

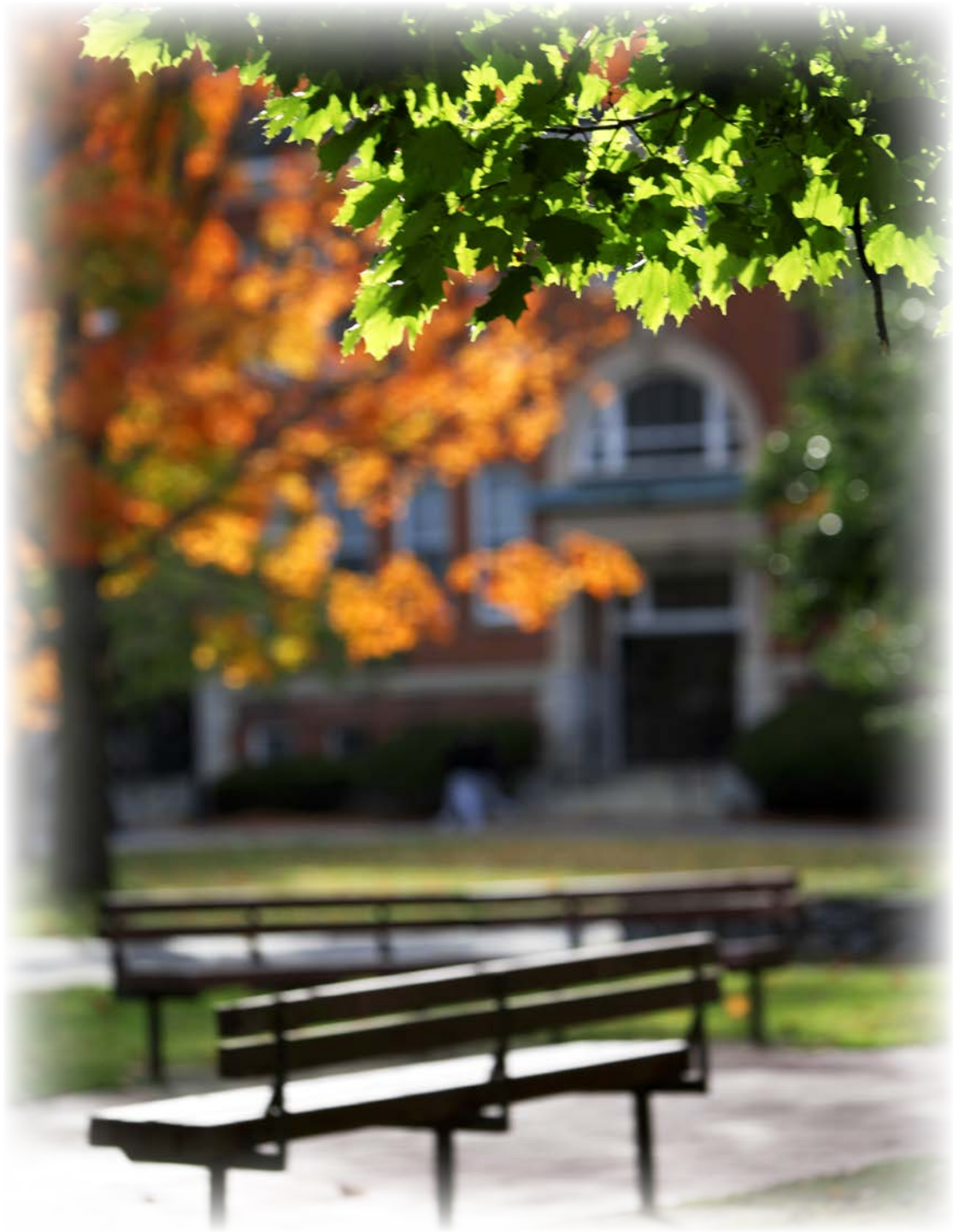


# FITCHBURG STATE UNIVERSITY



## **Comprehensive Annual Financial Report** **Included in the State University Fund, an Enterprise Fund** **of The Commonwealth of Massachusetts**

*For the Year Ended June 30, 2011*





# **FITCHBURG STATE UNIVERSITY**

## **Comprehensive Annual Financial Report Included in the State University Fund, an Enterprise Fund of The Commonwealth of Massachusetts**

*For the Year Ended June 30, 2011*

Prepared by the Office of Financial Services  
Fitchburg State University  
160 Pearl Street, Fitchburg, MA 01420







# TABLE OF CONTENTS

## Introductory Section

|                                 |    |
|---------------------------------|----|
| President’s Letter.....         | 6  |
| Letter of Transmittal.....      | 7  |
| List of Preparers .....         | 16 |
| Board of Trustees .....         | 17 |
| Organizational Chart .....      | 18 |
| Certificate of Achievement..... | 19 |

## Financial Section

|   |         |
|---|---------|
| Index.....  | 22      |
| Independent Auditor’s Report .....  | 23-24   |
| Management’s Discussion and Analysis .....  | 25-35   |
| Basic Financial Statements:   |         |
| Statements of Net Position .....  | 36-38   |
| Statements of Revenues, Expenses and Changes in Net Position.....   | 39-40   |
| Statements of Cash Flows.....   | 41-43   |
| Notes to Financial Statements .....   | 44-97   |
| Supplementary Information to the Financial Statements:  |         |
| Residence Hall Fund and Residence Hall Damage Fund Activity .....   | 100-101 |
| Independent Auditor’s Report on Internal Control Over Financial<br>Reporting and on Compliance and other Matters Based on an<br>Audit of Financial Statements Performed in Accordance with<br>Government Auditing Standards ..... | 102-103 |

## Statistical Section

|   |     |
|---|-----|
| Index.....  | 106 |
| Schedule of Revenues by Source.....   | 107 |
| Schedule of Expenses by Function.....   | 108 |
| Pie Charts – Revenues by Source/Expenses by Function.....   | 109 |
| Ratio Analysis of Revenues by Source and Expenses by Use.....   | 110 |
| Schedule of Changes in Net Position and Net Position by Category.....   | 111 |
| Schedule of Capital Asset Information.....  | 112 |
| Ratio Analysis of Outstanding Debt.....   | 113 |
| Admissions and Enrollment Statistics .....  | 114 |
| College Enrollment in Central Massachusetts.....  | 115 |
| Degrees Offered.....  | 116 |
| Degrees Earned.....   | 117 |
| Schedule of Tuition and Fees for the Last Ten Academic Years  |     |
| Resident Undergraduate Students.....  | 118 |
| Schedule of Non Resident Tuition and Mandatory Fees for Last Ten Academic Years .....                           | 119 |
| Schedule of Employment.....   | 120 |
| Demographic and Economic Information  |     |
| Regional Map – North Central Massachusetts .....  | 121 |
| Annual Estimates of Population for Massachusetts by County .....  | 122 |
| Population Change for Massachusetts, by County, 2000 to 2010 .....  | 123 |
| Population Change for Cities and Towns in the North Central<br>Massachusetts Workforce Area, 2000 to 2010 ..... | 124 |
| Educational Attainment: Massachusetts, 2010 .....   | 125 |
| Labor Force Estimates by Workforce Area .....   | 126 |
| Labor Force Estimates by Cities and Towns in the North Central Massachusetts<br>Workforce Area .....            | 127 |
| Profile of Unemployment Insurance Claims – North Central Massachusetts.....                                     | 128 |
| Top 20 Employers – Central Massachusetts.....   | 129 |
| Industries Generating the Most New Jobs Through 2016 .....  | 132 |
| Occupations Generating Nearly Half of All New Jobs by 2016.....   | 133 |



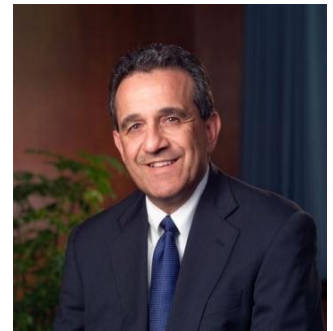


## *Introductory Section (Unaudited)*



**Robert V. Antonucci**

PRESIDENT



December 9, 2011

**Dear Friends of Fitchburg State University,**

I am pleased to report that, based on all fiscal year 2011 indicators, Fitchburg State University remains on the firmest of financial ground. The university continues to focus on its primary mission—teaching, learning and service—with particular emphasis on ensuring that the educational needs of our students are met at the highest possible level.

Topping the list of initiatives is beginning the process of renewing our accreditation with the New England Association of Schools and Colleges (NEASC). The effort involves a comprehensive self-study requiring widespread participation and commitment from the campus community. The effort allows the institution to have a candid discussion of its strengths and weaknesses in an attempt to promote positive change and improvement, as well as enhanced accountability. The self-study is labor intensive but must be of the highest quality, with the goal of receiving another full 10-year accreditation.

In other news, our efforts to refurbish the campus infrastructure received a major boost with the start of construction on the university's new science building and an extensive renovation of the Hammond Campus Center. These multi-million dollar projects will improve the campus environment and enhance spaces and opportunities for teaching and learning while ensuring the institution remains vital and dynamic for years to come. At the same time, we are investing in our faculty and librarians, with 25 coming on board in the fall of 2011. In addition, we welcome a new vice president of academic affairs, who will play a key role in moving Fitchburg State to the next level.

It has been another productive year for the university. We continue to strive for excellence in all that we do, fulfill our obligation to provide students with the skills and competencies to succeed in a global society, and demonstrate through actions and results our belief that this institution is the best in its class.

Sincerely,

A handwritten signature in black ink that reads "Robert V. Antonucci". The signature is written in a cursive, flowing style.

Robert V. Antonucci  
President



**Jay D. Bry***Vice President for Finance and Administration*

December 9, 2011

Letter of Transmittal

To: President Antonucci, Members of the Board of Trustees, Friends of Fitchburg State University and Citizens of the Commonwealth of Massachusetts:

### **Introduction**

On behalf of Fitchburg State University, I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the University for the year ended June 30, 2011. The CAFR has been prepared in accordance with the financial reporting standards applicable to governmental entities set forth by the Government Accounting Standards Board (GASB), as well as by the financial reporting standards of the Government Finance Officers Association (GFOA). This report includes our audited financial statements and other useful information to help ensure the University's transparency and accountability to the public.

This report was prepared by the Financial Services staff with assistance from other key campus professionals. Management assumes full responsibility for the accuracy, completeness and fairness of the information presented. We believe the report to be accurate and complete in all material respects, includes all funds and financial transactions and is organized in a manner designed to fairly represent the University's financial position and results of operations for the year ended June 30, 2011. We believe our system of internal controls is sound and sufficient to disclose any deficiencies and/or material weaknesses to the auditors, the audit committee and the Board of Trustees. Readers are encouraged to use this transmittal letter in conjunction with Management's Discussion and Analysis (MD & A), found on pages 25 - 35, to more fully understand the factors impacting fiscal year 2011 operations.

Massachusetts General Laws, federal guidelines and certain bond covenants require the University's accounting and financial records to be audited annually. For the fiscal year ended

June 30, 2011, an audit was performed by Ercolini & Company LLP who issued an unqualified opinion. The independent auditor's report can be found on pages 23 - 24.

### **Profile of the University**

Located in the city of Fitchburg, Massachusetts, Fitchburg State University is a public university with a rich history of service to the state and an evolving and increasingly comprehensive mission. Established by an act of the Massachusetts Legislature in 1894 and named the State Normal School at Fitchburg, the school's goals were originally significant but focused. Cities and towns needed more qualified public school teachers, and normal schools established training programs to meet this need. For 38 years, the Normal School at Fitchburg retained its name and mission, adding new buildings, first for demonstration schools and then for residence halls. The original programs of study at the Normal School were one or two years in length.

In 1930, the first bachelor's degree was developed in practical arts. By 1932, bachelor degree programs in education were offered and the institution was renamed the State Teachers College at Fitchburg. Under the auspices of the State Division of University Extension, summer courses were first offered in 1915, marking the beginning of the University's commitment to Continuing Education programs. In 1935, the first graduate programs in education were developed and in 1954 the first evening courses were offered.

In 1960, the University diversified its programs to include degrees in disciplines other than education. The name was changed to Fitchburg State College in 1965 and that name remained in place for 45 years. In 2010, Governor Deval Patrick signed legislation that created a new state university system and renamed the college Fitchburg State University. Currently, the University offers undergraduate programs in the liberal arts, teacher preparation, and professional programs, as well as master's degrees, certificates of advance graduate studies (CAGS), and other graduate certificate programs. The campus has expanded from a single structure to 33 buildings on 90 acres, becoming the educational center for the North Central Massachusetts region.

Fitchburg State University is one of nine comprehensive public institutions of higher education in Massachusetts. The institutions are strategically located throughout the state to facilitate access to baccalaureate and master's degree programs for Commonwealth residents. Each institution has a distinctive academic focus based upon its established strengths and the needs of its local region. The institutions integrate liberal arts and sciences programs with professional education, placing a special emphasis on teaching and lifelong learning to promote intellectual, social and ethical development.

Fitchburg State University is a state-supported, co-educational institution governed by an 11-member Board of Trustees. The Board of Trustees provides policy direction and sets goals for the University consistent with its vision, mission, and values. The Board of Trustees is responsible for appointing the President, evaluating the President, and adopting the budget for the ensuing fiscal year.



## **Economic Conditions and Outlook**

### **Background Information on the Commonwealth of Massachusetts**

The Commonwealth of Massachusetts is a state in the New England region of the northeastern United States. It is bordered by Rhode Island, Connecticut, New York, Vermont, and New Hampshire. A majority of its 6.6 million people live in the Boston metropolitan area. The state consists of urban, suburban, and rural areas and is the most populous of the six New England states. Originally dependent on fishing, agriculture, and trade with Europe, Massachusetts was transformed into a manufacturing center during the industrial revolution and has now shifted from manufacturing to services. Today, the state is a leader in higher education, health care, technology, and financial services. The United States Bureau of Economic Analysis estimates the state's gross state product at \$378 billion, the highest of the New England states and twelfth nationally. Per capital personal income is \$58 thousand, second only to Connecticut in New England and sixth nationally.

The government of Massachusetts is divided into three branches: executive, legislative, and judicial. The governor heads the executive branch and his duties include signing or vetoing legislation, filling judicial and agency appointments, granting pardons, preparing an annual budget, and commanding the Massachusetts National Guard.

Massachusetts is home to 121 institutions of higher education, many of whom consistently rank among the world's best universities. There are more than 40 colleges located in the greater Boston area and over 10 located in Worcester.

**Statewide Economic Conditions:** As stated in the Commonwealth's Statutory Basis Financial Report for the fiscal year ended June 30, 2011, the Commonwealth had a budgeted fund balance of approximately \$1.9 billion and completed the fiscal year with a consolidated net surplus sufficient to meet statutory requirements. The total budgeted fund balance represents a gain of approximately \$998 million for the period resulting from growth in tax revenues due primarily to the recovering economy. Of the total budgeted fund balance, \$1.4 billion is reserved in the state's Stabilization Fund. This compares to a balance in the fund of the \$2.3 billion in 2007 before the recession began and \$670 million at the end of fiscal year 2010.

During fiscal year 2011, the Commonwealth used \$2.4 billion in funds received from the *American Recovery and Reinvestment Act of 2009* (ARRA). In fiscal year 2012, these funds are expected to decline to less than \$400 million. During fiscal year 2011, budgeted tax revenues increased 11.2% over fiscal 2010 levels. Income taxes increased by 14.7% and Sales and Use taxes increased by 3.7% (as adjusted for the increased rate in effect for ten months).

In fiscal year 2011, employment grew as the Commonwealth continued its recovery from recession. On a seasonally adjusted basis, Massachusetts employment grew by 1.5% compared

to .08% nationally. As of June 2011, the state's unemployment rate stood at 7.6% compared to the 9.2% nationally.

The General Appropriations Act for fiscal year 2012 was based on a budgeted revenue estimate of approximately \$30.4 billion, of which \$17.7 billion represented taxes available for budget. As of September 30, 2011, fiscal year 2012 tax collections were \$193 million above the year-to-date benchmark and on October 17, 2011, the Executive Office for Administration and Finance raised the tax revenue estimate for fiscal year 2012 by \$395 million to \$18.1 billion. This is the second consecutive year that revenue estimates have been positively adjusted due to the improving economic environment.

For fiscal year 2012, the Massachusetts Taxpayers Foundation (MTF) is projecting moderate revenue growth of 4.7%. Despite the positive expectations, MTF is still projecting a budget shortfall of approximately \$2 billion for the period. The shortfall results from the depletion of federal stimulus funds and increases to non-discretionary expenditures such as Medicaid, pensions and debt service. It is very likely that the fiscal year 2012 budget will require another round of cuts in local aid, human resources, higher education, and other state programs.

**State Budget Process:** The Massachusetts state budget funds all aspects of state government. The budget determines funding levels for each fiscal year, beginning on July 1 and ending on June 30. The budget cycle includes the governor's budget recommendation which is filed in January followed by various phases (occurring throughout the spring and early summer) of review, amendment, and vetoes within and among the legislative branches until the final budget, referred to as the General Appropriations Act, is released by the governor on or about June 30.

Fitchburg State University, along with the other public higher education institutions in Massachusetts, works with the Department of Higher Education (DHE), a statutorily created Massachusetts agency responsible for defining the mission of and coordinating the Commonwealth's system of public higher education. Each individual institution's budget allocation is driven by a standardized budget formula which calculates the annual funding need. The budget allocations are then combined into an annual request which is submitted to the Massachusetts legislature and ultimately the governor. Over the course of the last decade, the amount of state support received by the institutions has steadily declined. For Fitchburg State University, the total appropriations received from the state have decreased from approximately 60% of total revenue in 2001 to 34% in 2011. Whereas, appropriations funded 61% of operating expenses in 2001, today appropriations fund 40% of operating expenses. This fundamental shift in funding has moved the public higher education in Massachusetts from being state funded to being state supported, with the reduction in funding being supplemented by student fee increases. Massachusetts public higher education is now one of the most poorly funded nationwide.

