and student successes, and said Malone "clearly knows what a vocational education is all about."

Follow Alana Melanson at [facebook.com/alanasentinel](https://www.facebook.com/alanasentinel) or on Twitter @alanamelanson.





The *Sentinel & Enterprise* and Fitchburg State University co-hosted a series of Fitchburg City Council debates on Monday night at the university. These are the at-large candidates. From left are Stephan Hay, David Clark, Marcus DiNatale, Kevin Lynch, Jeffrey Bean, Dean Tran, Rosemary Reynolds and Nicholas Carbone.

SENTINEL & ENTERPRISE / JOHN LOVE

# One chance at the spotlight

## Fitchburg council candidates talk public safety, city image in one and only debate

By Alana Melanson

[amelanson@sentinelandenterprise.com](mailto:amelanson@sentinelandenterprise.com)

FITCHBURG — Eight candidates for five at-large City Council seats and eight candidates seeking four ward seats argued why voters should elect them Monday night at their only debate before next Tuesday's election, many of them speaking passionately on issues of public safety, finances and how the city's image is affecting both — and taxpayers.

Candidates fielded questions on a variety of topics, including police staffing levels, switching from a split- to a single-tax rate, public education, the impacts of a proposed charter school in Fitchburg and the proposed slots parlor in Leominster, the city's contributions to the Johnny Appleseed Visitor Center, what to do with the vacant City Hall, and tackling the mammoth liabilities of health care and retiree benefit costs.

The debate was co-sponsored by the *Sentinel & Enterprise* and Fitchburg State University and held at Kent Recital Hall. Panelists included *Sentinel & Enterprise* Editor Charles St. Amand, FSU Vice President for Academic Affairs Paul Weizer and



FSU freshman Brett Abraham made sure candidates stayed within the time limit.

Student Government Association President Mallory-Anne Perron. FSU President Robert Antonucci moderated.

The first half of the debate featured ward seat candidates, including newcomers Amy Green and Kelly Johnson for Ward 1, newcomers Paul Beauchemin and Patrick O'Halloran for Ward 2, incumbent Joel Kaddy and newcomer Neisha Boulanger for Ward 3, and newcomers Michael Kushmerek and Tricia Park for Ward 4.

Ward candidates spoke most passionately on public safety, police staffing levels

and a billboard recently erected by the police union asking for more officers and noting Fitchburg as the second-most violent city in the region. They agreed Fitchburg needs more officers, but there are other pieces to the puzzle that must be addressed to root out crime, and that other players are necessary.

"We're inviting crime because we don't clean up," Beauchemin said. "You could have 100,000 cops on. If you're a mess, you give an attitude, 'We don't care.'"

O'Halloran said the billboard will be up for a month, but "when the month's gone, the drug dealers, prostitution, and drug addicts are still going to be downtown."

Boulanger said it was the right of the union to put the billboard up, but that police also need to take advantage of emergency-management volunteers until more officers can be brought on.

Kaddy, a former police officer, said he understands the union was discouraged and didn't know what else to do, but he's worked too hard to turn around the city's image to let anyone further damage it.

"If someone talks about my city, I'll take

Please see **DEBATE/10**



# Fitchburg council candidates face off at university debates

**DEBATE**/From Page 1

my gloves off,” he said.

Kushmerek agreed for the need to stay positive, and called the billboard “a scare tactic that negatively reinforces stereotypes in Fitchburg.”

Green equated it to “salt in an open wound.” She applauded police for their efforts in keeping the city safe but said the union sent the wrong message.

Johnson said the message may not be “pretty” for residents or visitors, but it’s true.

Park said facts can’t be refuted, and that the city’s tax base needs to grow to be able to hire more officers and take some of the burden off of homeowners.

The second half of the debate was dedicated to the at-large candidates, including incumbent Councilors-at-Large Jeffrey Bean, Marcus DiNatale, Stephan Hay, Rosemary Reynolds and Dean Tran; current Ward 1 incumbent David Clark; current Ward 5 incumbent Nicholas Carbone; and newcomer Kevin Lynch.

Tran said the economic-development director position that he proposed, and the council approved, would help to bring more businesses to the city to help to fund additional officers.

Hay said the city needs to determine what the required amount of officers should be and fund that number consistently.

Clark said he’d like to see the number around 90, as it was in the past, but wasn’t sure how the city would achieve it.

Bean said there is no magic number of police officers, but there’s magic in bringing everyone together to work to lower crime.

“I think it takes a whole community to do that, not just one police officer,” he said.

When it comes to addressing the city’s liabilities, DiNatale said new employees can’t be added and raises



Fitchburg State senior Mallory-Anne Perron asks a question during one of the Fitchburg City Council debates.

SENTINEL & ENTERPRISE / JOHN LOVE

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***Dean Tran said the economic-development director position that he proposed, and the council approved, would help to bring more businesses to the city to help to fund additional officers.***

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can’t be given, as these would only increase the city’s obligations. He and several others said there needs to be money set aside every year to begin to pay them down.

Carbone proposed the city may have to look at banning raises across the board next year.

Lynch said he feels residents have been shortchanged with higher taxes and fees and fewer services, and he’d like to see tax rates lowered to bring more businesses in.

In terms of the proposed charter school and its impact on the school

district, Reynolds said it is an “inopportune time” for the district to lose resources, when its schools are showing the improvement and achievements they have, a sentiment shared by the majority of at-large candidates.