## Local Conditions

### **Background Information on the City of Fitchburg, Massachusetts and Fitchburg State University's Economic Impact on the City of Fitchburg**

**Background on the City of Fitchburg:** Fitchburg is situated in the North Central part of the state, 10 miles from New Hampshire and 50 miles from Boston. It is the third largest city in Worcester County with a resident population of approximately 40,000. Fitchburg was a 19<sup>th</sup> century industrial center and is noted for its Victorian style architecture. Throughout the early 20<sup>th</sup> century Fitchburg was known for its paper industry which attracted a large population of new Americans migrating here for the jobs in paper mills.

Over recent decades manufacturing jobs, primarily in the paper and plastic industries, have disappeared. The area labor market has been particularly impacted during the recent economic downturn. Manufacturing job losses have contributed to the area's high unemployment rate. The region's unemployment rate is consistently higher than the state's and has recently been higher than the nation's as a whole. Fitchburg's unemployment rate stands at 11.6%, compared with the state's rate of 7.6%. Fitchburg has high levels of poverty and socio-economic instability. The per capita income is lower than the state average. In excess of 21% of persons under the age of 18 in Fitchburg are living below the federal poverty level and 67.9% of the public school students are low-income.

**Fitchburg State University's Economic Impact on the City of Fitchburg:** The University is a steady and strong contributor to the community in which we live. Fitchburg State University is the largest employer in the city with over 500 full time and 300 part time employees. The University continues to partner with city and regional leadership in projects aimed at improving the quality of life in the city and surrounding communities. Economic development and urban renewal efforts have taken many forms and include support from faculty and students as well as other University offices. In 2010, the University established the Regional Economic Development Institute (REDI) to study the North Central Massachusetts economy and its effect on business, including the economic impact the University and its students have on the region. In December 2011, REDI completed a study to determine the redevelopment of a vacant manufacturing building located on the city's Main Street. In addition, the city of Fitchburg recently passed an ordinance to create a 224 acre Student Housing Overlay District in the downtown area in an effort to guide more students to downtown businesses.

The University's close proximity to the city's Main Street makes it an economic force in the region and a partner in the redevelopment of the area. The future of the University and the city of Fitchburg are indisputably tied to each other and the strong partnership that exists is of benefit to both.

## Major Initiatives

**New England Association of Schools and Colleges Accreditation Study:** Accreditation requires a comprehensive and candid self-study of an institution's strengths and weaknesses. Institutions are evaluated on how well they meet eleven non-prescriptive standards which recognize the diversity of an institution while enabling it to be creative, innovative, and collaborative in engaging in self-examination to assure quality and institutional improvement. Fitchburg State University has completed the first phase of the accreditation process by drafting a comprehensive self-study. The self-study afforded the University the opportunity to examine our mission based on a focused set of criteria which allowed us to ascertain our relative strengths and weaknesses. There was widespread participation from faculty, librarians and staff illustrating the serious commitment of the campus community. The accreditation team will arrive in March of 2012 and will use the self-study as the basis for their evaluation of the University to determine if Fitchburg State is an institution of quality that consistently strives to improve. This process is repeated on a ten year basis and it is our belief that the University will be accredited for another ten years. Accountability is important to this institution and this process is the most significant means of achieving such validation.

**Capital Improvement Plan:** The implementation of a comprehensive capital improvement plan continues and has transformed the campus over the last several years into a focal point within the City of Fitchburg. In October of 2010, the University broke ground for a new Science Center. The \$57 million project is the University's first major academic building constructed in decades. The new 54,000 square foot state of the art science building will transform our science programs and catapult us into the 21<sup>st</sup> century. When completed, the building will provide students and faculty with a facility that is second to none. The construction is scheduled to be completed in 2014. The \$26 million renovation of the Hammond Campus Center has also begun. The project will create a prominent new accessible entrance to the main campus. The renovations will improve accessibility and provide interior configuration and infrastructure upgrades. The project is scheduled to be completed in 2013. Other projects include renovation of Miller Hall, Weston Auditorium and the Highland Avenue closure project which when complete will create a new pedestrian walkway joining two separate areas of the campus.

**University Name Change:** On October 26, 2010, Fitchburg State College officially became Fitchburg State University. With the change, the University has a name that accurately describes the comprehensive nature of this institution. Great strides have been made to communicate to the public the significance of our new status. The change has created a new energy on campus. Students and faculty are enthusiastic and motivated to be part of a university. Much time has been spent on the mechanics of the change (e.g. construction of a new website, marketing and signage). In the coming year, focus will be turned to the academic aspect of the change to ensure that our graduates remain competitive in an increasingly difficult job market.



**Readiness Center:** Fitchburg State University was selected by Governor Deval Patrick to be one of the state's first Readiness Centers, a regional initiative to improve teacher quality and bridge an ever widening achievement gap across Massachusetts. The Centers will focus on enhancing the quality of teaching across the education continuum from early childhood through higher education by offering services and activities that address local and regional needs as well as statewide priorities. Readiness Centers will help improve the theory and action of teaching by providing educators with greater access to proven strategies and more focused professional development opportunities. Fitchburg State University is part of the Central Massachusetts Readiness Center, with partners that include the Massachusetts Elementary School Principals' Association and Worcester State University. Readiness Centers are part of a larger statewide initiative called *The Vision Project* which is a unified effort of Massachusetts public higher education to produce the best educated citizenry and workforce in the nation.

### **Long-Term Financial Planning**

Despite the turbulent economic environment of the last few years, Fitchburg State University is and has been on firm financial ground. Strong financial leadership has allowed the institution to balance current operating needs with long-range planning and investment that will ensure the long-term viability of the University. The University's use of a wide variety of metrics to assess and evaluate the financial health of the Institution demonstrates a balanced management approach. The metrics also help to describe the positive results of operations for each of the last ten years and a return on net assets averaging above 10% for the same time period. The strategic use of debt has allowed the University to embark on several significant construction projects. The University's debt burden, which is a measurement of dependence on borrowed funds to finance initiatives, remains below the 5% threshold recommended by the Massachusetts Department of Higher Education. The capital initiatives carried out over the last several years, coupled with the careful use of debt have resulted in a steady increase in the University's capital base.

The University's strategic plan provides the roadmap for long-term financial planning. The strategic plan is driven by the following documents and resources, which serve as its foundation: Second Stage Academic Plan; Facilities Master Plan; Americans with Disabilities Act Assessment; Security Needs Analysis; Space Utilization Analysis; academic institutional effectiveness reviews; the New England Association of Schools and Colleges accreditation procedures; the Department of Higher Education Performance Measures; and annual budget processes. In sum, the University will continue to invest in its human resources, programs and activities, its infrastructure, and its facilities.

## Financial Policies

**Internal Controls:** Management establishes and maintains the University's internal control policies and procedures to provide the Board of Trustees and other outside federal and state agencies reasonable assurance that the University is operating in an efficient and effective manner and is meeting the goals and objectives outlined in the strategic plan. Additionally, the plan identifies and summarizes department-wide risks and associated controls to mitigate those risks which can be broadly defined in four categories: academic quality; student life; capital assets/facilities and safety; and financial resources.

**Independent Audit:** As a recipient of federal, state, and local financial assistance, the University is responsible for ensuring that adequate internal controls are in place to comply with applicable laws and regulations related to those programs. These controls are subject to periodic evaluation by management and the independent auditors of the University. As part of the independent audit, conducted by Ercolini & Company LLP, tests are made to determine the adequacy of the internal control, including that portion related to federal and state grants, as well as to determine that the University has complied with applicable laws and regulations. The results of the University's independent audit, for the fiscal year ended June 30, 2011, provided no deficiencies or material weaknesses in internal controls.

**Budgeting Controls:** A strong multiple year budget process, driven by the strategic plan, is used to ensure the thoughtful use of limited resources. Additionally, effective monitoring and oversight guarantee that revenue projections are adequate and that funds are spent in accordance with applicable laws, regulations and guidelines. The annual budget is presented for approval to the Board of Trustees. Quarterly financial reports are presented to the Board to provide current information and year to date comparisons.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to Fitchburg State College for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to acknowledge the Board of Trustees for their continued commitment to the fiscal management and health of the University. We also want to thank the Financial Services staff, in concert with the Offices of the President, Academic Affairs, External Affairs, Institutional Research, Student Accounts and Financial Aid, Capital Planning and Administration, and Print Services, for assisting with the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'JDB', with a long horizontal flourish extending to the right.

Jay D. Bry  
Vice President of Finance and Administration



**REPORT PREPARED BY:**

---

**Jay D. Bry**  
*Vice President of Finance & Administration*

**Cathleen M. Daggett, CPA**  
*Director of Financial Reporting & Analysis*

**Patricia A. Boudreau**  
*Accounting Administrator*

**WITH THE ASSISTANCE OF:**

**Office of the President**

**Office of Academic Affairs**

**Office of Capital Planning & Administration**

**Office of External Affairs**

**Office of Financial Services**

**Office of Institutional Research**

**Office of Print Services**

**Office of Student Accounts and Financial Aid**

**BOARD OF TRUSTEES**  
**Fitchburg State University**  
*As of June 30, 2011*

---

**Ms. Carol T. Vittorioso, Esq., Chairperson**  
Appointment: 5/19/2006, 7/26/2010

**Mr. Martin F. Connors, Jr., Vice Chairperson**  
Appointment: 8/1/2007

**Ms. Beverly S. Farias, Elected Alumni**  
Appointment: 3/4/2002, 3/2/2007

**Mr. Robert A. Pontbriand, Clerk**  
Appointment: 4/29/2002, 8/1/2007

**Mr. Matthew Costello, Student Trustee**  
Appointment: 7/01/2010, 07/01/2011

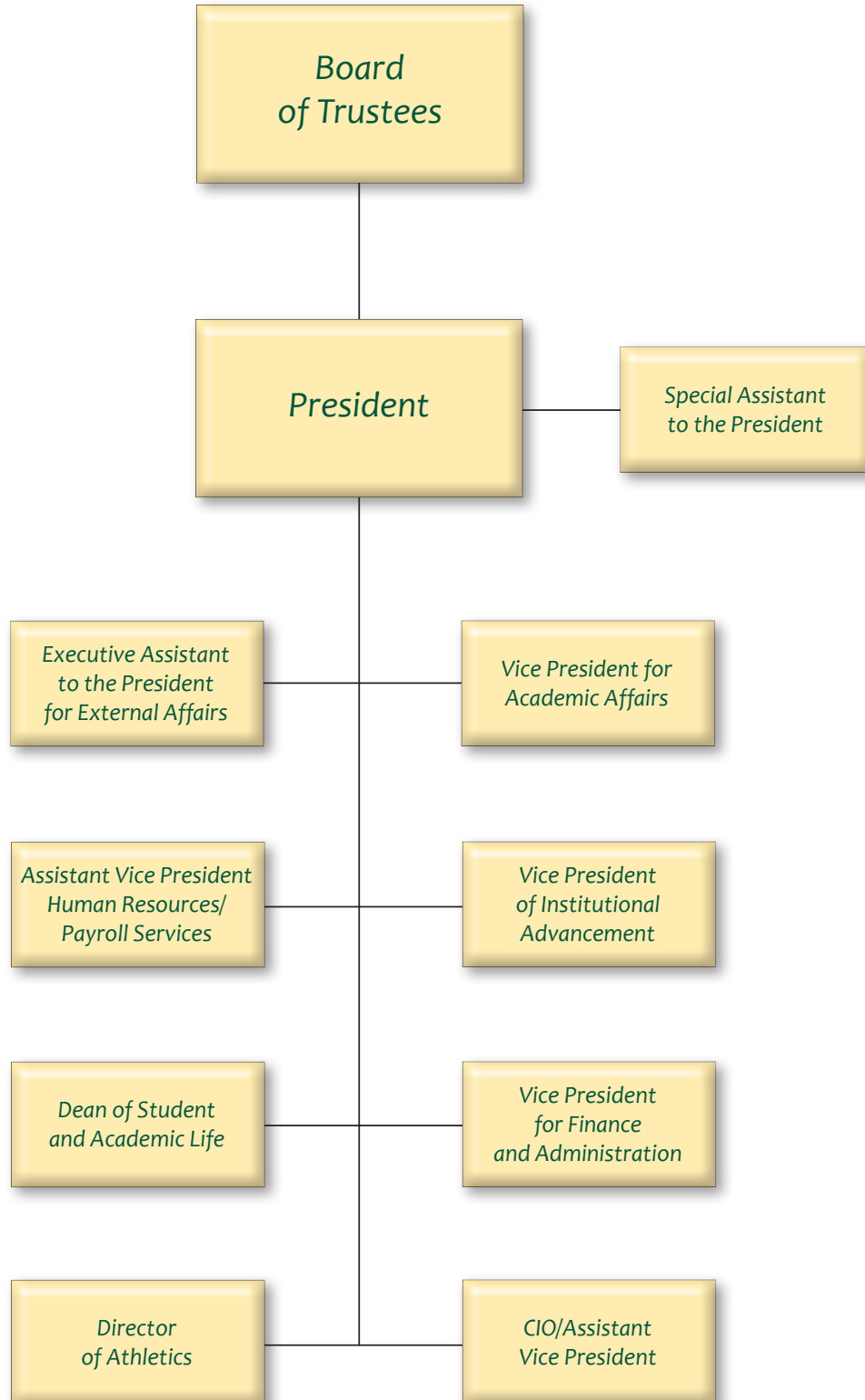
**Ms. Anna Maria Clementi**  
Appointment: 06/24/2011

**Mr. Anthony J. Mercadante, CPA**  
Appointment: 04/13/2011

**Ms. Gladys Rodriguez-Parker**  
Appointment: 06/03/09

**Dr. Cynthia M. Stevens**  
Appointment: 06/03/09

 **FITCHBURG STATE UNIVERSITY**  
*Organizational Chart*





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fitchburg State College  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



## Financial Section





## FINANCIAL SECTION

The Financial Section of the Fitchburg State University Comprehensive Annual Financial Report includes the audited financial statements for the years ended June 30, 2011 and 2010.

Independent Auditor’s Report ..... 23-24

Management’s Discussion and Analysis ..... 25-35

### Basic Financial Statements:

|   |       |
|---|-------|
| Statements of Net Position .....                                  | 36-38 |
| Statements of Revenues, Expenses and Changes in Net Position..... | 39-40 |
| Statements of Cash Flows.....                                     | 41-43 |

### Notes to Financial Statements:

|   |       |
|---|-------|
| Note 1 - Summary of Significant Accounting Policies .....   | 44-53 |
| Note 2 - Cash and Cash Equivalents and Investments .....  | 54-63 |
| Note 3 - Accounts and Contributions Receivable .....  | 63-64 |
| Note 4 - Loans Receivable .....   | 64    |
| Note 5 - Capital Assets.....  | 65-71 |
| Note 6 - Accounts Payable and Accrued Liabilities.....  | 71    |
| Note 7 - Accrued Worker’s Compensation .....  | 71    |
| Note 8 - Accrued Compensated Absences .....   | 71-72 |
| Note 9 - Faculty Payroll Accrual.....   | 72    |
| Note 10 -Deferred Revenue.....  | 72    |
| Note 11 -Deferred Inflow of Resources .....   | 72-73 |
| Note 12 -Capital Lease Obligations .....  | 73-75 |
| Note 13 -Interagency Payables.....  | 76-82 |
| Note 14 -FSU Foundation Long Term Debt.....   | 82-86 |
| Note 15 -FSU Foundation Line of Credit.....   | 86    |
| Note 16 -Long Term Liabilities.....   | 87-88 |
| Note 17 -Unrestricted Net Position .....  | 88    |
| Note 18 -Net Position Restricted by Enabling Legislation.....   | 89    |
| Note 19 -Operating Expenses.....  | 89    |
| Note 20 -State Controlled Accounts.....   | 89    |
| Note 21 -Retirement Plan.....   | 90    |
| Note 22 -Fringe Benefits for Current Employees and Post Employment<br>Obligations – Pension and Non-Pension ..... | 90-91 |
| Note 23 -Lease and License Agreements .....   | 91-93 |
| Note 24 -Donated Equipment, Materials, and Services .....   | 93    |
| Note 25 -Management Accounting and Reporting System .....   | 93-94 |
| Note 26 -Stimulus Grants.....   | 94    |
| Note 27 -Risk Management.....   | 95    |
| Note 28 -Commitments and Contingencies.....   | 95    |
| Note 29 -McKay Agreement .....  | 96    |
| Note 30 -Civic Center .....   | 96-97 |

### Supplementary Information to the Financial Statements:

|   |         |
|---|---------|
| Residence Hall Fund and Residence Hall Damage Fund Activity .....   | 100-101 |
| Independent Auditor’s Report on Internal Control Over Financial<br>Reporting and on Compliance and other Matters Based on an<br>Audit of Financial Statements Performed in Accordance with<br>Government Auditing Standards ..... | 102-103 |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Fitchburg State University  
Fitchburg, Massachusetts

We have audited the accompanying financial statements of the business-type activities of Fitchburg State University (the University) (formerly known as Fitchburg State College) (a department of the Commonwealth of Massachusetts) as of and for the years ended June 30, 2011 and 2010, and the discretely presented component unit as of and for the years ended June 30, 2011 and 2010, which collectively comprise Fitchburg State University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fitchburg State University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of Fitchburg State University and its discretely presented component unit are intended to present the respective financial position, results of operations and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Fitchburg State University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2011 and 2010, the change in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Fitchburg State University as of June 30, 2011 and 2010, and the respective results of operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in fiscal 2011, the University elected to early implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

In accordance with Government Auditing Standards, we have also issued a report dated October 18, 2011 on our consideration of Fitchburg State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2011 audit.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The residence hall fund and residence hall damage fund activity, as listed in the accompanying table of contents, and the statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the 2011 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statements or to the 2011 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the residence hall fund and residence hall damage fund activity are fairly stated in all material respects in relation to the 2011 financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the 2011 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Ercolini & Company LLP*

Boston, Massachusetts  
October 18, 2011

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

***Introduction***

The following discussion and analysis are intended to provide an overview of the financial position and results of operations of Fitchburg State University (the "University") for the fiscal years ended June 30, 2011, 2010 and 2009. This discussion is provided by the management of the University and should be read in conjunction with the financial statements and notes thereto. The purpose of this document is to give some background to the financial statements, and foster an understanding of how these statements relate to the mission and activities of the University.