To view the debate, visit [http://www.sentinelandenterprise.com/localnews/ci\\_24403786/live-coverage-fitchburg-city-council-candidates-debate/](http://www.sentinelandenterprise.com/localnews/ci_24403786/live-coverage-fitchburg-city-council-candidates-debate/)

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# Art of the game

The CenterStage at Fitchburg State University hosted the opening of an exhibit of the work of Britt Snyder called "Game Design and Other Art" on Wednesday. Snyder, a professor in Worcester Polytechnic University's Interactive Media and Game Development program, and a character modeler and concept artist in the field of video-game development, spoke at the opening. The exhibit, in Presidents' Hall in the Mazzaferro Center, 291 Highland Ave., runs through Oct. 23.



Attendees check out Britt Snyder's game-based artwork.



Some of Snyder's pieces on exhibit.



Bob Israelian, of Worcester, a student at Worcester State University, has his eye on one of Snyder's works.



Snyder shows the crowd some of the video games he has worked on, at left, while, at right, he has one of his characters do the talking for him.





Monday, October 21, 2013

## Images from the past; Old home movies resurrected at FSU

By Lynne Klaft, CORRESPONDENT

[Add a comment](#)

FITCHBURG — Everyone has one in their family: A dad or an uncle who went to the family birthdays, weddings, holiday parties or on a trip to California and shot home movies. Millions of little yellow boxes or cans of film now languish in dusty attics or damp basements.

The Center for Home Movies, a group of film archivists, celebrated its 11th national Home Movie Day in cities and towns around the world last week by inviting the public to bring their reels in for inspection, repair and viewing. On Saturday, Fitchburg State University hosted Home Movie Day for the first time.

"It's the neatest thing. I went to one in Boston and it was a mix of the mundane — birthday parties and Uncle Joe coming home from the war — and the gems," said Assistant Professor Kevin M. McCarthy of Fitchburg State University's Communications Media department.

The gem that stands out in his mind is a home movie filmed in the 1940s by a man's grandfather. The man thought his father would be in the film, but he did not have a projector to view it.

"It was a beautifully shot 16mm color film of sailboats on the Long Island Sound. And there was a nice moment when he said, 'There's my dad and my grandfather!'" Mr. McCarthy said.

Mr. McCarthy also unearthed his grandmother's 1942 wedding in East Boston, as well as movies that his uncle shot in the 1930s and 1940s with a camera that he got while working for Keystone Manufacturing Co. of Boston.

"There's a wealth of history and culture sitting in boxes in attics. The Center for Home Movies wants to preserve those moments," said Mr. McCarthy.



# Students 'excited' by snazzy new science center

## Fitchburg State opens 1st new building in 30 years

By Jacqueline Reis  
TELEGRAM & GAZETTE STAFF

**FITCHBURG**

FITCHBURG — The glass windows and modern architecture of Fitchburg State University's new three-story, 55,000-square-foot science center stand out on a campus that dates to the late 1800s, but students haven't entirely "found" the building yet.

Thursday was the first day of classes, and juniors Amber A. Cardwell and Ashley Zierle who are both studying education, had one of the beautiful seating areas entirely to themselves.

"I'd say it's a lot different than the other buildings on campus," said Ms. Zierle.

Biology majors Robert Pijewski and Kelly McLaughlin know the value of the building, which is part of a \$57 million project that broke ground three years ago and includes the ongoing renovation of the adjacent Condiike Science Building.

"It's a huge improvement," Mr. Pijewski said.

"The labs are really clean," Ms. McLaughlin added. "I'm really excited to come here."

They are two of approximately 140 students majoring in biology on campus. Forty students minor in chemistry, and the university hopes to revive its chemistry major, said Margaret Hoey, chairman of the biology and chemistry department.

The building won't be theirs alone; every student on campus will use it, because a laboratory science class is a graduation requirement, said Matthew J. Bruun, the university's director of public relations. The science center, which opened quietly over the summer, is the university's first new academic building in approximately 30 years, he said.

The building, which is on the site of the former Parkinson Gymnasium, gathers as much natural light as possible through the entrance atrium. Classroom ceilings slope up to

the windows, and in one case, there is a skylight. Lisa Grimm was leading a lab Thursday morning using only the light from the windows.

The architects and designers even managed to use the campus' landmark green smokestack to good effect. It's visible through windows at the end of the center's corridors, and the view from the center of the building is of contrasting colors.

The building is exclusively for laboratories and has room for "mud bucket biology" on the second floor, general and organic chemistry on the third floor, and research equipment on the first, including new microscopes that are a major upgrade from what students and faculty were using before, Ms. Hoey said.

Faculty helped design how rooms would be equipped and laid out, she said. That there is well-equipped, dedicated space for labs will help take instruction and research that much further, Ms. Hoey said. Before, the departments did labs, but it required a lot more effort to arrange and carry out.

"Now that we're in it, it's generated a lot of excitement, and for me as chair, that's a real positive," she said.

The new science center is on the site of a former gymnasium attached to the Condiike Science Building. The renovation of that building should be finished by next fall, Mr. Bruun said. When complete, Condiike will contain science classrooms, science department offices and the geophysical sciences.

The \$57 million project is being funded through the state Division of Capital Assessment Management. BOND, which has offices in Everett, was the builder, and the architecture firm was Boston-based CBT.

There will be an open house at the new science center at 4 p.m. Tuesday.



T&G STAFF PHOTOS/RICK CINCLAIR

Classes have begun in Fitchburg State University's new Science Center.



From left, sophomores Katelyn Withington of Fitchburg, Breanna Jordan of Fitchburg, and Samantha Smith of Westminster, work on a project in a Life Science for Educators class Thursday.



Lisa Grimm teaches a Life Science for Educators class in Fitchburg State University's new Science Center Thursday. She was able to lead the class using just the natural light from the windows.