The University, located in North Central Massachusetts, is one of the nine comprehensive public universities in the Commonwealth of Massachusetts (the "Commonwealth"). These institutions, along with the five-campus University of Massachusetts system and the fifteen community colleges comprise public higher education in Massachusetts. The University offers approximately 49 undergraduate degree programs in eighteen academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During fiscal 2011, there were approximately 3,800 full-time students and thousands of part-time students enrolled in degree programs, for a combined full-time equivalent enrollment of approximately 5,300. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education (DGCE). The University awarded approximately 1,200 graduate and undergraduate degrees in fiscal 2011. 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 2011 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 \$24.3 million in fiscal 2011. In addition, the University received \$3.1 million as a result of *The American Recovery and Reinvestment Act of 2009* (ARRA). ARRA funds were used primarily to support faculty payroll and fringe benefit costs. General appropriations were \$21.4 million in fiscal 2010 and \$26.3 million in fiscal 2009.
- Fees were increased to fund academic and capital initiatives. Total mandatory per semester fees were \$3,415, \$2,965, and \$2,715 in fiscal 2011, 2010 and 2009, respectively. Fees were also increased for undergraduate continuing education students. Tuition, which is controlled by the Commonwealth, has not increased since the fall of 2001 and remains at \$485 per semester for in-state students.
- The University expended \$8.2 million from current funds for capital additions in fiscal 2011. Projects completed during the year included completion of Phase III of the renovations to the Anthony Building, Phase I construction of new academic space on North Street and renovations to the entrance to Thompson Hall. An additional \$4.8 million was spent on the University's behalf by the Massachusetts Division of Capital Asset Management (DCAM) for the Science Center modernization project. Projects remaining in process at June 30, 2011 include the Hammond Campus Center renovations, the Science Center modernization project, renovations to Miller Hall and the Highland Avenue closure project.

- Total assets at the end of fiscal 2011 were \$125.5 million and exceeded liabilities and deferred inflows of resources of \$45.4 million by \$80.1 million (i.e. net position). Unrestricted net position available to support short-term operations totaled \$22.1 million, of which \$8.5 million has been designated for specific purposes.
- Total operating, non-operating, and gift revenue for fiscal 2011 was \$85.8 million, while expenses totaled \$72.6 million, resulting in an increase to net position of \$13.2 million. The increase in net position includes a 5.7% increase in student tuition and fee revenues.
- The consolidated financial information of the Fitchburg State University Foundation, Inc. is included in the University's financial statements as a component unit of the University. It is important to reiterate that the Foundation is a separate organization. Foundation funds are largely restricted, and unrestricted funds can only be expended by vote of the Board of Directors of the Foundation.

### ***Using the Financial Statements***

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

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

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



### Statement of Net Position

The statement of net position presents the financial position of the University at the end of the year and includes all assets, liabilities and deferred inflows of resources of the University, with the difference reported as net position. Assets, liabilities and deferred inflows are generally measured using current values, with a notable exception in capital assets, which are stated at historical cost less an allowance for depreciation. Net position is one indicator of the financial condition of the University, while the change in net position from one period to the next is an indicator of whether the financial condition has improved or worsened. The statements of net position (condensed, in thousands) at June 30, 2011, 2010 and 2009, are as follows:

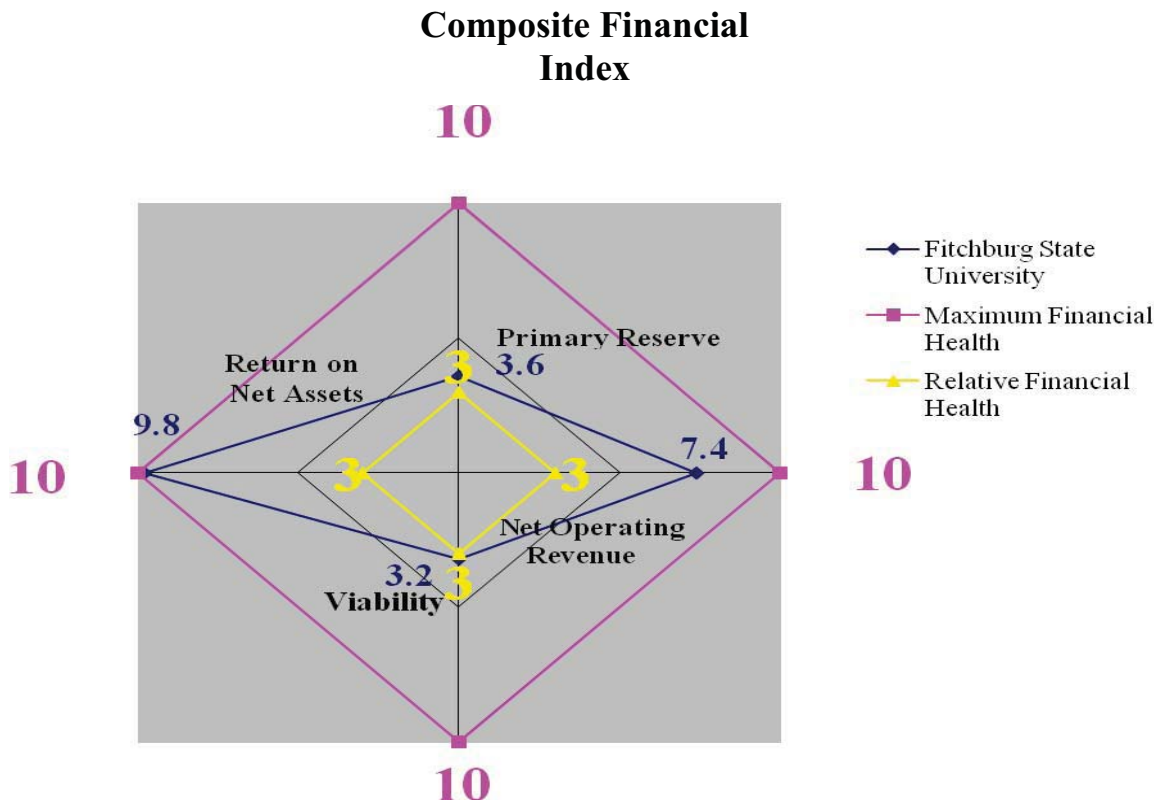
|                                      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      |
|--------------------------------------|------------------|------------------|------------------|
| <b>Assets</b>                        |                  |                  |                  |
| Current assets                       | \$ 29,673        | \$ 20,743        | \$ 10,601        |
| Capital assets, net                  | 66,192           | 55,386           | 53,816           |
| Other                                | <u>29,702</u>    | <u>16,708</u>    | <u>18,345</u>    |
| Total Assets                         | <u>125,567</u>   | <u>92,837</u>    | <u>82,762</u>    |
| <br>                                 |                  |                  |                  |
| <b>Liabilities</b>                   |                  |                  |                  |
| Current liabilities                  | 13,817           | 10,659           | 9,955            |
| Long term liabilities                | <u>28,999</u>    | <u>14,258</u>    | <u>15,446</u>    |
| Total Liabilities                    | <u>42,816</u>    | <u>24,917</u>    | <u>25,401</u>    |
| <br>                                 |                  |                  |                  |
| <b>Deferred Inflows of Resources</b> | <u>2,621</u>     | <u>978</u>       | <u>1,123</u>     |
| <br>                                 |                  |                  |                  |
| <b>Net Position</b>                  |                  |                  |                  |
| Net investment in capital assets     | 44,551           | 40,791           | 39,531           |
| Restricted:                          |                  |                  |                  |
| Nonexpendable                        | 458              | 470              | 437              |
| Expendable                           | 13,045           | 8,403            | 6,515            |
| Unrestricted:                        |                  |                  |                  |
| Designated                           | 8,488            | 8,135            | 6,239            |
| Undesignated                         | <u>13,588</u>    | <u>9,143</u>     | <u>3,516</u>     |
| Total net position                   | <u>\$ 80,130</u> | <u>\$ 66,942</u> | <u>\$ 56,238</u> |

Current assets consist primarily of cash and cash equivalents (88.8%). Other assets include non current restricted cash and cash equivalents, investments in marketable securities and loans receivable. Capital assets are used to provide services to students, faculty and staff. These assets are not available for current or future spending. Current liabilities primarily include trade accounts and salaries payable, accounts payable construction, the current portion of compensated absences and accrued faculty payroll. In the normal course of events and based on a consistent past history in this regard, it is anticipated that obligations due to employees will be funded by state appropriations. Deferred inflows of resources represent the acquisition of net assets applicable to future periods and are distinct from assets and liabilities. The increase in net position over the past three periods is indicative of the capital improvement initiatives undertaken during this time.

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

- **Current Ratio:** An excess of current assets over current liabilities (the current ratio) is a measure of liquidity and provides a buffer against future uncertainties. The University's current assets of \$29.7 million are sufficient to cover current liabilities of \$13.8 million. The University's current ratio at June 30 is 2.2 to 1 for 2011, 1.9 to 1 for 2010, and 1.1 to 1 for 2009.

- **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, 2011, 2010 and 2009 was 19.7%, 19.0% and 5.6%, 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, 2011, 2010 and 2009 was 48.4%, 37.6% and 24.3%, respectively. An improving trend indicates the University has been able to increase its expendable net position in proportion to the rate of growth in total operating expenditures.
- **Secondary Reserve Ratio:** This ratio measures the significance of non expendable net position in relation to an institution's operating size. An improving trend shows an improved capital base and the higher the ratio value, the better the long term financial condition. The University's secondary reserve ratio at June 30, 2011, 2010 and 2009 was 62.0%, 60.5% and 59.8%, respectively.
- In order to assess and evaluate the total financial health of an institution, core financial ratios are weighted and combined into a single factor called the Composite Financial Index (CFI). When calculated, a strength factor of three indicates a relatively healthy institution that can sustain moderate growth with expendable net position exceeding debt levels, although not by excessive amounts. The University's CFI at June 30, 2011, 2010 and 2009 was 5.1, 5.7 and 2.5, respectively. The following graph illustrates the four core financial ratios after they have been weighted and strength factors calculated.



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, 2011, 2010 and 2009. Changes in net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. the accrual for compensated absences).

|  | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      |
|--|------------------|------------------|------------------|
| <u>Operating revenues:</u>                   |                  |                  |                  |
| Tuition & fees (net)                         | \$ 29,985        | \$ 28,372        | \$ 26,737        |
| Grants                                       | 9,714            | 12,780           | 4,483            |
| Sales & service of educational department    | 1,458            | 1,416            | 1,421            |
| Auxiliary                                    | 8,043            | 8,047            | 6,467            |
| Other operating revenue                      | <u>712</u>       | <u>680</u>       | <u>678</u>       |
| Total operating revenue                      | <u>49,912</u>    | <u>51,295</u>    | <u>39,786</u>    |
| <u>Operating expenses:</u>                   |                  |                  |                  |
| Instruction                                  | 27,139           | 25,682           | 25,010           |
| Research & public service                    | 524              | 517              | 489              |
| Academic support                             | 4,807            | 4,361            | 4,539            |
| Student services                             | 8,031            | 7,445            | 7,299            |
| Scholarships                                 | 1,619            | 1,609            | 1,457            |
| Institutional support                        | 6,768            | 5,988            | 6,464            |
| Operations & maintenance                     | 10,881           | 10,818           | 11,306           |
| Depreciation                                 | 4,241            | 4,010            | 3,557            |
| Auxiliary                                    | <u>8,049</u>     | <u>7,412</u>     | <u>6,201</u>     |
| Total operating expenses                     | <u>72,059</u>    | <u>67,842</u>    | <u>66,322</u>    |
| Net operating loss                           | <u>(22,147)</u>  | <u>(16,547)</u>  | <u>(26,536)</u>  |
| <u>Non-operating revenue &amp; expenses:</u> |                  |                  |                  |
| State appropriations                         | 29,333           | 24,622           | 29,416           |
| Gifts  | 3                | 1                | -                |
| Investment income                            | 1,123            | 1,329            | (179)            |
| Interest expense                             | (583)            | (385)            | (546)            |
| State capital appropriations                 | 140              | -                | 498              |
| Capital grants                               | <u>5,319</u>     | <u>1,684</u>     | <u>325</u>       |
| Total non-operating revenue                  | <u>35,335</u>    | <u>27,251</u>    | <u>29,514</u>    |
| <u>Increase in net position</u>              | 13,188           | 10,704           | 2,978            |
| Net position, beginning of the year          | <u>66,942</u>    | <u>56,238</u>    | <u>53,260</u>    |
| Net position, end of the year                | \$ <u>80,130</u> | \$ <u>66,942</u> | \$ <u>56,238</u> |

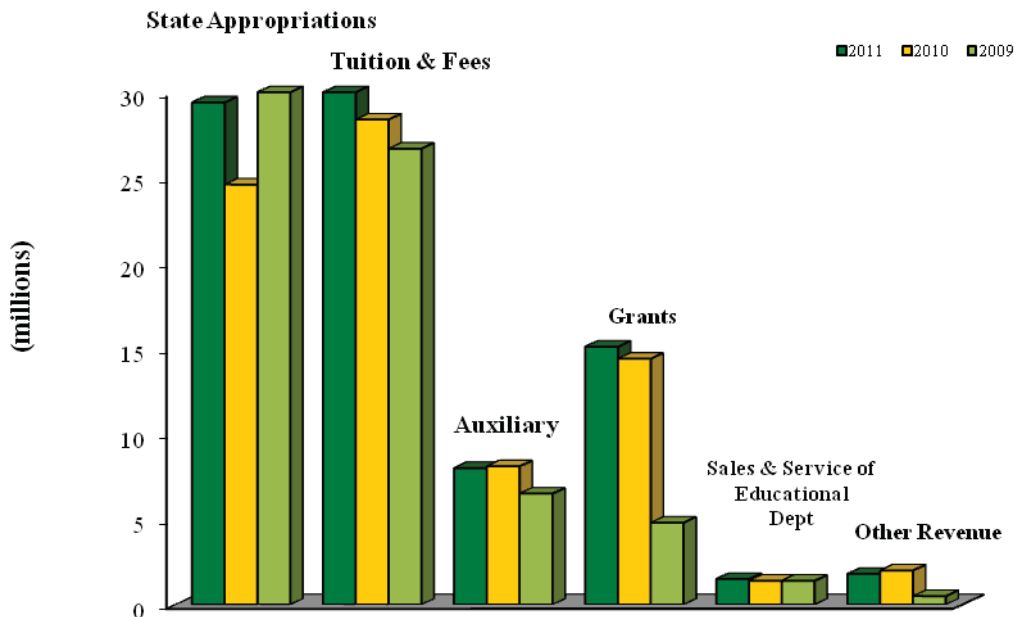
State appropriations are reported net of the amount of day school tuition collected by the University on behalf of the Commonwealth. The tuition collected (for state supported courses taught by state employees) is then remitted to the Commonwealth as required by Massachusetts General Law. The following schedule details the Commonwealth appropriations received by the University. Included in appropriations are the fringe benefit costs for University employees, which are paid by the Commonwealth. The Commonwealth appropriates general funds to cover the cost of fringe benefits for state employees, but these funds are not appropriated directly to the University. Non-state employees who are paid from trust funds, grants or other sources receive the same fringe benefits. The University reimburses the Commonwealth for the benefit costs associated with these employees. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2011, 2010 and 2009 was 31.8%, 26.4% and 24.5%, respectively. The current fringe benefit rate includes group medical insurance (25.3%); retirement (5.3%) and terminal leave (1.2%).

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

|   | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      |
|---|------------------|------------------|------------------|
| Commonwealth general appropriations   | \$ 24,315        | \$ 21,429        | \$ 26,278        |
| Appropriations to cover fringe benefits provided to employees of the Commonwealth | <u>7,486</u>     | <u>5,581</u>     | <u>6,334</u>     |
|   | 31,801           | 27,010           | 32,612           |
| Tuition remitted back to the Commonwealth   | <u>(2,468)</u>   | <u>(2,388)</u>   | <u>(3,196)</u>   |
| Net appropriations  | 29,333           | 24,622           | 29,416           |
| Additional state capital appropriations   | <u>140</u>       | <u>-</u>         | <u>498</u>       |
| Total appropriations  | <u>\$ 29,473</u> | <u>\$ 24,622</u> | <u>\$ 29,914</u> |

The following is a graphic illustration of total revenue (operating, non-operating and capital) by source. Total revenue for the fiscal years ended June 30, 2011, 2010 and 2009 was \$85.8, \$78.9 and \$69.9 million, respectively.

**Total Revenue by Source**



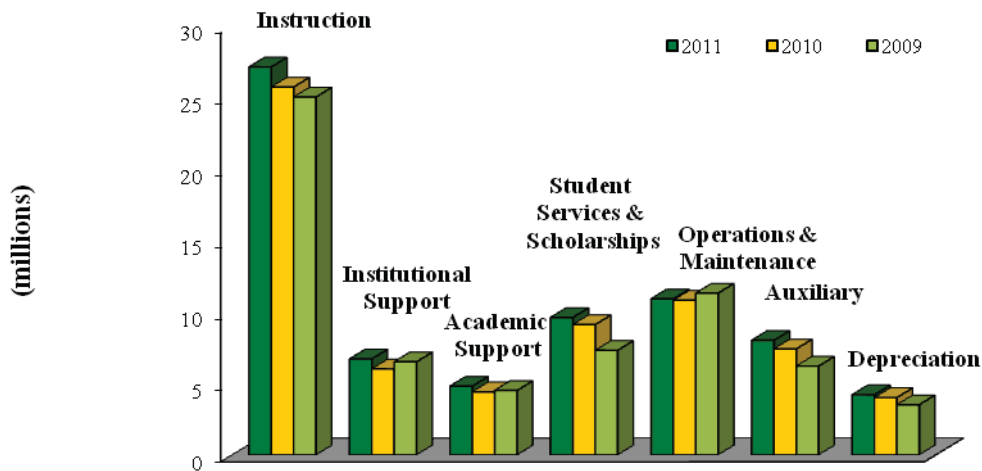
For the fiscal year ended June 30, 2011, total appropriations increased by 19.7% due to significant reductions that occurred in fiscal 2010. In fiscal 2010 reduced appropriations were replaced with ARRA funding which is now exhausted. Although appropriations in fiscal 2011 increased, the increase does not equate to the combination of appropriation and ARRA funding received in 2010. 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 2011 that percentage is now 40.4%. 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 (5.7%) is due to increases in student fees and an increase in enrollment. During fiscal year 2011, 2010 and 2009, in-state tuition and fees for full time resident students was \$7,953, \$7,385 and \$6,880 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2011, 2010 and 2009 was \$3,900, \$3,450 and \$3,200 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 104% capacity.

Grant revenue is made up of federal, state and private grants. In fiscal 2011 the University received \$3.1 million in ARRA stabilization funds to help offset decreases in state appropriations. These funds were used to fund faculty payroll and fringe benefit costs. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs. Grant revenue also includes \$5.3 million in capital grant funds used for the various construction projects.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2011, 2010 and 2009 were \$72.6, \$68.2 and \$66.9 million, respectively.

**Total Expenditures by Function**



Total expenditures, exclusive of depreciation, increased by 6.5% primarily due to increased fringe benefit rates set by the Commonwealth. The most significant area of expense remains Instruction, which represents 37.7% of total operating expenses. Faculty payroll (\$17.4 million) and related benefits (\$5.3 million) represent approximately 84.4% of instructional expenditures. Institutional Support consists of the day-to-day operational support of the institution, excluding physical plant operations. Scholarships are funded from Title V entitlement programs such as PELL and SEOG, as well as, from institutional operating funds. Operations and Maintenance consists of expenditures related to physical plant. Expenditures in this functional area include general repair costs and deferred maintenance costs that are below the capitalization threshold of \$50,000. The financial statements include \$4.2, \$4.0 and \$3.6 million in depreciation expense for 2011, 2010 and 2009, respectively.

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

The following schedule (condensed, in thousands) illustrates the University's incurred losses from operations for the fiscal years ended June 30, 2011, 2010 and 2009.

|                              | <u>2011</u>      | <u>2010</u>      | <u>2009</u>     |
|------------------------------|------------------|------------------|-----------------|
| Tuition & fees revenue, net  | \$ 29,985        | \$ 28,372        | \$ 26,737       |
| Other operating revenue      | <u>19,927</u>    | <u>22,923</u>    | <u>13,049</u>   |
| Total operating revenue      | 49,912           | 51,295           | 39,786          |
| Operating expenses           | <u>(72,059)</u>  | <u>(67,842)</u>  | <u>(66,322)</u> |
| Operating loss               | (22,147)         | (16,547)         | (26,536)        |
| Total state appropriations   | 29,333           | 24,622           | 29,914          |
| Other revenue (expense), net | <u>6,002</u>     | <u>2,629</u>     | <u>(400)</u>    |
| Increase in net position     | \$ <u>13,188</u> | \$ <u>10,704</u> | \$ <u>2,978</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, 2011, 2010 and 2009, the University's net operating revenues ratio was 9.6%, 11.7% and 3.1%, respectively.

#### Statement of Cash Flows

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

The following are the University's statements of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2011, 2010 and 2009:

|   | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      |
|---|------------------|------------------|------------------|
| Cash received from operations                             | \$ 50,760        | \$ 50,918        | \$ 39,783        |
| Cash expended for operations                              | <u>(59,930)</u>  | <u>(57,112)</u>  | <u>(57,550)</u>  |
| Net cash used by operations                               | (9,170)          | (6,194)          | (17,767)         |
| Net cash provided by non-capital financing activities     | 21,850           | 19,043           | 23,082           |
| Net cash used by capital and related financing activities | 6,822            | (5,895)          | (9,955)          |
| Net cash (used) provided by investing activities          | <u>294</u>       | <u>1,563</u>     | <u>279</u>       |
| Net increase (decrease) in cash and equivalents           | 19,796           | 8,517            | (4,361)          |
| Cash and equivalents, beginning of the year               | <u>21,890</u>    | <u>13,373</u>    | <u>17,734</u>    |
| Cash and equivalents, end of the year                     | \$ <u>41,686</u> | \$ <u>21,890</u> | \$ <u>13,373</u> |

The University's cash and cash equivalents increased by approximately \$19.8 million during fiscal 2011, resulting in the cash and cash equivalents balance of \$41.7 million at fiscal year end. The increase is primarily due to proceeds received from the MSCBA bond issue for the renovation of the Hammond Campus Center. Non-capital financing activities, as defined by GASB, include state appropriations. These appropriations fund the operating activities of the University. Investing activities include interest and dividends received from portfolio investments,



as well as, interest earned on University funds held in the Massachusetts Municipal Depository Trust (MMDT), a short-term money management vehicle provided by the Commonwealth.

Capital Assets

Capital assets consist of land, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2011, net capital assets increased to \$66.2 million after depreciation expense of \$4.2 million. During the current fiscal year there were \$15.0 million in additions to capital assets. Major capital initiatives either continuing or undertaken during 2011 include:

- Continuing construction for the Science Center Modernization project, \$6.6 million (to date)
- Continuing renovation of the Hammond Campus Center, \$3.4 million (to date)
- Completion of Phase I construction of new academic space on North Street, \$2 million
- Completion of Phase III of the Anthony Building renovations, \$1.1 million

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, 2011, 2010 and 2009 was 3.1, 1.3 and 2.5, respectively.

Long Term Debt

The University has long term debt obligations issued for various capital projects. The debt was issued through several financing agreements with the Massachusetts Development Finance Agency (MDFA) (formerly the Massachusetts Health and Educational Facilities Authority (MHEFA)) and the Massachusetts State College Building Authority (MSCBA). The interest rate on the MDFA debt is a floating rate set every thirty five days based on market conditions. The interest rate on the MSCBA debt is based on an increasing coupon rate ranging from 3.00% to 6.54 % over the term of the debt as set by MSCBA. The debt is being repaid by the University primarily through dedicated student fees (DSF). The following table summarizes the various debt vehicles, interest rates, debt service and debt outstanding at June 30, 2011 and is inclusive of any bond premiums or discounts.

| Issuing Agency | Construction Project               | Fiscal Year Issued | Original Issue | Funding Source        | Effective Interest Rate | Debt Service | Debt Outstanding | Maturity |
|----------------|------------------------------------|--------------------|----------------|-----------------------|-------------------------|--------------|------------------|----------|
| MDFA           | Recreation Center                  | 1997               | \$6,000,000    | DSF                   | 1.32%                   | \$217,945    | \$4,037,685      | 2023     |
| MSCBA          | Holmes Dining Hall Renovations     | 2005               | \$1,090,000    | DSF                   | 4.26%                   | \$82,894     | \$845,000        | 2025     |
| MSCBA          | Elliot Athletic Field Improvements | 2005               | \$4,020,000    | DSF                   | 4.26%                   | \$304,369    | \$3,110,000      | 2025     |
| MSCBA          | Holmes Dining Hall Renovations     | 2006               | \$2,060,000    | DSF                   | 4.25%                   | \$165,012    | \$1,783,353      | 2026     |
| MSCBA          | Hammond Campus Center Renovations  | 2011               | \$15,935,656   | DSF & operating funds | 3.22%                   | \$203,072    | \$15,923,924     | 2030     |
| Total          |                                    |                    | \$29,105,656   |                       |                         | \$973,292    | \$25,699,962     |          |

The University has acquired equipment through capital lease agreements with various financing companies. The capital lease agreements allow for the acquisition of telephone, printing and computer equipment, software and implementation costs, and various other furniture and equipment costs. Capital lease agreements are generally paid from operating funds and have terms ranging from three to five years. The following table summarizes the various capital lease agreements, interest rates, debt service and amounts outstanding at June 30, 2011.

| Financing Agreement | Equipment Acquisition         | Initial Lease Year | Original Amount Financed | Funding Source  | Interest Rate       | Debt Service | Debt Outstanding | Maturity  |
|---------------------|-------------------------------|--------------------|--------------------------|-----------------|---------------------|--------------|------------------|-----------|
| 1                   | Student information system    | 2001               | \$5,000,000              | Operating funds | 5.85%               | \$308,166    | -                | 2010      |
| 2                   | Residence Hall Furniture      | 2009               | \$499,938                | Operating funds | 2.85%               | \$107,636    | \$332,974        | 2014      |
| all others          | Telephone, computer and other | 2005 to 2009       | \$538,455                | Operating funds | 3.27%<br>-<br>6.29% | \$106,268    | \$65,279         | 2010-2012 |
| Total               |                               |                    | \$6,038,393              |                 |                     | \$522,070    | \$398,253        |           |

For the fiscal years ended June 30, 2011, 2010 and 2009, the total debt (current and long term) attributable to interagency payments, capital leases and bond premiums amounted to \$26.1, \$11.2 and \$13.1 million, respectively.

Additional information on Fitchburg State University's long term debt activity can be found in footnotes 12 and 13 to the accompanying financial statements.

**Viability Ratio:** The availability of expendable net position to cover debt (the viability ratio) is a basic determinant of financial health. A viability ratio of 1.0 indicates that, as of the statement of net position date, the University has sufficient net position to satisfy its debt obligations. As of June 30, 2011, 2010 and 2009, the University's viability ratio was 1.4, 2.3 and 1.2, 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, 2011, 2010 and 2009, the University's debt burden was 2.2%, 4.3% and 3.1%, respectively.

#### Looking Forward

Heavy construction equipment has become a constant feature on the campus as the University continues to invest in its buildings and grounds. The University has broken ground for the new Science Center. This is the first new academic building constructed at Fitchburg State University in thirty-five years. The 54,000 square foot addition to the existing Condike Science Building will be framed in the fall and is expected to be completed in two years, at which time the Condike Science Building will undergo a year-long renovation. The \$57 million project is expected to be completed in the spring of 2014.

Construction has also begun on renovations to the Hammond Campus Center. The \$26 million project will enhance the student life experience by creating new meeting spaces, student lounges and study spaces. The project will also create new office space for student support services and upgrade the building's mechanical infrastructure. The project is being funded by a combination of bond issues, capital appropriations and institutional funds. Other projects scheduled for completion in fiscal 2012 include Conlon lobby renovations, renovations of Miller Hall, renovations of Weston Auditorium and the Highland Avenue closure project.

The University continues to employ innovative uses of technology to maximize student learning. A new wireless system is now in place for all buildings on campus, including academic, administrative and residence halls as well

as common outdoor areas. The University has recently implemented a new application to connect faculty, staff and students. *Wimba Pronto* is a tool that allows users to utilize instant messaging, voice over internet protocols and video conferencing technologies in real time. During the summer, the University also began the deployment of virtual workstations that will place Fitchburg State University at the leading-edge of technology.

The University is near completion of its NEASC accreditation process. The New England Association of Schools and Colleges (NEASC) is the regional accrediting body that provides public assurance about educational quality. Institutions seeking accreditation must demonstrate adherence to eleven Standards of Accreditation which establish the criteria for institutional quality. The process begins with a lengthy self study meant to demonstrate that the institution has effective means to ensure institutional improvement and is completed prior to a formal peer evaluation. The self study is near completion and will be submitted to NEASC in advance of the evaluation team's March 2012 visit. The University's goal is to receive another 10 year accreditation.

In July 2010, the Massachusetts State Legislature passed legislation creating the Massachusetts State University system. As a result, Fitchburg State College officially became Fitchburg State University on October 26, 2010. The name change recognizes Fitchburg State as a comprehensive institution and allows it to better compete with peer institutions, access new opportunities and provide students with a competitive advantage.

Challenging economic times persisted through fiscal 2011 and are expected to continue well into the future. Federal stimulus funds, which supported operating budgets for the last two years, are now exhausted. Although there was some improvement in 2011, the economic environment remains volatile. Legislation was passed to allow institutions to retain out of state tuition which may give the University added flexibility. However, it comes with a corresponding reduction in state appropriations. There is little doubt that budget challenges will continue for additional years mandating that the University intensify its efforts to enhance current revenue, protect operating dollars, increase assets, and contain costs. These measures will ensure the long term solvency and success of the University, preserve its core mission, and make the best possible use of resources while at the same time positioning the institution for a viable, progressive and successful future.

#### Requests for Information

This financial report is designed to provide a general overview of the finances of Fitchburg State 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.

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

STATEMENTS OF NET POSITION

JUNE 30, 2011 AND 2010

| ASSETS                                      | <u>2011</u>        | <b>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/><u>2011</u></b> | <u>2010</u>       | <b>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/><u>2010</u></b> |
|---|--------------------|---|-------------------|---|
| <b><u>Current Assets</u></b>                |                    |   |                   |   |
| Cash and cash equivalents                   | \$ 22,481,590      | \$ 2,270,542  | \$ 16,750,963     | \$ 1,536,405  |
| Restricted cash and cash equivalents        | 3,867,412          | -   | 1,646,828         | 151,614   |
| Investments                                 | -                  | 2,996,227   | -                 | 2,129,552   |
| Accounts receivable, net                    | 3,045,758          | 10,911  | 2,074,949         | 58,826  |
| Contributions receivable, net               | -                  | 1,396,439   | -                 | 1,258,756   |
| Loans receivable - current portion          | 4,189              | -   | 2,570             | -   |
| Other current assets                        | <u>273,857</u>     | <u>33,665</u>   | <u>267,810</u>    | <u>18,445</u>   |
| Total current assets                        | <u>29,672,806</u>  | <u>6,707,784</u>  | <u>20,743,120</u> | <u>5,153,598</u>  |
| <b><u>Noncurrent Assets</u></b>             |                    |   |                   |   |
| Restricted cash and cash equivalents        | 15,336,664         | -   | 3,492,599         | -   |
| Investments                                 | 11,142,978         | -   | 10,410,255        | -   |
| Endowment investments                       | 699,432            | 7,122,220   | 671,693           | 6,996,347   |
| Contributions receivable, net               | -                  | 104,426   | -                 | 252,097   |
| Accounts receivable, net of current portion | 408,721            | -   | -                 | -   |
| Loans receivable, net of current portion    | 1,937,582          | -   | 1,921,386         | -   |
| Capital assets, net                         | 66,192,103         | 4,815,752   | 55,386,250        | 5,002,205   |
| Other noncurrent assets                     | <u>177,185</u>     | <u>153,737</u>  | <u>211,803</u>    | <u>150,299</u>  |
| Total noncurrent assets                     | <u>95,894,665</u>  | <u>12,196,135</u>   | <u>72,093,986</u> | <u>12,400,948</u>   |
| Total assets                                | <u>125,567,471</u> | <u>18,903,919</u>   | <u>92,837,106</u> | <u>17,554,546</u>   |

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

STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2011 AND 2010

| <b>LIABILITIES</b>                                    | <b><u>2011</u></b> | <b>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/><u>2011</u></b> | <b><u>2010</u></b> | <b>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/><u>2010</u></b> |
|---|--------------------|---|--------------------|---|
| <b><u>Current Liabilities</u></b>                     |                    |   |                    |   |
| Interagency payables - current portion                | \$ 1,146,738       | \$ -  | \$ 479,731         | \$ -  |
| Accounts payable and accrued liabilities              | 2,488,414          | 80,981  | 2,496,144          | 90,904  |
| Accounts payable - construction                       | 2,495,246          | -   | 516,138            | -   |
| Accrued workers' compensation - current portion       | 148,183            | -   | 130,238            | -   |
| Compensated absences - current portion                | 2,664,148          | -   | 2,341,896          | -   |
| Faculty payroll accrual                               | 2,624,441          | -   | 2,488,554          | -   |
| Deferred revenue                                      | 1,642,678          | 22,405  | 1,203,210          | 42,005  |
| Capital leases - current portion                      | 166,275            | -   | 497,437            | -   |
| Long-term debt - current portion                      | -                  | 150,153   | -                  | 138,416   |
| Deposits  | 259,160            | -   | 319,850            | -   |
| Bank line of credit                                   | -                  | -   | -                  | 125,000   |
| Other current liabilities                             | <u>182,007</u>     | <u>-</u>  | <u>186,021</u>     | <u>-</u>  |
| Total current liabilities                             | <u>13,817,290</u>  | <u>253,539</u>  | <u>10,659,219</u>  | <u>396,325</u>  |
| <b><u>Noncurrent Liabilities</u></b>                  |                    |   |                    |   |
| Interagency payables, net of current portion          | 24,553,224         | -   | 9,786,006          | -   |
| Accrued workers' compensation, net of current portion | 604,015            | -   | 530,867            | -   |
| Compensated absences, net of current portion          | 1,709,652          | -   | 1,673,143          | -   |
| Rebate payable  | 17,993             | -   | 17,965             | -   |
| Capital leases, net of current portion                | 231,978            | -   | 398,252            | -   |
| Long-term debt, net of current portion                | -                  | 3,653,458   | -                  | 3,803,481   |
| Loan payable - federal financial assistance programs  | <u>1,882,087</u>   | <u>-</u>  | <u>1,851,713</u>   | <u>-</u>  |
| Total noncurrent liabilities                          | <u>28,998,949</u>  | <u>3,653,458</u>  | <u>14,257,946</u>  | <u>3,803,481</u>  |
| Total liabilities                                     | <u>42,816,239</u>  | <u>3,906,997</u>  | <u>24,917,165</u>  | <u>4,199,806</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                    |   |                    |   |
| Service concession arrangement                        | <u>2,621,266</u>   | <u>-</u>  | <u>978,377</u>     | <u>-</u>  |
| Total deferred inflows of resources                   | <u>2,621,266</u>   | <u>-</u>  | <u>978,377</u>     | <u>-</u>  |