Margaret Hoey, chairman of the biology and chemistry department, talks about the planning of the new lab spaces in the new science center.



Students walk through a spanking clean corridor of the new center Thursday.

**The building won't be for science majors alone; every student on campus will use it, because a laboratory science class is a graduation requirement.**





***Campus Crime Awareness & Security  
and Fire Safety Report / 2013***

[www.fitchburgstate.edu/campuspolice](http://www.fitchburgstate.edu/campuspolice)

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## **Reporting Procedures**

Reports of illegal or criminal activity can be made by telephone (978) 665-3111, by using emergency call boxes located throughout the campus, or in person at the Campus Police Office, located at 32 Clinton Street. All members of the university community are encouraged to promptly and accurately report all crimes to Campus Police.

Once a report is received, a police officer is dispatched to the location to take whatever action is needed. Response can range from gathering information or initiating an investigation to making an arrest.

If a suspect is identified, charges are filed by the Campus Police Department. Serious criminal complaints are always filed with Fitchburg District Court, where they will be prosecuted. If the suspect is a student, charges may also be referred to the Student Conduct Board.

If a suspect in a serious crime is a student whose presence on campus poses a threat to the campus community, that person may be suspended and barred from the university pending a judicial hearing.

If the suspect is not a student of the university and poses a threat to the campus community, a verbal warning against returning to campus is given, followed by a trespass letter barring the person from university property pending prosecution of the case.

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## **Crime Prevention/Awareness**

A campus police officer makes a presentation at all orientations for new students and parents. Crime prevention tips are given, and students are strongly encouraged to report all crimes and suspicious activity. During freshman orientation, police officers talk to students about ways to stay out of trouble and protect themselves. Special attention is given to the issue of sexual assault. A similar presentation is given to resident assistants, who are often the first to learn of problems in the residence halls.

Campus Police make a number of presentations during the year to students in the residence halls, on a wide range of issues from rape to alcohol and drug abuse. The nationally recognized R.A.D. program (Rape Aggression Defense) is offered free of charge to female students and staff by university police officers certified as R.A.D. instructors. Each fall, Campus Police and Campus Living conduct "Operation I.D." to record and place identification on students' property as a crime prevention measure.

Crime prevention brochures are distributed throughout campus. In addition, representatives from Campus Police, Counseling, Health Services, and Campus Living make presentations to various academic departments. They talk with faculty about how to respond to emergencies and where to refer students who need help.

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## **Access to Campus Facilities**

University facilities are for the most part open to the public, but on occasion access is limited to students and employees who have university OneCards.

The residence halls are locked 24 hours a day or controlled by a desk worker. Students have access only to their particular building. Guests of resident students must be escorted by their hosts at all times.

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## **Timely Notice**

When a criminal incident has occurred on campus or in the adjacent neighborhood, if determination is made for notification several avenues are available:

- Fitchburg State Alert System
- Telephone calls to all residence halls, or immediate floor meetings called by staff. Posting of flyers in prominent locations throughout campus.
- Publishing a 24-hour police log that is available to all.
- Working with the Student Government Association to disseminate the information through the student network.
- E-mail

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## ***Campus Law Enforcement***

The police officers are fully trained, licensed, and armed as Special State Police Officers under Massachusetts General Law c. 22C, §63 and c. 73, §18 as well as sworn Worcester County Deputy Sheriffs. Officers possess full police powers and are responsible for the prevention of crime, the detection and apprehension of offenders, the preservation of public peace, and the enforcement of all criminal laws and state statutes as well as compliance with the policies and regulations of the university.

The department is committed to maintaining the highest level of Campus Police for the university community. Officers patrol the entire campus by foot, bicycle, motorcycle, and vehicle 24 hours a day, 365 days a year.

To enhance safety on and off campus, the department operates a student escort service during the evening hours when classes are in session. These escorts are radio dispatched and patrol the campus as a team when not doing an actual escort. Outside those hours, police officers are used to conduct escorts.

The state police provide investigative support and a lockup facility for persons arrested on state property. The City of Fitchburg provides mobile patrols through the university area. The City also has a lockup facility available to the university. There is a close working relationship between the university and the city Police Department. Information concerning off-campus criminal incidents involving our students (as victims or subjects) is routinely provided to Campus Police. The same relationship exists with other area Police Departments. The Fitchburg Police Department provides backup to university officers upon request, and its officers are available to testify at Student Conduct Board hearings.

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## ***Alcohol and Drug Policy***

It is the university's policy that all activities be free of the unlawful use of drugs and alcohol. Details of the policy are published in the student handbook. Copies are available from the Student Affairs Office.

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## ***Sexual Assaults***

Sexual assault prevention programs are an integral part of all orientation programs for new and transferring students. Separate sessions are presented by Counseling Services, Campus Police, and Housing and Residential Services. Topics include prevention, situations to avoid, alcohol abuse, self defense, aftermath, support services, reporting procedure, personal health, emotional response and societal impacts. Brochures that highlight sexual assault prevention and crime prevention in general are distributed throughout the campus.

Based upon the desire of the victim, Campus Police may initiate an investigation for the purpose of prosecution. The confidentiality of the victim is always respected. Physical evidence, such as bedding or clothing, is turned over to Campus Police and the victim is cautioned not to take a shower prior to a physical examination, conducted at a nearby hospital. Primary emphasis is on the physical and mental well-being of the victim. In the case of off campus crimes, Campus Police gets the victim to the proper agency and remains informed.

If the case goes to the Student Conduct Board, both victim and accused have similar rights, as outlined in the Student Handbook. The accused may be suspended from the university or removed from a residence hall pending a hearing if the situation merits. The sanctions from the hearing process could result in the accused being dismissed or suspended. The outcome of the hearing is made available to the victim and the accused.