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

STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2011 AND 2010

| NET POSITION                     | <u>2011</u>          | Component Unit<br>Fitchburg State<br>University<br>Foundation, Inc.<br><u>2011</u> | <u>2010</u>          | Component Unit<br>Fitchburg State<br>University<br>Foundation, Inc.<br><u>2010</u> |
|----------------------------------|----------------------|--|----------------------|--|
| Net investment in capital assets | \$ 44,551,543        | \$ 1,012,141   | \$ 40,791,020        | \$ 935,309   |
| Restricted for:                  |                      |  |                      |  |
| Non-expendable                   |                      |  |                      |  |
| Scholarships and fellowships     | 458,004              | 4,078,595  | 470,158              | 4,161,886  |
| Cultural programs                | -                    | 2,563,762  | -                    | 2,329,756  |
| Centennial endowments            | -                    | 1,592,974  | -                    | 1,592,974  |
| Other                            | -                    | 80,095   | -                    | 73,186   |
| Expendable                       |                      |  |                      |  |
| Scholarships and fellowships     | 428,682              | 1,632,517  | 372,040              | 988,453  |
| Cultural programs                | -                    | 1,090,192  | -                    | 810,625  |
| Loans                            | 256,995              | -  | 252,226              | -  |
| Capital projects                 | 8,857,161            | -  | 3,589,443            | -  |
| Debt service                     | 3,501,000            | -  | 4,188,550            | -  |
| Other                            | 930                  | 327,139  | 930                  | 294,447  |
| Unrestricted                     | <u>22,075,651</u>    | <u>2,619,507</u>   | <u>17,277,197</u>    | <u>2,168,104</u>   |
| Total net position               | <u>\$ 80,129,966</u> | <u>\$ 14,996,922</u>   | <u>\$ 66,941,564</u> | <u>\$ 13,354,740</u>   |



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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2011 AND 2010

| <u>OPERATING REVENUES</u>  | <u>2011</u>              | <b>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/><u>2011</u></b> | <u>2010</u>              | <b>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/><u>2010</u></b> |
|--|--------------------------|---|--------------------------|---|
| Student tuition and fees   | \$ 34,909,405            | \$ -  | \$ 32,449,385            | \$ -  |
| Student fees restricted for repayment of<br>Interagency payables | 1,453,795                | -   | 1,479,837                | -   |
| Less: Scholarship allowances                                     | ( 6,377,904)             | -   | ( 5,557,180)             | -   |
| <b>Net student tuition and fees</b>                              | <b>29,985,296</b>        | <b>-</b>  | <b>28,372,042</b>        | <b>-</b>  |
| Federal grants and contracts                                     | 6,282,893                | -   | 5,603,958                | -   |
| State and local grants and contracts                             | 88,284                   | 44,036  | 196,606                  | 20,880  |
| Stimulus grants  | 3,098,023                | -   | 6,666,991                | -   |
| Nongovernmental grants and contracts                             | 244,867                  | -   | 312,022                  | -   |
| Sales and services of educational departments                    | 1,457,855                | 654,575   | 1,416,538                | 544,370   |
| Gifts and contributions  | -                        | 3,313,136   | -                        | 456,229   |
| <b>Auxiliary enterprises:</b>                                    |                          |   |                          |   |
| Residential life   | 8,010,522                | 200,120   | 8,014,002                | 185,873   |
| Alcohol awareness and other programs                             | 32,400                   | -   | 32,780                   | -   |
| Other operating revenues   | <u>712,028</u>           | <u>6,909</u>  | <u>680,069</u>           | <u>4,816</u>  |
| <b>Total operating revenues</b>                                  | <b><u>49,912,168</u></b> | <b><u>4,218,776</u></b>   | <b><u>51,295,008</u></b> | <b><u>1,212,168</u></b>   |
| <br><b><u>OPERATING EXPENSES</u></b>                             |                          |   |                          |   |
| <b>Educational and general:</b>                                  |                          |   |                          |   |
| Instruction  | 27,138,609               | 2,896,430   | 25,682,331               | 62,204  |
| Research   | 68,156                   | -   | 106,458                  | -   |
| Public service   | 456,372                  | 237,621   | 409,901                  | 173,430   |
| Academic support   | 4,806,942                | 13,985  | 4,361,103                | 14,407  |
| Student services   | 8,030,813                | 127,590   | 7,445,019                | 175,969   |
| Institutional support  | 6,767,632                | 313,982   | 5,988,283                | 201,371   |
| Operations and maintenance of plant                              | 10,881,270               | 69,092  | 10,818,202               | 335,269   |
| Depreciation and amortization                                    | 4,241,022                | 101,729   | 4,010,435                | 81,525  |
| Scholarships and awards  | 1,618,980                | 228,695   | 1,608,419                | 204,587   |
| <b>Auxiliary enterprises:</b>                                    |                          |   |                          |   |
| Residential life   | 8,018,729                | 46,399  | 7,386,831                | 46,605  |
| Alcohol awareness and other programs                             | <u>30,185</u>            | <u>-</u>  | <u>24,946</u>            | <u>-</u>  |
| <b>Total operating expenses</b>                                  | <b><u>72,058,710</u></b> | <b><u>4,035,523</u></b>   | <b><u>67,841,928</u></b> | <b><u>1,295,367</u></b>   |
| <b>Operating income (loss)</b>                                   | <b>( 22,146,542)</b>     | <b><u>183,253</u></b>   | <b>( 16,546,920)</b>     | <b>( 83,199)</b>  |

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

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

YEARS ENDED JUNE 30, 2011 AND 2010

| <u>NONOPERATING REVENUES (EXPENSES)</u>                                 | <u>2011</u>          | <u>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/>2011</u> | <u>2010</u>          | <u>Component Unit<br/>Fitchburg State<br/>University<br/>Foundation, Inc.<br/>2010</u> |
|---|----------------------|--|----------------------|--|
| State appropriations  | \$ 29,332,885        | \$ -   | \$ 24,622,349        | \$ -   |
| Gifts   | 2,740                | -  | 1,271                | -  |
| Investment income (loss), net of investment expense                     | 1,008,505            | 437,376  | 1,226,975            | 546,501  |
| Investment income (loss) on restricted assets                           | 114,426              | 1,099,417  | 100,845              | 453,484  |
| Interest expense on Interagency payables and capital asset related debt | ( 583,060)           | ( 228,580)   | ( 384,861)           | ( 222,608)   |
| <b>Net nonoperating revenues before capital and endowment additions</b> | <u>29,875,496</u>    | <u>1,308,213</u>   | <u>25,566,579</u>    | <u>777,377</u>   |
| <b><u>INCOME BEFORE CAPITAL AND ENDOWMENT ADDITIONS</u></b>             | <u>7,728,954</u>     | <u>1,491,466</u>   | <u>9,019,659</u>     | <u>694,178</u>   |
| State capital appropriations  | 140,046              | -  | -                    | -  |
| Capital grants  | 5,319,402            | -  | 1,683,802            | -  |
| Private gifts for endowment purposes                                    | -                    | 150,716  | -                    | 1,063,289  |
| <b>Total capital and endowment additions</b>                            | <u>5,459,448</u>     | <u>150,716</u>   | <u>1,683,802</u>     | <u>1,063,289</u>   |
| <b><u>INCREASE (DECREASE) IN NET POSITION</u></b>                       | <u>13,188,402</u>    | <u>1,642,182</u>   | <u>10,703,461</u>    | <u>1,757,467</u>   |
| <b><u>NET POSITION - BEGINNING OF YEAR</u></b>                          | <u>66,941,564</u>    | <u>13,354,740</u>  | <u>56,238,103</u>    | <u>11,597,273</u>  |
| <b><u>NET POSITION - END OF YEAR</u></b>                                | <u>\$ 80,129,966</u> | <u>\$ 14,996,922</u>   | <u>\$ 66,941,564</u> | <u>\$ 13,354,740</u>   |

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    | <u><b>2011</b></u>       | <u><b>2010</b></u>         |
|--|--------------------------|----------------------------|
| Tuition and fees   | \$ 29,920,906            | \$ 27,937,671              |
| Research grants and contracts  | 6,545,425                | 6,347,705                  |
| Stimulus funds   | 3,147,054                | 6,290,586                  |
| Payments to suppliers  | ( 17,001,488)            | ( 15,317,369)              |
| Payments to utilities  | ( 4,075,803)             | ( 3,587,306)               |
| Payments to employees  | ( 34,404,372)            | ( 33,930,067)              |
| Payments for benefits  | ( 2,449,114)             | ( 2,348,948)               |
| Payments for scholarships  | ( 1,653,433)             | ( 1,640,584)               |
| Loans issued to students   | ( 281,579)               | ( 287,794)                 |
| Collection of loans to students  | 250,169                  | 239,731                    |
| Auxiliary enterprise receipts:   |                          |                            |
| Residential life   | 8,022,787                | 8,015,838                  |
| Alcohol awareness program  | 32,400                   | 32,780                     |
| Receipts from sales and services of educational departments                    | 2,133,342                | 1,309,268                  |
| Other payments   | ( 64,703)                | 67,237                     |
| Other receipts   | <u>708,171</u>           | <u>677,406</u>             |
| <b>Net cash provided by (used in) operating activities</b>                     | <b>( 9,170,238)</b>      | <b>( 6,193,846)</b>        |
| <br>   |                          |                            |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                         |                          |                            |
| State appropriations   | 24,314,689               | 21,426,785                 |
| Tuition remitted to State  | ( 2,467,840)             | ( 2,385,290)               |
| Gifts from grants for other than capital purposes                              | <u>2,740</u>             | <u>1,271</u>               |
| <b>Net cash provided by (used in) noncapital financing activities</b>          | <b><u>21,849,589</u></b> | <b><u>19,042,766</u></b>   |
| <br>   |                          |                            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |                          |                            |
| State capital appropriations   | 140,046                  | -                          |
| Loan programs net funds received   | 34,418                   | 20,576                     |
| Capital grants   | 573,382                  | -                          |
| Interagency payable proceeds received  | 15,935,656               | -                          |
| Payments for capital assets  | ( 8,194,122)             | ( 3,065,878)               |
| Principal paid on capital debt and leases                                      | ( 981,453)               | ( 2,448,026)               |
| Interest paid on Interagency payables and capital leases                       | ( 507,920)               | ( 401,194)                 |
| Bond issuance costs  | <u>( 178,440)</u>        | <u>-</u>                   |
| <b>Net cash provided by (used in) capital and related financing activities</b> | <b><u>6,821,567</u></b>  | <b><u>( 5,894,522)</u></b> |

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

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 | <b><u>2011</u></b>          | <b><u>2010</u></b>          |
|---|-----------------------------|-----------------------------|
| Purchase of investments                                     | (\$ 575,000)                | (\$ 900,678)                |
| Proceeds from sale of investments                           | 575,000                     | 2,087,113                   |
| Earnings on investments                                     | <u>294,358</u>              | <u>376,818</u>              |
| <b>Net cash provided by (used in) investing activities</b>  | <b><u>294,358</u></b>       | <b><u>1,563,253</u></b>     |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>19,795,276</b>           | <b>8,517,651</b>            |
| <b>Cash and cash equivalents - beginning of year</b>        | <b><u>21,890,390</u></b>    | <b><u>13,372,739</u></b>    |
| <b>Cash and cash equivalents - end of year</b>              | <b><u>\$ 41,685,666</u></b> | <b><u>\$ 21,890,390</u></b> |

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

|   |                              |                              |
|---|------------------------------|------------------------------|
| <b>Operating loss</b>   | <b>(\$ 22,146,542)</b>       | <b>(\$ 16,546,920)</b>       |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                              |                              |
| Bad debt expense  | 47,067                       | 122,582                      |
| Depreciation and amortization   | 4,241,022                    | 4,010,435                    |
| Fringe benefits paid by the Commonwealth of Massachusetts                         | 7,486,036                    | 5,580,855                    |
| Changes in assets and liabilities:  |                              |                              |
| Receivables   | 162,305                      | ( 544,778)                   |
| Other current and noncurrent assets   | 207,012                      | 229,514                      |
| Accounts payable and accrued liabilities  | ( 96,610)                    | 882,083                      |
| Accrued workers' compensation   | 91,093                       | 157,337                      |
| Compensated absences  | 358,761                      | 61,189                       |
| Accrued faculty payroll   | 135,887                      | ( 30,840)                    |
| Deferred revenue  | 439,468                      | ( 136,312)                   |
| Other current liabilities   | ( 4,014)                     | 18,463                       |
| Deposits  | ( 60,690)                    | 48,775                       |
| Loans to students   | <u>( 31,033)</u>             | <u>( 46,229)</u>             |
| <b>Net cash used in operating activities</b>                                      | <b><u>(\$ 9,170,238)</u></b> | <b><u>(\$ 6,193,846)</u></b> |

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

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

| <b><u>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</u></b>                           | <b><u>2011</u></b>          | <b><u>2010</u></b>          |
|---|-----------------------------|-----------------------------|
| Acquisition of capital assets   | \$ 15,046,875               | \$ 5,581,039                |
| Accounts payable thereon:   |                             |                             |
| Beginning of year   | 516,138                     | 39,816                      |
| End of year   | ( 2,495,246)                | ( 516,138)                  |
| Acquisition of assets from capital lease obligations  | -                           | ( 499,938)                  |
| Capital grants from DCAM  | ( 4,873,645)                | ( 1,538,901)                |
| Net interest earned and incurred, capitalized in construction in progress                       | <u>-</u>                    | <u>-</u>                    |
| Payments for capital assets   | <u>\$ 8,194,122</u>         | <u>\$ 3,065,878</u>         |
| Unrealized gain (loss) on investments   | <u>\$ 738,899</u>           | <u>\$ 1,097,274</u>         |
| Fringe benefits paid by the Commonwealth of Massachusetts                                       | <u>\$ 7,486,036</u>         | <u>\$ 5,580,855</u>         |
| Capital grants - amortization of deferred inflows of resources - service concession arrangement | <u>\$ 172,374</u>           | <u>\$ 144,901</u>           |
| <br><b><u>RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:</u></b>                          |                             |                             |
|   | <b><u>2011</u></b>          | <b><u>2010</u></b>          |
| Current assets:   |                             |                             |
| Cash and cash equivalents   | \$ 22,481,590               | \$ 16,750,963               |
| Restricted cash and cash equivalents  | 3,867,412                   | 1,646,828                   |
| Noncurrent assets:  |                             |                             |
| Restricted cash and cash equivalents  | <u>15,336,664</u>           | <u>3,492,599</u>            |
| <b>Total cash and cash equivalents</b>  | <b><u>\$ 41,685,666</u></b> | <b><u>\$ 21,890,390</u></b> |



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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**1. Summary of significant accounting policies:**

Organization:

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

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

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

Fitchburg State University Foundation, Inc. (the Foundation) (formerly known as Fitchburg State College Foundation, Inc.) is a component unit of Fitchburg State University. During fiscal 2011, the Commonwealth of Massachusetts approved a name change from Fitchburg State College Foundation, Inc. to Fitchburg State University Foundation, Inc. The Foundation is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University, to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the University; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the University as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the University; and to encourage other activities necessary for, or incidental to, any or all of the foregoing. The following programs are supported under the auspices of the Foundation: Center Stage, Alumni Association, Women in Today's Society, Amelia V. Gallucci - Cirio endowment and the University's Booster Clubs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The University provides, at no cost, certain administrative services to the Foundation.

FSU Foundation Supporting Organization, Inc. (the Foundation Supporting Organization) (formerly known as FSC Foundation Supporting Organization, Inc.) was organized on October 29, 1999 for the exclusive benefit of the Foundation and all of its educational and charitable activities. During fiscal 2011, the Commonwealth of Massachusetts approved a name change from FSC Foundation Supporting Organization, Inc. to FSU Foundation Supporting Organization, Inc. The Foundation Supporting Organization is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation Supporting Organization's sole program activity, as of June 30, 2011, has been to acquire, hold, operate and lease real estate and related

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Organization - continued:

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, 2011, FSU Foundation distributed a net amount of \$355,744 to the University for both restricted and unrestricted purposes. During 2011, FSU Foundation distributed scholarships and awards in the amount of \$228,695 directly to students and faculty of the University, and incurred an additional \$3,679,664 in support of its mission in other ways. 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, 2010, FSU Foundation distributed a net amount of \$284,021 to the University for both restricted and unrestricted purposes. During 2010, FSU Foundation distributed scholarships and awards in the amount of \$204,587 directly to students and faculty of the University, and incurred an additional \$1,029,367 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Basis of presentation - continued:

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

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

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.
- **Restricted:**
  - Nonexpendable** - Component of net position whose net assets are subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.
  - Expendable** - Component of net position whose use of net assets by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** All other categories of net position. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees.

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

Use of estimates:

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Cash and cash equivalents and investments:

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

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

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

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

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

At June 30, 2011 and 2010, the University had \$395,530 and \$339,238, 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 currently holds one publicly-traded equity security related to one of its endowments and it has invested in pooled investment funds with the Commonfund. The primary cash equivalent funds are the Massachusetts Municipal Depository Trust, an external investment pool for political subdivisions of the Commonwealth.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Cash and cash equivalents and investments - continued:

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

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

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 \$22,272 and \$32,392 for the years ended June 30, 2011 and 2010. The Foundation's investment expense amounted to \$42,923 and \$33,009 for the years ended June 30, 2011 and 2010, 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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Loans receivable and payable - continued:

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 \$1,511,094 and \$1,489,744 for Perkins and \$370,993 and \$361,969 for NSL at June 30, 2011 and 2010, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

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

Capital assets:

Capital assets are controlled but not owned by the University. The University is not able to sell or otherwise pledge its assets, since the assets are all owned by the Commonwealth of Massachusetts. Capital assets, which include land, 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. Prior to July 1, 2001, the Commonwealth's capitalization policy was for items with a unit cost of more than \$15,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The 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 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.

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



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Capital assets - continued:

The University, per a management and services agreement between the MSCBA and Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. Certain obligations are guaranteed by the Commonwealth. The revenue assessment amounts for the years ended June 30, 2011 and 2010 were \$4,704,606 and \$4,219,772, respectively. These amounts are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

FSU Foundation's capital assets are recorded at cost, if purchased or constructed and, if donated, at fair value at the date of donation. Capital assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives of the assets of 40 years for buildings, 20 years for building and land improvements, 7 years for furniture and fixtures, 5 years for equipment and 3 years for computer software and equipment. FSU Foundation generally capitalizes all additions and improvements with an individual cost or, if donated, fair value in excess of \$5,000.

Contributions and bequests:

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

Compensated absences:

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30 each year. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance. (See also Note 8).

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Student fees:

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

Deferred revenue:

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 deferred and are recorded as deferred revenues. Funds received in advance from various grants and contracts are deferred and are included in deferred revenues.

Agency funds:

Agency funds consist of resources held by the 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, 2011 and 2010.

Bond related items:

Bond issuance costs and 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 2011 and 2010, total interest costs incurred were accounted for as follows:

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Total interest costs incurred                                    | \$ 600,446        | \$ 390,454        |
| Less: Interest income on unused funds from tax exempt borrowings | -                 | -                 |
| Rebate payable increase (decrease)                               | 28                | 90                |
| Bond premium amortization  | ( 17,414 )        | ( 5,683 )         |
|  | <b>583,060</b>    | 384,861           |
| Less: Capitalized portion of net interest earned and incurred    | -                 | -                 |
| Interest expense   | <u>\$ 583,060</u> | <u>\$ 384,861</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Fringe benefits:

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

Tax status:

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

Reclassifications:

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Recent accounting pronouncements:

*Recently adopted accounting pronouncements -*

In November, 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB Statement No. 60 addresses the accounting, financial reporting and disclosure related to service concession arrangements. The University has a service concession arrangement with Compass Group, Inc. to manage and operate the University's food services operation. GASB Statement No. 60 is effective for financial statements for periods beginning after December 15, 2011. The University elected to early adopt the requirements of this Statement in fiscal 2011. The effect of the adoption of GASB Statement No. 60 in the accompanying financial statements is discussed in Note 11.

In December, 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (i) Financial Accounting Standards Board (FASB) Statements and Interpretations; (ii) Accounting Principles Board Opinions; and (iii) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures. GASB Statement No. 62 also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The requirements of GASB Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011 with earlier application encouraged. The University elected to early adopt the requirements of this Statement in fiscal 2011. The adoption of GASB Statement No. 62 did not have a material impact on the University's financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Recent accounting pronouncements - continued:

*Recently adopted accounting pronouncements - continued -*

In June, 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources (consumption of net assets that is applicable to a future reporting period) and deferred inflows of resources (acquisition of net assets that is applicable to a future reporting period) and distinguishes them from assets and liabilities. GASB Statement No. 63 also renames *net assets* to *net position* as the residual measure of the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources within a statement of financial position. GASB Statement No. 63 is effective for financial statements for periods beginning after December 15, 2011. The University elected to early adopt the requirements of this Statement in fiscal 2011. As a result of the early adoption, the University has renamed the Statement of Net Assets to the Statement of Net Position; reported deferred inflows of resources in a separate section following liabilities; and presented the Statement of Net Position in a format that displays assets, plus deferred outflows of resources (of which there are none), less liabilities, less deferred inflows of resources to equal net position. The Statement has been applied retroactively by reclassifying the Statement of Net Position and balance sheet information for the year ended June 30, 2010.

*Recent accounting pronouncements not yet adopted -*

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2011 and 2010:

|   | 2011                            |                               |                                  |
|---|---------------------------------|-------------------------------|----------------------------------|
|   | <u>Current<br/>Unrestricted</u> | <u>Current<br/>Restricted</u> | <u>Noncurrent<br/>Restricted</u> |
| Cash and money market accounts              | \$ 1,966,465                    | \$ 238,370                    | \$ 41,463                        |
| Cash equivalents held by MDFA *             | -                               | 195,091                       | 414,106                          |
| Cash equivalents held by MSCBA ***          | -                               | 1,271,600                     | 13,686,794                       |
| Massachusetts Municipal Depository Trust    | 18,839,560                      | 1,961,717                     | 466,488                          |
| Massachusetts State Treasurer **            | 1,674,770                       | 200,634                       | 727,813                          |
| Petty cash                                  | <u>795</u>                      | <u>-</u>                      | <u>-</u>                         |
|   | <u>\$ 22,481,590</u>            | <u>\$ 3,867,412</u>           | <u>\$ 15,336,664</u>             |
|   | 2010                            |                               |                                  |
|   | <u>Current<br/>Unrestricted</u> | <u>Current<br/>Restricted</u> | <u>Noncurrent<br/>Restricted</u> |
| Cash and money market accounts              | \$ 1,625,295                    | \$ 204,743                    | \$ 26,847                        |
| Cash equivalents held by MDFA *             | -                               | 184,048                       | 414,458                          |
| Cash and cash equivalents held by MSCBA *** | -                               | -                             | 835,566                          |
| Massachusetts Municipal Depository Trust    | 13,791,308                      | 1,050,130                     | 2,215,728                        |
| Massachusetts State Treasurer **            | 1,333,350                       | 207,907                       | -                                |
| Petty cash                                  | <u>1,010</u>                    | <u>-</u>                      | <u>-</u>                         |
|   | <u>\$ 16,750,963</u>            | <u>\$ 1,646,828</u>           | <u>\$ 3,492,599</u>              |

\* This amount consists of cash equivalents which are restricted by the Massachusetts Development Finance Agency (MDFA) for the funding of payments to retire the bonds (See Note 13). The University does not have access to these funds except by the authorization of MDFA.

\*\* The University has recorded cash held for the benefit of the University by the State Treasurer in the amount of \$1,674,770 and \$1,333,350 at June 30, 2011 and 2010, respectively, for University funds and \$200,634 and \$207,907 at June 30, 2011 and 2010, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year end. At June 30, 2011, cash held for the benefit of the University by the State Treasurer also includes other restricted funds in the amount of \$727,813.

\*\*\* This amount consists of cash and cash equivalents which are restricted by the Massachusetts State College Building Authority (MSCBA) for the funding of certain construction projects at the University and payments to retire bonds (See Note 13). The University does not have access to these funds except by authorization of MSCBA.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Money market funds include the JPMorgan Prime Money Market Fund in the aggregate amount of \$879,048 and \$708,969 at June 30, 2011 and 2010, respectively. The JPMorgan Prime Money Market Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, repurchase agreements and reverse repurchase agreements, taxable municipal obligations and funding agreements issued by banks and highly rated U.S. insurance companies. The fund aims to provide the highest possible level of current income while still maintaining liquidity and preserving capital. At June 30, 2011 and 2010, the fund's investment securities had a weighted average maturity of 43 and 36 days, respectively. The fund had an average credit quality rating of AAAM at June 30, 2011 and 2010.

Money market funds include the State Street Institutional Liquid Reserves Fund in the aggregate amount of \$879,225 and \$708,969 at June 30, 2011 and 2010. The State Street Institutional Liquid Reserves Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, variable and floating rate notes and repurchase agreements. The fund seeks to maximize current income to the extent consistent with preservation of capital and liquidity and the maintenance of a stable \$1.00 per share net asset value, by investing in U.S. dollar-denominated money market securities. At June 30, 2011 and 2010, the fund's investment securities had a weighted average maturity of 33 and 29 days, respectively. The fund had an average credit quality rating of AAAM at June 30, 2011 and 2010.

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

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

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. As of June 30, 2011 and 2010, 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,



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

Credit risk - continued

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, 2011 and 2010, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$21,267,765 and \$17,057,166, respectively. At June 30, 2011, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 38% at 30 days or less; 27% at 31-90 days; 17% at 91-180 days; and 18% at 181 - 397 days. At June 30, 2011, approximately 98% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 2% 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 \$609,197 and \$598,506 at June 30, 2011 and 2010, 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, 2011 and 2010, respectively. The fund's investment securities maintain a weighted average maturity of less than 57 days.

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

| <u>Investment Type</u>                       | <u>Investment Maturities (in years)</u> |                    |             |                   |                        | <u>Credit Rating</u> |
|--|---|--------------------|-------------|-------------------|------------------------|----------------------|
|  | <u>Fair Value</u>                       | <u>Less Than 1</u> | <u>1-5</u>  | <u>6-10</u>       | <u>Greater Than 10</u> |                      |
| <b>Fannie Mae Corporation discount note</b>  | \$ 388,335                              | \$ 388,335         | \$ -        | \$ -              | \$ -                   | AAA                  |
| <b>Federal Home Loan Banks discount note</b> | 144,841                                 | 144,841            | -           | -                 | -                      | AAA                  |
| <b>Massachusetts ST Bonds</b>                | 485,614                                 | -                  | -           | 485,614           | -                      | AAA                  |
| <b>Massachusetts ST Bonds</b>                | <u>964,163</u>                          | <u>-</u>           | <u>-</u>    | <u>-</u>          | <u>964,163</u>         | AAA                  |
| <b>Total</b>                                 | <u>\$1,982,953</u>                      | <u>\$ 533,176</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, 2011 AND 2010

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

Credit risk - continued

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

| <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> |                      |
| Federal Home Loan<br>Mortgage Corporation<br>discount note | \$ 388,335        | \$ 388,335                              | \$ -        | \$ -        | AAA                  |
| Federal Home Loan Banks<br>discount note                   | <u>144,841</u>    | <u>144,841</u>                          | <u>-</u>    | <u>-</u>    | AAA                  |
| <b>Total</b>   | <u>\$ 533,176</u> | <u>\$ 533,176</u>                       | <u>\$ -</u> | <u>\$ -</u> |                      |

On August 5, 2011, Standard and Poor's (S&P) lowered its long-term Sovereign credit rating on the United States of America to 'AA+' from 'AAA'.

The University's investments are represented by the following at June 30, 2011 and 2010:

|  | <u>2011</u>          |                      | <u>2010</u>          |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | <u>Cost</u>          | <u>Fair Value</u>    | <u>Cost</u>          | <u>Fair Value</u>    |
| <u>Noncurrent:</u>   |                      |                      |                      |                      |
| Commonfund (pooled investment funds):                      |                      |                      |                      |                      |
| Intermediate Term Fund                                     | \$ 1,850,648         | \$ 1,800,504         | \$ 1,275,648         | \$ 1,206,259         |
| Multi-Strategy Equity Fund                                 | 3,000,000            | 3,074,307            | 3,000,000            | 2,443,695            |
| High Quality Bond Fund                                     | 6,646,563            | 6,928,538            | 7,200,000            | 7,380,779            |
| Bank of America Corporation<br>common stock (3,564 shares) | <u>7,257</u>         | <u>39,061</u>        | <u>7,257</u>         | <u>51,215</u>        |
|  | <u>\$ 11,504,468</u> | <u>\$ 11,842,410</u> | <u>\$ 11,482,905</u> | <u>\$ 11,081,948</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

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

|                       | <u>2011</u>          | <u>2010</u>          |
|-----------------------|----------------------|----------------------|
| Investments           | \$ 11,142,978        | \$ 10,410,255        |
| Endowment investments | <u>699,432</u>       | <u>671,693</u>       |
|                       | <u>\$ 11,842,410</u> | <u>\$ 11,081,948</u> |

The Intermediate Term Fund invests in high-quality fixed income securities with maturities generally ranging from 1-3 years. The fund may, however, invest in high-quality fixed income securities with maturities ranging from one day to 30 years. The fund's objective is to exceed the performance of the Merrill Lynch 1-3 Year Treasury Index. At June 30, 2011 and 2010, the fund's investment securities had a weighted average life of 2.9 years at each date and an effective duration of 1.6 and 1.5 years, respectively. The fund had an average credit quality rating of AA as of both June 30, 2011 and 2010.

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

The High Quality Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The fund's assets are primarily invested in U.S. government agency securities, mortgages, corporate bonds and commercial mortgage backed securities. The fund's objective is to exceed the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index. As of June 30, 2011 and 2010, the fund's investment securities had a weighted average life of 9.5 and 8.5 years, respectively, and an effective duration of 4.3 and 4.1 years, respectively. The fund had an average credit quality rating of AA as of both June 30, 2011 and 2010.

FSU Foundation's cash and cash equivalents consist of the following at June 30, 2011 and 2010:

|                                | <u>2011</u>         | <u>2010</u>         |
|--------------------------------|---------------------|---------------------|
| Cash and other demand deposits | \$ 1,886,488        | \$ 1,212,355        |
| Money Market Funds             | <u>384,054</u>      | <u>475,664</u>      |
|                                | <u>\$ 2,270,542</u> | <u>\$ 1,688,019</u> |

Money market funds include the SSgA US Government Money Market Fund, the Schwab Advisor Cash Reserves Fund, and the Dreyfus Cash Management Institutional - Shares Fund in the amounts of \$154,884, \$31,140, and \$198,030, respectively, at June 30, 2011.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

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

The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Included in cash and equivalents at June 30, 2011 are overnight repurchase agreements in the amounts of \$1,624,569 and \$124,540 each at an interest rate of .15% per annum. Included in cash and equivalents at June 30, 2010 are overnight repurchase agreements in the amounts of \$674,304 and \$21,167 each at an interest rate of .15% per annum. At June 30, 2011 and 2010, overnight repurchase agreements were fully collateralized under an agreement between Sovereign Bank and the University. At June 30, 2011 and 2010, 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, JPMorgan Prime Money Market Fund, and State Street Institutional Liquid Reserves Fund, amounted to \$384,054 and \$578,701, respectively.

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

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

FSU Foundation's investments are represented by the following at June 30, 2011:

|                                  | <u>Cost</u>         | <u>Fair Value</u>    |
|----------------------------------|---------------------|----------------------|
| Equities                         | \$ 4,503,714        | \$ 4,833,905         |
| Preferred stock                  | 201,927             | 203,862              |
| Mutual funds                     | 2,681,710           | 2,775,217            |
| Corporate bonds                  | 907,401             | 900,809              |
| U.S. government securities       | 1,406,291           | 1,404,654            |
| Commonfund Realty Investors, LLC | -                   | -                    |
|                                  | <u>\$ 9,701,043</u> | <u>\$ 10,118,447</u> |

FSU Foundation's investments are represented by the following at June 30, 2010:

|                                       | <u>Cost</u>         | <u>Fair Value</u>   |
|---------------------------------------|---------------------|---------------------|
| Commonfund (pooled investment funds): |                     |                     |
| Intermediate Term Fund                | \$ 41,050           | \$ 36,734           |
| Multi-Strategy Equity Fund            | 5,128,882           | 5,712,167           |
| Multi-Strategy Bond Fund              | 3,091,150           | 3,376,998           |
| Commonfund Realty Investors, LLC      | -                   | -                   |
|                                       | <u>\$ 8,261,082</u> | <u>\$ 9,125,899</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**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>2011</u>          | <u>2010</u>         |
|-----------------------|----------------------|---------------------|
| Current assets:       |                      |                     |
| Investments           | \$ 2,996,227         | \$ 2,129,552        |
| Noncurrent assets:    |                      |                     |
| Investments           | -                    | -                   |
| Endowment investments | <u>7,122,220</u>     | <u>6,996,347</u>    |
|                       | <u>\$ 10,118,447</u> | <u>\$ 9,125,899</u> |

At June 30, 2011, net unrealized gains in FSU Foundation's investment portfolio amounted to \$417,404. At June 30, 2010, net unrealized gains in FSU Foundation's investment portfolio amounted to \$864,817.

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

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

Investments held by FSU Foundation with an equivalent fair value of \$1,287,000 collateralize certain debt agreements (see Notes 14 and 15).

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

FSU Foundation made a capital commitment to the Commonfund Realty Investors, LLC totaling \$485,000, of which \$246,623 was funded as of June 30, 2007. The remaining commitment of \$238,377 was funded in August, 2007. Investment units in the Fund are not deemed to be readily marketable as investors may only elect, once each year during September, to have the Fund redeem up to 20% of the units they have owned for at least five years. Redemptions are processed at the Fund's net asset value at the date the redemption is paid. However, as discussed further below, the Fund may defer payment of these redemptions indefinitely, contingent on the results of the Fund's operations and the outcome of negotiations for the restructuring of the Fund's debt. No redemptions have been scheduled for payment by the Fund.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

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 gross write-down amounted to a realized loss of \$485,000 in fiscal 2010, and a related decrease in unrealized losses in fiscal 2010 of \$314,379 representing the previously recorded unrealized losses as of June 30, 2009. These amounts are included in investment income in FSU Foundation's 2010 statement of revenues, expenses and changes in net position. The decline in the fair value of this investment resulted from the continuing disruptions in the global capital, credit and real estate markets. These disruptions, which were significant, have led to, among other things, a significant decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital and declines in liquidity and prices of real estate, and real estate investments have had a significant adverse impact on this portfolio investment. Although the capital markets showed some signs of stabilizing in fiscal 2010, the investment fund's real estate investments continue to be adversely affected as the market value of commercial real estate did not recover, and liquidity and capital sources remained unavailable to the investment fund at sensible pricing. The investment fund had been experiencing negative operating results, an adverse liquidity position, major debt defaults, and uncertainty regarding the outcome of ongoing debt restructuring negotiations with certain of its lenders. The investment fund has no redemptions scheduled for payment to its investors. Due to these factors, in the opinion of management of FSU Foundation, the decline in fair value of this investment was considered to be other-than-temporary.

At June 30, 2011, the fair value of FSU's Foundation investments in debt securities by contractual maturities is as follows:

|                            | <b>Maturity</b>                 |                               |                              |                                      | <b>Total</b>        |
|----------------------------|---------------------------------|-------------------------------|------------------------------|--------------------------------------|---------------------|
|                            | <b><u>Within<br/>1 year</u></b> | <b><u>1 - 5<br/>Years</u></b> | <b><u>5-10<br/>Years</u></b> | <b><u>More Than<br/>10 Years</u></b> |                     |
| Corporate bonds            | \$ 62,712                       | \$ 536,411                    | \$ 301,686                   | \$ -                                 | \$ 900,809          |
| U.S. government securities | <u>103,652</u>                  | <u>1,120,611</u>              | <u>180,391</u>               | <u>-</u>                             | <u>1,404,654</u>    |
|                            | <u>\$ 166,364</u>               | <u>\$ 1,657,022</u>           | <u>\$ 482,077</u>            | <u>\$ -</u>                          | <u>\$ 2,305,463</u> |



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

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

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

At June 30, 2010, the fair values and unrealized losses of FSU Foundation's investments in an unrealized loss position were not material.

**Equities and preferred stocks**

FSU Foundation has one hundred and one investments in equities of which twenty-four were in an unrealized loss position at June 30, 2011. FSU Foundation also has twenty investments in preferred stocks of which six were in an unrealized loss position at June 30, 2011. 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, 2011.

**Mutual funds**

FSU Foundation has twenty mutual fund investments of which four are in an unrealized loss position at June 30, 2011. 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, 2011.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

**Corporate bonds**

At June 30, 2011, 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 corporate debt security investments of which twenty-three are in an unrealized loss position at June 30, 2011. 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. 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, 2011.