The Academic Affairs Office is available to assist both the victim and accused with any academic scheduling requirements. The Campus Living staff assists with temporary or long term housing needs.

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## **Facilities Support**

The most common type of security problems encountered on campus have to do with doors and locks that are damaged or not working properly, followed by lighting and alarm related problems. In any given instance, the threat posed by a problem is evaluated, and dealt with either immediately or through the routine work order system. Campus police officers identify security or safety problems as part of their patrol duties, and facilities personnel can be (and often are) contacted to handle maintenance problems 24 hours a day.

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## **Fire Safety in Residence Halls**

Fitchburg State University through the Office of Housing and Residential Services has an intensive program of regular inspection, testing and maintenance of university premises to ensure compliance with applicable fire and life safety codes and standards, conducting regular egress drills and providing a variety of educational and training programs in fire safety and prevention techniques for students, faculty and staff. All residence halls meet local and national fire safety codes and are equipped with modern fire alarm systems including smoke detectors and sprinkler systems.

### **Fire Alarm and Suppression Systems**

All On-Campus Residence Halls are equipped with fire alarm systems and sprinklers systems which meet state, local building and fire safety codes. Fire alarm systems and fire safety equipment are provided for the protection of the residents and visitors. The fire alarm systems in all on-campus residence facilities

consist of flashing strobe lights and horns that alert residents to an alarm. This alarm system is also remotely monitored by the Fitchburg State University Police Department as well as the Fitchburg City Fire Department, for immediate response.

For a detailed explanation of the specific fire alarm and suppression systems in any of the Fitchburg State Universities residential facilities contact the Director of Housing and Residential Services.

### ***Policies on rules for electrical appliance, smoking and open flames***

Only a limited number of appliances approved by Underwriters Laboratories are permitted within the Residential Life system. Prohibited personal items include: plastic milk crates and stackable storage containers that are not fire resistant, non-metal waste baskets, candles, incense, halogen lamps, sun lamps, immersion heaters, and space heaters. Certain additional cooking appliances are prohibited as well such as toaster ovens, deep fat fryers, etc.

All residence halls are smoke-free. This policy was adopted in response to student request, with the goal of promoting a healthy and safe environment. Students who smoke must do so outside the residence halls.

For more information on any of these items you can reference the Housing and Residential Services Policies and Procedures at [www.fitchburgstate.edu/campus-life/things-you-should-know/](http://www.fitchburgstate.edu/campus-life/things-you-should-know/).

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**Note:** Federal legislation has mandated the following reporting changes:

1. The forcible category includes “forcible rape, forcible sodomy, sexual assault with an object, and forcible fondling.” The non-forcible category includes incest and statutory rape.
2. Beginning in 1998, the burglary category was expanded to include incidents that would previously have been classified as larcenies.

## REPORTED CRIMES

CRIME REPORT STATISTICS for 2010, 2011, 2012	Year	Campus (All)	Campus (Residential Facilities)	Non-Campus (Leased Building/ Property)	Non-Campus (Public Property)	Total
1 Murder & Non-Negligent Manslaughter	2012 2011 2010	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
2 Negligent Manslaughter	2012 2011 2010	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
3 Sex Offenses Forcible	2012 2011 2010	1 0 0	0 0 0	0 0 1	0 1 0	1 1 1
Non-Forcible	2012 2011 2010	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
4 Robbery	2012 2011 2010	2 0 0	1 0 0	0 0 0	2 0 0	5 0 0
5 Aggravated Assault	2012 2011 2010	0 1 3	0 2 3	0 0 0	5 8 1	5 11 7
6 Arson	2012 2011 2010	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
6 Burglary	2012 2011 2010	0 6 8	0 0 2	0 0 0	0 5 2	0 11 12
7 Motor Vehicle Theft	2012 2011 2010	0 0 0	0 0 0	0 0 0	1 0 0	1 0 0
8 Hate Crimes Involving Bodily Injury	2012 2011 2010	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
<b>ARRESTS FOR</b>						
8 Liquor Law Violation	2012 2011 2010	0 0 0	0 0 0	0 0 0	1 0 0	1 0 0
9 Drug Related Violation	2012 2011 2010	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
10 Illegal Weapons Possession	2012 2011 2010	0 0 0	0 0 0	0 0 0	2 0 0	2 0 0
<b>CAMPUS DISCIPLINARY REFERRALS</b>						
11 Liquor Law Violation/ Disturbing the Peace	2012 2011 2010	5 9 2	222 150 137	0 0 0	13 5 15	240 164 154
12 Drug Related Violation	2012 2011 2010	3 9 1	33 19 27	0 0 0	4 9 2	40 37 30
13 Illegal Weapons Possession	2012 2011 2010	0 2 1	6 1 3	0 0 0	1 1 1	7 4 5



### ***Fire Safety Training and Evacuation Plans***

Fire safety training is provided for all new and returning Residence Assistants during the annual RA training just prior to the beginning of the academic school year. This training outlines the procedures and instructions for staff in order to evacuate immediately upon the activation of any fire alarm.

Housing and Residential Services website [www.fitchburgstate.edu/housing](http://www.fitchburgstate.edu/housing) lists procedures and tips that can be referenced during such emergencies.