**U.S. government obligations**

FSU Foundation has nineteen U.S. government investment securities at June 30, 2011, of which eleven were in an unrealized loss position as a result of interest rate fluctuations. The contractual terms of the investments do not allow the issuer to settle the securities at a price less than the amortized cost of the investment. FSU Foundation does not intend to sell nor does it believe it would be required to sell these investment securities before their anticipated market value recovery. Accordingly, FSU Foundation does not consider the investments to be other-than-temporarily impaired at June 30, 2011.

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, 2011 and 2010:

|   | <u>2011</u>         | <u>2010</u>         |
|---|---------------------|---------------------|
| Student accounts receivable   | \$ 1,441,540        | \$ 1,592,074        |
| Parking and other fines receivable  | 114,395             | 149,955             |
| Commissions receivable  | 147,434             | 88,008              |
| Grants receivable (see Note 26)   | 407,713             | 498,744             |
| Compass receivable, including accrued<br>interest of \$58,724 (see Note 11) | 1,589,146           | -                   |
| Miscellaneous other receivable  | <u>6,881</u>        | <u>12,713</u>       |
|   | 3,707,109           | 2,341,494           |
| Less allowance for doubtful accounts  | <u>( 252,630)</u>   | <u>( 266,545)</u>   |
|   | <u>\$ 3,454,479</u> | <u>\$ 2,074,949</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

FSU Foundation's contributions receivable consist of the following at June 30, 2011 and 2010:

|                                  | <u>2011</u>         | <u>2010</u>         |
|----------------------------------|---------------------|---------------------|
| Receivable in less than one year | \$ 1,406,930        | \$ 1,272,718        |
| Receivable in one to five years  | 102,350             | 259,900             |
| Receivable in one to five years  | <u>3,000</u>        | <u>-</u>            |
|                                  | 1,512,280           | 1,532,618           |
| Discount on pledges              | ( 11,415)           | ( 21,765)           |
|                                  | <u>\$ 1,500,865</u> | <u>\$ 1,510,853</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 2% to 4%.

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

|                                  | <u>2011</u>         | <u>2010</u>         |
|----------------------------------|---------------------|---------------------|
| Measured at fair value           | \$ 382,835          | \$ 530,970          |
| Measured at net realizable value | <u>1,118,030</u>    | <u>979,883</u>      |
|                                  | <u>\$ 1,500,865</u> | <u>\$ 1,510,853</u> |

**4. Loans receivable:**

Loans receivable include the following at June 30, 2011 and 2010:

|                                      | <u>2011</u>         | <u>2010</u>         |
|--------------------------------------|---------------------|---------------------|
| Perkins loans receivable             | \$ 1,580,099        | \$ 1,560,043        |
| Nursing loans receivable             | 357,483             | 361,343             |
| Emergency student loans receivable   | <u>5,086</u>        | <u>4,058</u>        |
|                                      | 1,942,668           | 1,925,444           |
| Less allowance for doubtful accounts | ( 897)              | ( 1,488)            |
|                                      | <u>\$ 1,941,771</u> | <u>\$ 1,923,956</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**5. Capital assets:**

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

| <b>Capital assets:</b>                | <b>Totals<br/><u>June 30, 2010</u></b> | <b><u>Additions</u></b> | <b>Reclassifications*<br/>and<br/><u>Reductions</u></b> | <b>Totals<br/><u>June 30, 2011</u></b> |
|---------------------------------------|--|-------------------------|---|--|
| <u>Non-depreciable capital assets</u> |  |                         |   |  |
| Land                                  | \$ 4,597,544                           | \$ 145,221              | \$ 388,076  | \$ 5,130,841                           |
| Construction in progress              | <u>3,294,351</u>                       | <u>9,430,189</u>        | <u>( 1,418,676)</u>                                     | <u>11,305,864</u>                      |
| Total non-depreciable assets          | <u>7,891,895</u>                       | <u>9,575,410</u>        | <u>( 1,030,600)</u>                                     | <u>16,436,705</u>                      |
| <u>Depreciable capital assets</u>     |  |                         |   |  |
| Buildings                             | 44,491,325                             | -                       | -   | 44,491,325                             |
| Building improvements                 | 41,593,669                             | 5,143,078               | 1,030,600   | 47,767,347                             |
| Equipment                             | 14,135,610                             | 273,797                 | -   | 14,409,407                             |
| Furniture                             | 597,676                                | -                       | -   | 597,676                                |
| Library materials                     | <u>320,942</u>                         | <u>54,590</u>           | <u>( 34,138)</u>  | <u>341,394</u>                         |
| Total depreciable assets              | <u>101,139,222</u>                     | <u>5,471,465</u>        | <u>996,462</u>  | <u>107,607,149</u>                     |
| Total capital assets                  | <u>109,031,117</u>                     | <u>15,046,875</u>       | <u>( 34,138)</u>  | <u>124,043,854</u>                     |
| <b>Less: accumulated depreciation</b> |  |                         |   |  |
| Buildings                             | 34,232,098                             | 928,672                 | -   | 35,160,770                             |
| Building improvements                 | 8,779,013                              | 2,185,881               | -   | 10,964,894                             |
| Equipment                             | 10,509,522                             | 959,764                 | -   | 11,469,286                             |
| Furniture                             | 124,234                                | 132,567                 | -   | 256,801                                |
| Library materials                     | <u>-</u>                               | <u>34,138</u>           | <u>( 34,138)</u>  | <u>-</u>                               |
| Total accumulated depreciation        | <u>53,644,867</u>                      | <u>4,241,022</u>        | <u>( 34,138)</u>  | <u>57,851,751</u>                      |
| <b>Capital assets, net</b>            | <u>\$ 55,386,250</u>                   | <u>\$ 10,805,853</u>    | <u>\$ -</u>   | <u>\$ 66,192,103</u>                   |

As of June 30, 2011, capital assets of the University with a cost of approximately \$20,661,000 were fully depreciated and still in service.

\* Construction costs incurred for various capital projects were included in construction in progress and subsequently transferred to capital asset additions upon completion during the fiscal year ended June 30, 2011.

The University has entered into various contract commitments with contractors for improvements to its facilities. The outstanding balances under commitment were approximately \$1,250,000 at June 30, 2011.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**5. Capital assets - continued:**

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

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

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

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

The 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, 2011 and 2010, respectively.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**5. Capital assets - continued:**

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

| <b>Capital assets:</b>                     | <b>Totals<br/>June 30, 2010</b> | <b>Additions</b> | <b>Reclassifications<br/>and<br/>Reductions</b> | <b>Totals<br/>June 30, 2011</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>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>                  |
| Land                                       | 1,733,311                       | -                | ( 123,270)                                      | 1,610,041                       |
| Land improvements                          | 61,899                          | -                | -   | 61,899                          |
| Buildings                                  | 556,478                         | -                | -   | 556,478                         |
| Building improvements                      | 39,569                          | -                | -   | 39,569                          |
| Equipment                                  | 403,453                         | 35,077           | -   | 438,530                         |
| Furniture and fixtures                     | 22,287                          | -                | -   | 22,287                          |
| Library materials                          | <u>6,570</u>                    | -                | -   | <u>6,570</u>                    |
| Total capital assets                       | <u>5,600,786</u>                | <u>35,077</u>    | <u>( 123,270)</u>                               | <u>5,512,593</u>                |
| <b>Less: accumulated depreciation</b>      |                                 |                  |   |                                 |
| Real estate under lease to the University: |                                 |                  |   |                                 |
| Land                                       | -                               | -                | -   | -                               |
| Building                                   | 149,282                         | 38,943           | -   | 188,225                         |
| Building improvements                      | <u>15,905</u>                   | <u>5,022</u>     | -   | <u>20,927</u>                   |
|  | <u>165,187</u>                  | <u>43,965</u>    | -   | <u>209,152</u>                  |
| Real estate used for student housing:      |                                 |                  |   |                                 |
| Land                                       | -                               | -                | -   | -                               |
| Building                                   | 33,471                          | 10,856           | -   | 44,327                          |
| Building improvements                      | <u>1,191</u>                    | <u>1,431</u>     | -   | <u>2,622</u>                    |
|  | <u>34,662</u>                   | <u>12,287</u>    | -   | <u>46,949</u>                   |



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**5. Capital assets - continued:**

|                                | <b>Totals</b>              |                           | <b>Reclassifications</b>   |                            |
|--------------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
|                                | <b>June 30, 2010</b>       | <b>Additions</b>          | <b>and</b>                 | <b>Totals</b>              |
|                                |                            |                           | <b>Reductions</b>          | <b>June 30, 2011</b>       |
| Land                           | \$ -                       | \$ -                      | \$ -                       | \$ -                       |
| Land improvements              | 35,850                     | 3,095                     | -                          | 38,945                     |
| Buildings                      | 26,377                     | 13,912                    | -                          | 40,289                     |
| Building improvements          | 2,043                      | 1,978                     | -                          | 4,021                      |
| Equipment                      | 331,923                    | 18,526                    | -                          | 350,449                    |
| Furniture and fixtures         | 1,882                      | 3,183                     | -                          | 5,065                      |
| Library materials              | <u>657</u>                 | <u>1,314</u>              | <u>-</u>                   | <u>1,971</u>               |
| Total accumulated depreciation | <u>598,581</u>             | <u>98,260</u>             | <u>-</u>                   | <u>696,841</u>             |
| <b>Capital assets, net</b>     | <b><u>\$ 5,002,205</u></b> | <b><u>(\$ 63,183)</u></b> | <b><u>(\$ 123,270)</u></b> | <b><u>\$ 4,815,752</u></b> |

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

During fiscal 2010, FSU Foundation acquired two properties in Fitchburg, Massachusetts at an aggregate cost of \$528,940. One property, acquired at a cost of \$123,270, was sold during fiscal 2011 for \$120,000 less closing costs of \$1,130 to the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of Fitchburg State University. A loss of \$4,400 was recorded from the sale of the property. The other property is currently serving as green space.

At June 30, 2011, 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, 2011 AND 2010

**5. Capital assets - continued:**

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

| <b>Capital assets:</b>                     | <b>Totals</b>               |                         | <b>Reclassifications</b> |                          | <b>Totals</b>               |
|--|-----------------------------|-------------------------|--------------------------|--------------------------|-----------------------------|
|  | <b><u>June 30, 2009</u></b> | <b><u>Additions</u></b> | <b>and</b>               | <b><u>Reductions</u></b> | <b><u>June 30, 2010</u></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>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>687,780</u>              | <u>28,600</u>           | -                        | -                        | <u>716,380</u>              |
| Land                                       | 1,480,040                   | 528,941                 | (                        | 275,670)                 | 1,733,311                   |
| Land improvements                          | 61,899                      | -                       | -                        | -                        | 61,899                      |
| Buildings                                  | 556,478                     | -                       | -                        | -                        | 556,478                     |
| Building improvements                      | 8,966                       | 30,603                  | -                        | -                        | 39,569                      |
| Equipment                                  | 333,728                     | 69,725                  | -                        | -                        | 403,453                     |
| Furniture and fixtures                     | -                           | 22,287                  | -                        | -                        | 22,287                      |
| Library materials                          | -                           | <u>6,570</u>            | -                        | -                        | <u>6,570</u>                |
| Total capital assets                       | <u>5,189,730</u>            | <u>686,726</u>          | (                        | <u>275,670</u> )         | <u>5,600,786</u>            |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**5. Capital assets - continued:**

|  | <u>Totals</u><br><u>June 30, 2009</u> | <u>Additions</u>  | <u>Reclassifications</u><br><u>and</u><br><u>Reductions</u> | <u>Totals</u><br><u>June 30, 2010</u> |
|--|---------------------------------------|-------------------|---|---------------------------------------|
| <b>Less: accumulated depreciation</b>      |                                       |                   |   |                                       |
| Real estate under lease to the University: |                                       |                   |   |                                       |
| Land                                       | \$ -                                  | \$ -              | \$ -  | -                                     |
| Building                                   | 110,338                               | 38,944            | -   | 149,282                               |
| Building improvements                      | <u>10,882</u>                         | <u>5,023</u>      | -   | <u>15,905</u>                         |
|  | <u>121,220</u>                        | <u>43,967</u>     | -   | <u>165,187</u>                        |
| Real estate used for student housing:      |                                       |                   |   |                                       |
| Land                                       | -                                     | -                 | -   | -                                     |
| Building                                   | 22,615                                | 10,856            | -   | 33,471                                |
| Building improvements                      | <u>-</u>                              | <u>1,191</u>      | -   | <u>1,191</u>                          |
|  | <u>22,615</u>                         | <u>12,047</u>     | -   | <u>34,662</u>                         |
| Land                                       | -                                     | -                 | -   | -                                     |
| Land improvements                          | 32,755                                | 3,095             | -   | 35,850                                |
| Buildings                                  | 12,465                                | 13,912            | -   | 26,377                                |
| Building improvements                      | 529                                   | 1,514             | -   | 2,043                                 |
| Equipment                                  | 330,941                               | 982               | -   | 331,923                               |
| Furniture and fixtures                     | -                                     | 1,882             | -   | 1,882                                 |
| Library materials                          | <u>-</u>                              | <u>657</u>        | -   | <u>657</u>                            |
| Total accumulated depreciation             | <u>520,525</u>                        | <u>78,056</u>     | -   | <u>598,581</u>                        |
| <b>Capital assets, net</b>                 | <u>\$ 4,669,205</u>                   | <u>\$ 608,670</u> | ( <u>\$ 275,670</u> )                                       | <u>\$ 5,002,205</u>                   |

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

In February, 2010, FSU Foundation acquired a property in close proximity to the Fitchburg State University campus consistent with 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 \$405,670. 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.

In April, 2010, FSU Foundation obtained an appraisal of the property. As a result of the appraisal, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and wrote down the asset to its fair value of \$130,000. The impairment charge (a noncash accounting charge) to operations in the amount of \$275,670 had no impact on FSU Foundation's fiscal 2010 cash flow or its ability to generate cash flow in the future. The impairment charge is reflected in operations and maintenance of plant in FSU Foundation's accompanying 2010 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, 2011 AND 2010

**5. Capital assets - continued:**

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

**6. Accounts payable and accrued liabilities:**

Accounts payable and accrued liabilities include the following at June 30, 2011 and 2010:

|                                      | <u>2011</u>         | <u>2010</u>         |
|--------------------------------------|---------------------|---------------------|
| Accounts payable - trade             | \$ 824,761          | \$ 1,114,261        |
| Salaries and fringe benefits payable | 1,280,844           | 1,179,028           |
| Accrued interest payable             | 132,481             | 49,423              |
| Tuition due State                    | <u>250,328</u>      | <u>153,432</u>      |
|                                      | <u>\$ 2,488,414</u> | <u>\$ 2,496,144</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, 2011 and 2010. Based upon the Commonwealth's analyses, \$752,198 and \$661,105 of accrued workers' compensation has been recorded as a liability at June 30, 2011 and 2010, respectively.

**8. Accrued compensated absences:**

Accrued compensated absences are comprised of the following at June 30, 2011 and 2010:

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Vacation time payable  | \$ 2,101,884        | \$ 2,004,822        |
| Sick time payable  | <u>2,271,916</u>    | <u>2,010,217</u>    |
| Total  | <u>\$ 4,373,800</u> | <u>\$ 4,015,039</u> |
| Amount representing obligations due to employees<br>funded through sources other than State appropriations | \$ 253,387          | \$ 239,346          |
| Amount representing obligations for employees<br>compensated through State appropriations                  | <u>4,120,413</u>    | <u>3,775,693</u>    |
| Total  | <u>\$ 4,373,800</u> | <u>\$ 4,015,039</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**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 \$26,196,064 and \$21,052,890 at June 30, 2011 and 2010, 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, 2011 of \$2,624,441 will be paid from the University's fiscal 2012 State appropriations. The total amount due at June 30, 2010 of \$2,488,554 was paid from the University's fiscal 2011 State appropriations.

**10. Deferred revenue:**

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

Deferred revenue includes the following at June 30, 2011 and 2010:

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Tuition, fees and professional development | \$ 1,574,582        | \$ 1,079,838        |
| Grants                                     | 58,796              | 119,767             |
| Other                                      | <u>9,300</u>        | <u>3,405</u>        |
|  | <u>\$ 1,642,678</u> | <u>\$ 1,203,010</u> |

**11. Deferred inflows of resources:**

Deferred inflows of resources at June 30, 2011 and 2010 in the amounts of \$2,621,266 and \$978,577, 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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

in fiscal 2022. As of June 30, 2011, the University has received the first installment 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.

In fiscal 2011, the University elected to early adopt the requirements of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The effect of adopting GASB Statement No. 60 on prior years was not material to the University's financial statements. Accordingly, the prior period presented has not been restated. Instead, an adjustment for the effect on prior periods has been included as a reduction of capital grants revenue in the accompanying 2011 statement of revenues, expenses and changes in net position. In addition, the effect of adopting GASB Statement No. 60 in the current fiscal year was not material. As a result of the adoption of GASB Statement No. 60, 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. The unamortized balance of the service concession arrangement at June 30, 2010 has been reclassified from a liability to a deferred inflow of resources in the accompanying 2010 statement of net position. The University has also recorded, in fiscal 2011, 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 \$300,000 from Compass in fiscal 2011 which was applied as follows: interest income - \$15,159; and a reduction of the accounts receivable - \$284,841. At June 30, 2011, the accompanying statement of net position includes a remaining accounts receivable from Compass in the amount of \$1,589,146, which includes accrued interest receivable of \$58,724 (see Note 3). The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amounts of \$172,374 and \$144,901, respectively, has been recognized in capital grants revenue in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2011 and 2010.

**12. Capital lease obligations:**

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



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**12. Capital lease obligations - continued:**

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

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

During fiscal 2007, the University entered into a noncancellable capital lease for an upgrade to its network system hardware and software. The lease had a term of five years and required quarterly payments of \$106,607 which commenced on September 30, 2007 and were to continue through June 30, 2012. The University prepaid the lease in full during fiscal 2010. The asset and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 5.13% which was determined to be applicable at the inception of the lease. In connection with this capital lease, the University entered into a maintenance and ongoing support agreement with a term of five years which commenced on July 1, 2007. In order to obtain favorable pricing terms, the University agreed to prepay the entire cost of the contract totaling \$1,059,020. The University paid \$500,000 prior to June 30, 2007 and the balance of \$559,020 in July, 2007. Of the total payments made, \$211,803 and \$211,808 are included in other current assets at June 30, 2011 and 2010, respectively and \$211,803 is included in other noncurrent assets at June 30, 2010.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**12. Capital lease obligations - continued:**

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

Capital lease assets are secured by the related assets.