### ***Fires in Residential Facilities***

Receipt of fire alarms by the university's automatic alarm system, or by persons who report the presence of smoke, result in an immediate response by Police Department personnel to investigate the cause of the alarm. In the case of an actual fire an incident report is generated and a detailed record of the fire is maintained. A record of all fires in residence hall facilities is also included in the public log of crimes and incidents maintained by the Police Department, which is available for public viewing during normal business hours. Federal law requires that staff who discovers evidence of a past fire which was extinguished before a fire alarm was activated, must report their observations to the Police Department. Such reports also result in an investigation and an entry being made in the public log.

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### ***Emergency Notification Systems and Procedures***

In the event of a serious incident which poses an immediate threat to members of the campus community, the university has various systems in place for communicating information quickly to those individuals. Upon confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of the students or employees occurring on campus, some or all of these methods of communication may be activated. These methods of communications may include activating the Fitchburg State University alert system, an emergency notification system utilizing email, text messaging and telephone voice messaging; messages displayed on electronic message boards on campus; or messages on the Fitchburg State University website.

Phone numbers and email addresses of parents or other persons identified by students, who have registered within this Fitchburg State University alert system, may receive emergency messages as well. The University will also post updates during a critical incident on the Fitchburg State website [www.fitchburgstate.edu](http://www.fitchburgstate.edu).

Serious threats of this nature may involve weather, health or personal safety situations. Based on the nature of the emergency the responsibility for assessing the severity of the threat begins with the senior staff of Capital Planning and Management, Office of Environmental Health and Safety, or Police Department, and Health and Counseling Center. Upon a determination by FSUPD, Facilities or HCS that a significant threat exists the senior staff of the appropriate department will in a timely manner inform the University Crisis Management Team, who will make a decision regarding emergency notification. Staff from the President's Office and/or the Information Technology department will generally have the responsibility for preparing and disseminating emergency messages and updates.

In the event of confirmation of a threat involving imminent risk to personal safety, the senior staff of the Police Department may activate ALERT immediately, prior to notifying the Crisis Management Team.

Many factors are considered when assessing a situation to determine whether to activate one or more of the emergency communications systems and if so, the content of the message and whether to send the emergency message to all or some of the campus community. Among the factors to be considered is the nature and anticipated duration of the emergency situation and whether the emergency applies to a particular building or segment of the population or to the entire campus. The Crisis Management Team or Chief of Police will make a decision without delay, taking into account the safety of the community, determine the content of the notification and initiate the notification system, unless issuing a notification will, in the professional judgment of responsible authorities, compromise efforts to assist a victim or to contain, respond to, or otherwise mitigate the emergency.

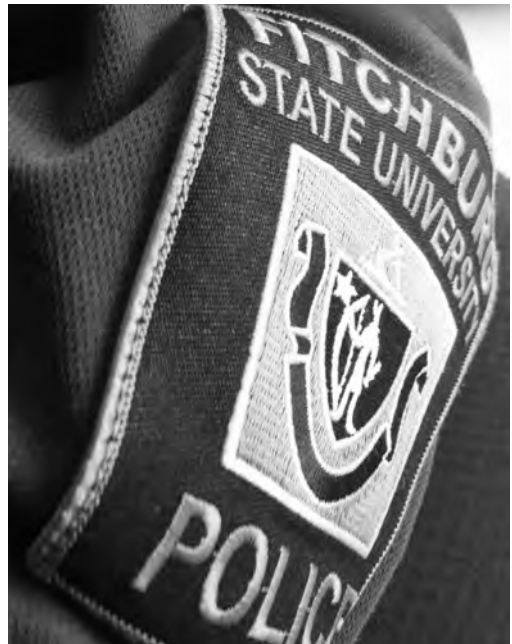
The University Crisis Management Team plans, publicizes and conducts a test of the emergency response and notification system at least annually and maintains a record documenting each test, including a description of the exercise, the date, time and whether it was announced or unannounced.

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## **Missing Student Notification**

If a student has been missing, report this information to Campus Police.

- Each student living in an on-campus student housing facility has the option to register a confidential contact person to be notified in the case that the student is determined to be missing, and that only authorized campus officials and law enforcement officers in furtherance of a missing person investigation may have access to this information.
- All students, even if they have not registered a contact person, that the local law enforcement will be notified that the student is missing.
- Official missing student reports will be referred immediately to an institutional Police Department or local law enforcement agency with jurisdiction in the area.
- Specific procedures that the institution will follow when a student who resides in an on-campus student housing facility is determined to have been missing for 24 hours.



FIRE STATISTICS	Aubuchon	Cedar House	Herlihy	Mara Village	No. Street	Russell Towers	Townhouse
<b>Fires</b>							
2012	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0
<b>Injuries/Deaths</b>							
2012	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0
<b>Financial Loss/Damage</b>							
2012	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0

FIRE SAFETY MEASURES	Aubuchon	Cedar House	Herlihy	Mara Village	No. Street	Russell Towers	Townhouse
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Fire Alarm Monitoring Fitchburg State	X	X	X	X	X	X	
Fire Alarm Monitoring Fitchburg Fire Dept.	X	X	X	X	X	X	
Sprinkler System Full Building	X	X	X	X		X	
Sprinkler System Partial Building					X- Mechanical Rooms		
Smoke Detection	X	X	X	X	X	X	X
Heat Detection	X	X	X	X	X	X	X
Fire Extinguishers	X	X	X	X	X	X	X

**Robert V. Antonucci**

PRESIDENT

**FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING****Tuesday, November 12, 2013****12:15 p.m.****President's Conference Room****Sanders Administration Building****300 Highland Avenue, Fitchburg, MA 01420****AGENDA**

- I.** Call to Order
- II.** Public Comments
- III.** Consideration of minutes from previous meetings
  - a) September 10, 2013
- IV.** Finance and Administration Committee Report – Anthony Mercadante, Chair
  - a) FY2013 Audit – **VOTE** – (03-13/14)
- V.** Board of Trustees self-assessment
- VI.** Act on President's recommendation for faculty sabbatical requests
- VII.** Notifications
  - a) Personnel actions – (N02-13/14)
- VIII.** President's Report – Dr. Robert V. Antonucci
  - a) Vehicle purchase
  - b) Dean structure
  - c) Chemistry Major
  - d) Residence Hall Occupancy – Fall semester 2013-2014
  - e) Letter from Chairman Vittorioso re: President evaluation
  - f) Fitchburg State/Fitchburg High Honors Compact
  - g) Final Board subcommittees for 2013/2014
  - h) News articles
  - i) Campus Crime Awareness & Security and Fire Safety Report
- IX.** Consider moving into executive session to consider the purchase of real property and to discuss strategy with respect to ongoing litigation
- X.** Adjournment

**Future Meeting****Thursday, January 30, 2014****12:00 p.m.****President's Conference Room**

**Robert V. Antonucci**

PRESIDENT

TO: Staff  
FROM: President Antonucci  
DATE: November 12, 2013  
RE: New Dean Structure

Thanks to all who joined us last Tuesday at the open forums. They provided us with the opportunity to review a host of issues of mutual concern. One of the items discussed was the proposed new dean structure, which has been under long time consideration. It is now time to move forward.

We have decided to adopt and implement the new structure. It will go into effect on December 1, with the one new dean position to be posted by Human Resources in the coming days. We will conduct national searches for the new position and the dean position in education (with Pamela Hill's retirement).

We have been discussing a dean structure for more than seven years. People have had ample opportunity to provide input. Most recently, the chairs were asked, once again, to obtain input from their departments, and we used that information to make some changes to the distribution of departments under each dean.

**Rationale:**

1. The current structure is that of a much smaller and less complex institution. We are confident this new structure will help departments, faculty and students, since they will have more direct and expedient access to someone (a dean) who can answer their questions and help them address issues.
2. I need the provost to attend to university-wide initiatives, and her current workload does not allow her the time to do so. For example, she will be leading our next strategic planning process later this year, then be instrumental in tracking the plan to assure we are making adequate progress. This is an extremely time-consuming process.
3. There is also an "opportunity cost." For example, while the provost has worked closely with faculty to bring us two new majors in the past two years, there are other programs we would like to be working on, but do not currently have the manpower. To offer one concrete example, it took us three months to schedule a meeting about a new program. Had the faculty had the option to meet with a dean, the meeting could have taken place much earlier, most likely within a week.



4. The Board of Higher Education and other state and federal entities have placed many more demands on the university, many of which fall in the academic realm. Again, at this point, we do not have the academic staffing to address all these external demands.
5. Since 2004, we have added 28 new full-time faculty to our ranks. In turn, we have more individuals to serve and, once again, do not have sufficient manpower to properly do so. (In 2004 we had 166 full-time faculty and this fall we have 194, not including librarians).

We have put forward a model that is of minimal cost to the university. As you can see below, three of the people assuming dean responsibilities are already “in the budget”—Stan Bucholtz, Paul Weizer and Pamela Hill. Some of Stan’s and Paul’s duties are being redistributed. For your information we have posted the new dean job description, as well as both Stan’s and Paul’s revised descriptions, on the Academic Affairs web page. The fourth position was already partially budgeted, as John Chetro-Szivos has been helping Academic Affairs with a number of initiatives (internships, accreditation, responsible conduct of research, new program development, etc). John will continue as director of the Crocker Center, but the other duties will shift to the new deans. There will be no effect on student tuition or fees; costs are very similar to those of a full professor. Each of these three existing positions already has staff to support them. Depending on the person assuming the new position, we may or may not need to hire administrative support for the new position.

There were three recurrent themes brought forward by the department chairs:

1. The first question concerned the distribution of programs into different divisions. We have discussed multiple options over the past seven-plus years. We looked at models from other institutions. We also considered synergies among different disciplines. Our two guiding principles were that we:
  - a. Did not want to break up departments (faculty were very clear that they did not want this).
  - b. Tried to distribute the workload so that we could maximize access and availability.

The posted model, located on the Academic Affairs web page, is the model we will use. We will reassess the distribution in three to five years and, if there are issues, we can consider making changes at that time.

2. The second question related to how students and faculty would benefit. We think there are multiple ways. The most obvious impact will be more direct and timely access to administration. We also anticipate more program development and more attention to individual programs from which our students will benefit greatly.

3. The third question had to do with combining all the arts and sciences with the programs in the health and natural sciences. This was not a global issue but was raised by several departments. We believe this combination would be too unwieldy. Our goal of access would be diminished as there would be too many programs/faculty and students in one unit. On the other hand, some departments liked the distribution we have ultimately decided to use.

Others concerns raised included:

**Evaluation process.** As needed, the provost will consult with the deans regarding evaluations. This is allowed by the contract. However, I want to make it very clear that the final recommendation to me as president will come from the provost. She will make that determination. There was some question regarding the dean's ability to review the portfolio. When consulted, deans would review the submitted materials as the contract also disallows "incidental observation" to influence the evaluation process. The dean would have to review the submitted materials in order to follow the contract. Post-tenure reviews and sabbatical reviews, however, all will remain with the provost alone.

**Accreditation.** Some were concerned that a dean would not have the expertise in a particular program for purposes of accreditation. Departments actually handle these visits for the most part. While the provost would still assist as needed, the dean would handle the finances and logistics. If anything, the person in the dean position would understand better than someone from a different area. Also, there is never an assurance the provost or associate VP has the expertise in the discipline, and this has not presented a problem in the past.

**The Library** will continue to report directly to the provost. The director of the library will continue to be included in the dean/director meetings and the LPAC will be included in the chair meetings that the provost oversees (at least one per semester). The provost already meets with the entire library staff quarterly. That would continue.

Responses to feedback from the recent open forum sessions:

1. Several questions were raised regarding the impact of the new administrative structure on the LA&S system and our assessment efforts in this area. After further consideration and discussions with union leaders, I have decided to list the responsibility of providing leadership to the LA&S Council as one of the duties of the dean of arts and sciences. Further, to that end, I will also offer to provide a one-course release to the faculty member selected to head up the review of the LA&S curriculum next year with the understanding that the council, as part of its program review, will make recommendations as to how this release can be best utilized going forward.

2. The question of faculty release time to assist with administrative responsibilities was also raised at both open sessions. We have a very talented faculty and I am always receptive to ideas on how to better maximize the talent we have on campus.
3. A few programs had questioned the division in which they were placed. Based upon this feedback, we have moved each of these programs into the area they felt was the best fit for their department. A revised, final listing of the four divisions is listed below.

**Dean of Health and Natural Sciences—NEW POSITION**—approx. 968 UG majors/ 24 GR majors/ 54 faculty

Exercise and Sport Science—201

Nursing—13 grad, 374 undergrad (387 total)

Biology—11 grad, 191 undergrad (202 total)

Chemistry—0 (no major yet)

Physics—168

Earth Systems Science—10

Geography—1

Mathematics—23

Oversee IRB, IACUC, Responsible Conduct in Research Policies, and training

**Dean of Education—Dr. Pamela Kathleen Hill**—approx. 760 UG majors/ 518 GR majors/ 14 faculty

Curriculum and Teaching—172 grad

Early Childhood Education—29 grad, 92 undergrad (121 total)

Elementary Education—38 grad, 87 undergrad (125 total)

Middle School Education—20 grad, 23 undergrad (43 total)

Secondary Education (History, English, Math, Biology, Chemistry & Tech Education)—counted within each discipline

Special Education—134 grad, 131 undergrad (265 total)

Counseling—counted within the discipline

Educational Leadership and Management—21 grad

Other EDUC grad students (Arts Education, General Studies Education, Science Ed, & Secondary Ed)—30 total grad

Extended Campus—430

Oversee McKay Arts Academy

**Dean of Business and Technology/Student and Academic Life—Dr. Stan Bucholtz**—approx. 810 UG majors/ 133 GR majors/ 28 faculty

Business Administration—77 grad, 439 undergrad (516 total)

Computer Science—27 grad, 67 undergrad (94 total)

Computer Information Systems—44



Industrial Technology—189  
Tech Education—10 grad, 11 undergrad (21 total)  
Occupational Education—19 grad  
Vocational Education—60  
Continues Student and Academic Life revised responsibilities

**Associate Vice President for Academic Affairs/Dean of Arts and Sciences—Dr. Paul Weizer**—approx. 1549 UG majors/ 186 GR majors/ 103 faculty

English Studies—31 grad, 157 undergrad (188 total)  
Communications Media—528 undergrad  
Applied Communications—23 grad  
Languages, Art, Music, Philosophy—0  
IDIS—40 grad, 166 undergrad (206 total)  
History—18 grad, 88 undergrad (106 total)  
Political Science—30  
Economics—13  
Human Services—117  
Criminal Justice—253  
Psychological Science—170  
Sociology—27  
Counseling—74 grad  
Provides leadership to the LA&S Council  
Continues AVPAA revised responsibilities

### **Moving forward**

The decision to move forward is being made after long and serious consideration of the proposed dean structure. Changing administrative structures to coincide with the changing needs of the university is not new. We have done it in the past and it has worked well in terms of efficiency, effectiveness and accountability.

With today's demands I am confident this plan will allow the university to support students, faculty, librarians, and staff as they continue to perform at the highest levels.

Thanks to all of you for your assistance and consideration and I wish you the best for continued success.

Minutes of Meeting Held on November 12, 2013 at 12:15 p.m.

**FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING**  
**Tuesday, November 12, 2013**  
**12:15 p.m.**  
**President's Conference Room**  
**300 Highland Avenue, Fitchburg, MA 01420**

Trustees Present: Robert Babineau, Jr., Anna Maria Clementi, Martin F. Connors, Jr., Nathan Gregoire, Don Irving, Michael Mahan, Anthony Mercadante, Frank O'Donnell, Carol Vittorioso

Trustees via phone: Gladys Rodriguez-Parker

Trustees absent: Cynthia Stevens

Also Present: Robert V. Antonucci, Jennifer Berg, Robin Bowen, Jay Bry, Stan Bucholc, Cathy Canney, Cathy Daggett, Gail Doiron, Jenny Fielding, Chris Hendry, Kelli Lundgren, Jessica Murdoch, Jennifer Perkins, Michael Shanley, Paul Weizer, campus community

The meeting was called to order by Chairman Vittorioso at 12:20 p.m.

Chairman Vittorioso opened the meeting requesting any public comments.

Ms. Vittorioso mentioned agenda item VIII section "b", the Dean structure. She stated a grievance has been filed on behalf of the MSCA and therefore there will be no discussion or comments in the meeting regarding this topic.

Ms. Vittorioso also welcomed Ms. Jennifer Perkins, Director, Office of Trustee Relations to the meeting and asked if she would like to make some comments.

Ms. Perkins thanked the Board for inviting her to her second meeting in Fitchburg. She mentioned the Vision Conference was well attended and it was impressive to see the excitement. She also mentioned the Statewide Trustee Conference was a success and Fitchburg State had the most Trustees in attendance. It seemed everyone really enjoyed the conference and the topics discussed were well received. In closing, Jennifer mentioned she will begin to work on planning some regional events and cross segment events.

Mr. Gregoire then mentioned that the Student Government Association has gone through some structural changes that he wanted to make the Board aware of. Ms. Mallory Perron has resigned as president stating personal reasons. In addition, there has also been a couple resignations on the E-Board. Mr. Gregoire has been named interim President for the remainder of the year. He mentioned SGA will be moving from a class structure to a senate structure.

When asked why, he responded that Dr. Henry Parkinson posed a question to the SGA team asking them to re-evaluate the mission. Upon looking at other schools, it appears they are also moving to senate structures. It appears there is not as much camaraderie within classes. With the senate structure, everyone is equal and there is no higher authority.

There were no further public comments.

The consideration of the Board of Trustees minutes from September 10, 2013 were presented.

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

**Voted:** via roll call to approve the minutes of the meeting held on September 10  
**(10-0)** 2013 as 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, Mr. Eric Montague, 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 and the financial statements were issued with a clean, unmodified opinion.

There was a brief discussion regarding the audits. Mr. Mercadante stated that the university appeared strong although not quite as strong as the past because of the continuing renovations to the campus, but still very strong. He also stated that the Foundation and Supporting Organization received clean opinions.

The president mentioned that the debt burden has gone up 3.21% because of the continued construction.

Mr. Irving mentioned it was highly unusual to have no management letter. He did mention to Ercolini that if there was any issues at all, no matter how small, that they let the Board know. It was also requested that Ercolini send a letter stating there was no findings and that no management letter was issued. Ercolini will send that letter.

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

**Voted:** via roll call to accept the Audit Report for the fiscal year ending June 30, 2013.  
**(10-0)**

The president then moved on to the Board of Trustees self-assessment. There are still a few Board members that have not completed the survey and it is asked that it is completed. President Antonucci stated feedback has been positive, but he would like to have more data so that we can determine if there is room for improvement. The link to the survey will be mailed to the Board again and we will add the subject to a future meeting agenda.

President Antonucci then discussed the sabbatical requests. He is asking the Board to defer

review and action of the sabbaticals until the January meeting. He stated this is in no way a reflection of the faculty members, it simply will give him the time to conduct a thorough review of each request as there are 36 requests (34 semester and 2 full year). It is anticipated that the costs of these sabbaticals will be approximately \$400-\$450K to cover salaries and to hire adjuncts to cover classes. The president notified each applicant to let them know of his intent to defer until January. There was a question regarding how often a faculty member can request a sabbatical. Dr. Bowen stated they can apply every six years and there are 41 eligible next year and 10 the following year.

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

**Voted:** via roll call to defer the sabbatical requests until the January meeting.  
**(10-0)**

The president then mentioned the personnel action notifications listed in the Board book. These include new hires, job changes/adjustments, retirements, resignations, etc. He also informed the Board that Chief James Hamel and Mary Chapin Durling are retiring this year as part of the state retirement incentive plan. Both have been here a number of years and will be missed. There will be an event to honor the Chief and Mary and information will be sent to the Board when available. Along with Chief Hamel and Mary, there some faculty members and staff also taking advantage of the retirement incentive plan.

The president then gave his report.

- The two year cycle for trade in for the president's vehicle is out to bid now.
- The Dean structure has been discussed with faculty at length and we are continuing to weigh pros and cons. There has been a grievance filed, and therefore there can be no comments. However a memo outlining the structure is being sent to staff, faculty and boards to review.
- The Board of Higher Education approved the Chemistry major and staff, faculty and students are excited. This is a perfect major to add with the new science center completed
- He referenced the residence hall report. We are currently at 103% but expect a drop off rate. Last year we were at 97%. There was some discussion about whether students complained about being in triples. Mr. Gregoire stated there are rarely complaints. It appears that students like having three people in a room.
- The president then referenced the letter Ms. Vittorioso sent to Commissioner Freeland regarding the president's performance and salary increase recommendations. Ms. Vittorioso stated that the Board recommended the maximum increase allowed based on the guidelines and it is her hope to receive a response within 60-90 days. The Board members were pleased with the letter and felt it was very thorough and accurate.

- President Antonucci mentioned the Honors Compact with Fitchburg High School and Fitchburg State. Benefits of this compact include priority admission, access to Fitchburg State's resources and expanded dual enrollment opportunities.
- The president attended a hearing on Financial Aid at Holy Cross
- The president held two open forums earlier in the month.
- Faculty members Kelly Morgan, directed and Richard McElvain acted in a New York City play. Students also participated.
- Graduation will be held on December 20 at 6:30 in the Recreation Center. All Board members are invited to attend. The President's Medal will be given to Chief Demoura at commencement. It was also noted that Michael Montouri was presented the President's Medal on October 24<sup>th</sup> at his place of employment. Mr. Montouri has done so much for the university, but never wanted recognition, so he was surprised when the ceremony was brought to him.

President Antonucci requested a motion for the Board of Trustees to go into Executive Session.

Upon a motion duly noted by Mr. Mahan and seconded by Mr. Mercadante, it was voted by roll call (10-0) to go into Executive Session at 1:05 p.m. to consider the purchase of real property and to discuss strategy with respect to ongoing litigation. Open session would reconvene after the conclusion of Executive Session.

With no further business before the Board, the meeting was adjourned at 1:05 p.m.

Respectfully submitted:

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Anna Maria Clementi, Clerk  
Board of Trustees