The University's assets held under capital leases at June 30, 2011 and 2010 consists of the following:

|                                    | <u>2011</u>         | <u>2010</u>         |
|------------------------------------|---------------------|---------------------|
| Printing equipment                 | \$ -                | \$ 55,375           |
| Voice, data and video cable system | 1,182,652           | 1,259,114           |
| Student records system             | -                   | 5,184,072           |
| Building wiring and cabling        | 130,126             | 130,126             |
| Equipment                          | 65,000              | 65,000              |
| Furniture                          | <u>597,675</u>      | <u>597,675</u>      |
|                                    | <u>\$ 1,975,453</u> | <u>\$ 7,291,362</u> |

The assets under capital leases are being depreciated over their useful lives and the depreciation on these assets is included in depreciation expense. The accumulated depreciation on these leased assets amounted to \$1,139,343 and \$5,098,850 at June 30, 2011 and 2010, respectively. Depreciation expense totaled \$213,427 and \$745,018 for 2011 and 2010, respectively.

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

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

| Year ending June 30,                           | <u>Total<br/>Payments</u> |
|--|---------------------------|
| 2012   | \$ 173,975                |
| 2013   | 107,636                   |
| 2014   | 107,636                   |
| 2015   | <u>26,909</u>             |
| Total minimum lease payments                   | 416,156                   |
| Less amount representing interest              | ( <u>17,903</u> )         |
| Present value of future minimum lease payments | <u>\$ 398,253</u>         |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**13. Interagency payables:**

**MDFA -**

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

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

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

|  |                     |
|--|---------------------|
| Debt issue   | \$ 6,000,000        |
| Amount held by MDFA for debt service retirement fund<br>(included in restricted cash and cash equivalents -<br>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, 2011 of \$195,091 was made as scheduled. These payments are made to a restricted cash account held in escrow in the University's name and recorded on the books of the University. These amounts, along with the initial deposit of \$502,899, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the University elects to release the funds in the debt service reserve to redeem portions of the debt obligation. Earnings on this balance are transferred and used by the University to offset the administrative costs associated with this debt. In a prior year, the University elected to release the annual funding payments from the reserve to redeem portions of the debt obligation. Accordingly, each year the funding payments are now being released from the debt service reserve to redeem portions of the outstanding debt obligation. Furthermore, during fiscal 2011 and 2010, additional amounts of \$9,968 and \$20,584 were released from the debt service reserve and used to redeem portions of the outstanding debt obligation. The outstanding principal balance of this Interagency payable at June 30, 2011 and 2010 was \$4,037,685 and \$4,231,701, 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, 2011 and 2010 was 0.831% and 0.883%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.504% (2011) and 0.825% (2010) 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 2011 and 2010 amounted to 1.32% each year.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**13. Interagency payables - continued:**

**MDFA - continued -**

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

| For the year ending June 30,                       | <u>Principal</u>           | <u>Estimated<br/>Interest (1)</u> | <u>Total</u>               |
|--|----------------------------|-----------------------------------|----------------------------|
| 2012   | \$ 195,091                 | \$ 31,932                         | \$ 227,023                 |
| 2013   | 200,797                    | 30,263                            | 231,060                    |
| 2014   | 219,204                    | 28,442                            | 247,646                    |
| 2015   | 232,356                    | 26,511                            | 258,867                    |
| 2016   | 246,298                    | 24,464                            | 270,762                    |
| 2017-2021  | 1,471,708                  | 87,054                            | 1,558,762                  |
| 2022-2024  | <u>1,119,534</u>           | <u>18,515</u>                     | <u>1,138,049</u>           |
|  | 3,684,988                  | 247,181                           | 3,932,169                  |
| Balance of restricted cash held for debt principal | <u>352,697</u>             | <u>-</u>                          | <u>352,697</u>             |
| <b>Total</b>                                       | <b><u>\$ 4,037,685</u></b> | <b><u>\$ 247,181</u></b>          | <b><u>\$ 4,284,866</u></b> |

(1) The interest rate in effect at June 30, 2011 of 0.831% was used to calculate the estimated interest on the debt obligation of \$4,037,685. The estimated interest also reflects the reduction of the outstanding debt obligation each year by the annual funding payments.

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

**MSCBA -**

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

As of June 30, 2010, unexpended net proceeds amounted to \$1,007. During fiscal 2010, the unexpended University contribution of \$246,186 was transferred and combined with the remaining funds from the Hammond Campus Center Project (see below).

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**13. Interagency payables - continued:**

**MSCBA - continued -**

As of June 30, 2011 and 2010, amounts held by MSCBA related to the debt issue and the Projects are as follows:

|                                    | <u>2011</u>       | <u>2010</u>       |
|------------------------------------|-------------------|-------------------|
| Unexpended debt proceeds           | \$ -              | \$ 1,007          |
| Unexpended University contribution | -                 | -                 |
| Debt service reserve fund          | <u>388,335</u>    | <u>388,335</u>    |
|                                    | <u>\$ 388,335</u> | <u>\$ 389,342</u> |

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2011 and 2010 as follows:

|                                       | <u>2011</u>       | <u>2010</u>       |
|---------------------------------------|-------------------|-------------------|
| Restricted cash and cash equivalents: |                   |                   |
| Current                               | \$ -              | \$ -              |
| Noncurrent                            | <u>388,335</u>    | <u>389,342</u>    |
|                                       | <u>\$ 388,335</u> | <u>\$ 389,342</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, 2025. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund will be applied to reduce the semi annual interest payments on the debt pursuant to the amortization schedule prepared by MSCBA. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2011 and 2010, the effective interest rate on this debt was 4.26% and 4.23%, respectively. The outstanding balance of this Interagency payable was \$3,955,000 and \$4,165,000 at June 30, 2011 and 2010, respectively.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**13. 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>        |
|------------------------------|---------------------|---------------------|---------------------|
| 2012                         | \$ 215,000          | \$ 169,913          | \$ 384,913          |
| 2013                         | 220,000             | 162,388             | 382,388             |
| 2014                         | 235,000             | 153,588             | 388,588             |
| 2015                         | 240,000             | 144,188             | 384,188             |
| 2016                         | 255,000             | 134,588             | 389,588             |
| 2017-2021                    | 1,420,000           | 511,656             | 1,931,656           |
| 2022-2025                    | <u>1,370,000</u>    | <u>173,100</u>      | <u>1,543,100</u>    |
| Total                        | <u>\$ 3,955,000</u> | <u>\$ 1,449,421</u> | <u>\$ 5,404,421</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, 2010, unexpended net proceeds amounted to \$6,291.

As of June 30, 2011 and 2010, amounts held by MSCBA related to the debt issue and the Project are as follows:

|                           | <u>2011</u>       | <u>2010</u>       |
|---------------------------|-------------------|-------------------|
| Unexpended debt proceeds  | \$ -              | \$ 6,291          |
| Debt service reserve fund | <u>144,841</u>    | <u>144,841</u>    |
|                           | <u>\$ 144,841</u> | <u>\$ 151,132</u> |

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2011 and 2010 as follows:

|                                       | <u>2011</u>       | <u>2010</u>       |
|---------------------------------------|-------------------|-------------------|
| Restricted cash and cash equivalents: |                   |                   |
| Current                               | \$ -              | \$ -              |
| Noncurrent                            | <u>144,841</u>    | <u>151,132</u>    |
|                                       | <u>\$ 144,841</u> | <u>\$ 151,132</u> |



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**13. Interagency payables - continued:**

**MSCBA - continued -**

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund will be applied to reduce the semi annual interest payments on the debt pursuant to the amortization schedule prepared by MSCBA. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2011 and 2010, the effective interest rate on this debt was 4.25% and 4.23%, respectively. The outstanding balance of this Interagency payable was \$1,783,353 and \$1,869,036 at June 30, 2011 and 2010, 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>        |
|------------------------------|---------------------|-------------------|---------------------|
| 2012                         | \$ 80,000           | \$ 81,813         | \$ 161,813          |
| 2013                         | 85,000              | 77,813            | 162,813             |
| 2014                         | 90,000              | 73,563            | 163,563             |
| 2015                         | 95,000              | 69,963            | 164,963             |
| 2016                         | 95,000              | 65,450            | 160,450             |
| 2017-2021                    | 550,000             | 258,150           | 808,150             |
| 2022-2026                    | <u>705,000</u>      | <u>109,500</u>    | <u>814,500</u>      |
|                              | 1,700,000           | 736,252           | 2,436,252           |
| Plus: Unamortized premiums   | <u>83,353</u>       | <u>-</u>          | <u>83,353</u>       |
| Total                        | <u>\$ 1,783,353</u> | <u>\$ 736,252</u> | <u>\$ 2,519,605</u> |

In December 2005, the University advanced \$300,000 to MSCBA to be used for renovations to the Hammond Campus Center. In 2007, the University advanced an additional \$842,000 to MSCBA to be used for renovations to the Hammond Campus Center. During fiscal 2009, the renovations were placed in service and are being depreciated. During fiscal 2010, the remaining funds of \$246,186 from the athletic fields and dining hall projects were transferred to and combined with the remaining funds from the Hammond Campus Center Project. As of June 30, 2011 and 2010, the unexpended portion of the University's contribution held by MSCBA amounted to \$142,159 and \$295,092, respectively.

The amounts held by MSCBA related to the Hammond Campus Center Project are included in the accompanying statements of net position at June 30, 2011 and 2010 as follows:

|                                       | <u>2011</u>       | <u>2010</u>       |
|---------------------------------------|-------------------|-------------------|
| Restricted cash and cash equivalents: |                   |                   |
| Current                               | \$ -              | \$ -              |
| Noncurrent                            | <u>142,159</u>    | <u>295,092</u>    |
|                                       | <u>\$ 142,159</u> | <u>\$ 295,092</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**13. Interagency payables - continued:**

**MSCBA - continued -**

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.

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

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

As of June 30, 2011, unexpended net proceeds amounted to \$12,833,282.

As of June 30, 2011, amounts held by MSCBA related to the debt issue and the Project are as follows:

|                           | <u>2011</u>          |
|---------------------------|----------------------|
| Unexpended debt proceeds  | \$ 12,833,282        |
| Debt service reserve fund | <u>1,449,777</u>     |
|                           | <u>\$ 14,283,059</u> |

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

|                                       | <u>2011</u>          |
|---------------------------------------|----------------------|
| Restricted cash and cash equivalents: |                      |
| Current                               | \$ 1,271,600         |
| Noncurrent                            | <u>13,011,459</u>    |
|                                       | <u>\$ 14,283,059</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**13. Interagency payables - continued:**

**MSCBA - continued -**

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2012. The final principal payment is due on May 1, 2030. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.0% to 6.54% over the term of the debt to maturity. Funds from the debt service reserve fund will be applied to reduce the semi annual interest payments on the debt pursuant to the amortization schedule prepared by MSCBA. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the year ended June 30, 2011, the effective interest rate on this debt was 3.22%. The outstanding balance of this Interagency payable was \$15,923,924 at June 30, 2011, 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>         |
|------------------------------|----------------------|---------------------|----------------------|
| 2012                         | \$ 571,715           | \$ 533,797          | \$ 1,105,512         |
| 2013                         | 589,374              | 516,645             | 1,106,019            |
| 2014                         | 607,033              | 498,964             | 1,105,997            |
| 2015                         | 631,315              | 474,683             | 1,105,998            |
| 2016                         | 655,596              | 449,430             | 1,105,026            |
| 2017-2021                    | 3,730,495            | 1,861,913           | 5,592,408            |
| 2022-2026                    | 4,478,801            | 1,151,916           | 5,630,717            |
| 2027-2030                    | <u>4,269,099</u>     | <u>271,242</u>      | <u>4,540,341</u>     |
|                              | 15,533,428           | 5,758,590           | 21,292,018           |
| Plus: Unamortized premiums   | <u>390,496</u>       | <u>-</u>            | <u>390,496</u>       |
| Total                        | <u>\$ 15,923,924</u> | <u>\$ 5,758,590</u> | <u>\$ 21,682,514</u> |

**14. FSU Foundation long term debt:**

FSU Foundation's long-term debt consists of the following at June 30, 2011 and 2010:

|                              | <u>2011</u>         | <u>2010</u>         |
|------------------------------|---------------------|---------------------|
| First mortgage notes payable | \$ 3,121,795        | \$ 3,224,841        |
| Notes payable - bank         | <u>681,816</u>      | <u>717,056</u>      |
|                              | 3,803,611           | 3,941,897           |
| Less current portion         | <u>150,153</u>      | <u>138,416</u>      |
|                              | <u>\$ 3,653,458</u> | <u>\$ 3,803,481</u> |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**14. FSU Foundation long term debt - continued:**

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

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

At June 30, 2011 and 2010, the outstanding principal balance of this mortgage note payable amounted to \$500,402 and \$517,127, respectively.

In August, 2006, the Foundation Supporting Organization acquired land and a building consisting of 4,179 square feet of office space and 53,429 square feet of warehouse space located in Fitchburg, Massachusetts near the University campus. The entire property has been leased to DCAM on behalf of the University (see Note 23). The University is currently using the property for its print services, maintenance, and shipping and receiving and financial services.

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

The loan agreement has a term of twenty years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of \$13,154 through August 16, 2011. Commencing thereafter, the monthly installments of principal and interest are \$12,306 until the next five-year interval adjustment date of August 16, 2016. The loan matures on August 16, 2026. The loan agreement requires the Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**14. 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, 2011 and 2010, the outstanding principal balance of this first mortgage note payable amounted to \$1,612,542 and \$1,678,437, 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, 2011 and 2010, the Foundation Supporting Organization has total cash balances of \$81,194 and \$82,428, respectively, held at WCU which serve as additional collateral for both WCU loans to the Foundation Supporting Organization (see below).

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

As of June 30, 2011 and 2010, the outstanding principal balance of this first mortgage loan amounted to \$716,105 and \$731,099, respectively.

During fiscal 2010, Workers' Credit Union provided financing to the Foundation Supporting Organization in the form of a note, dated February 19, 2010, in the amount of \$300,000. The proceeds of the loan were used to finance the acquisition of a real estate property. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on this property. The note is also collateralized by all funds held by the lender. At June 30, 2011 and 2010, the Foundation Supporting Organization has total cash balances of \$81,194 and \$82,428, respectively, held at WCU which serve as additional collateral for both WCU loans to the Foundation Supporting Organization.

In June, 2010, the Foundation Supporting Organization determined that the value of the property securing this first mortgage note payable to WCU was less than its carrying value. Accordingly, the Foundation Supporting Organization recorded an impairment loss. As a result, WCU required additional collateral to further secure this loan. On October 25, 2010, the Foundation Supporting Organization provided WCU with 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**14. FSU Foundation long term debt - continued:**

The mortgage note has a term of ten years, expiring on February 19, 2020, and provides for a fixed rate of interest of 6.03% per annum. The note requires monthly installments of principal and interest of \$1,939 based on a twenty-five year principal amortization. Monthly principal and interest payments commenced on March 19, 2010. The note may be prepaid at any time, in whole or in part, without premium or penalty. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Foundation Supporting Organization to WCU.

As of June 30, 2011 and 2010, the outstanding principal balance of the mortgage loan amounted to \$292,746 and \$298,178, respectively.

In connection with the fiscal 2010 loan, the Foundation Supporting Organization was required to establish an escrow account held at WCU in the amount of \$75,000 until the Foundation Supporting Organization resolved certain environmental matters related to the property. The environmental matters have since been resolved and WCU released the escrow in fiscal 2011.

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

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

At June 30, 2011 and 2010, the outstanding principal balance of this note payable amounted to \$42,590 and \$67,820, respectively.

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

The acquisitions were funded with the proceeds of a note payable in the amount of \$680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investments with an equivalent fair value of \$972,000. 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 to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The loan requires monthly installments of principal and interest of \$4,122 based on a thirty year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**14. FSU Foundation long term debt - continued:**

At June 30, 2011 and 2010, the outstanding principal balance of this note payable amounted to \$639,226 and \$649,236, respectively.

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

| For the year ending June 30, | <u>Principal</u>    | <u>Estimated Interest (1)</u> | <u>Total</u>        |
|------------------------------|---------------------|-------------------------------|---------------------|
| 2012                         | \$ 150,153          | \$ 202,256                    | \$ 352,409          |
| 2013                         | 148,358             | 191,300                       | 339,658             |
| 2014                         | 139,180             | 184,128                       | 323,308             |
| 2015                         | 146,444             | 176,866                       | 323,310             |
| 2016                         | 152,729             | 169,580                       | 322,309             |
| 2017-2021                    | 1,115,996           | 698,892                       | 1,814,888           |
| 2022-2026                    | 1,102,831           | 397,389                       | 1,500,220           |
| 2027-2031                    | 481,094             | 172,116                       | 653,210             |
| 2032-2036                    | 346,237             | 51,043                        | 397,280             |
| 2037                         | <u>20,589</u>       | <u>310</u>                    | <u>20,899</u>       |
| Total                        | <u>\$ 3,803,611</u> | <u>\$ 2,243,880</u>           | <u>\$ 6,047,491</u> |

(1) The interest rates in effect at June 30, 2011 of 5.75%, 5.5% (adjusted to 4.5% on August 16, 2011), 5.74%, and 6.03% on the first mortgage notes payable and 5% and 6% on the notes payable - bank were used to calculate the estimated interest on these debt obligations.

**15. FSU Foundation line of credit:**

In March, 2011, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to \$250,000. At June 30, 2011, there were no borrowings outstanding under the line of credit. At June 30, 2010, the Foundation had an outstanding balance of \$125,000 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, 2011 and 2010, the effective interest rates were 6% per annum. Borrowings are secured by investments with an equivalent fair value of \$315,000. The line of credit agreement expires on March 17, 2013. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**16. Long term liabilities:**

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

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

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

|   | <b>Totals</b>               |                            |                            | <b>Totals June 30, 2010</b> |                            |
|---|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
|   | <b>June 30, 2009</b>        | <b>Additions</b>           | <b>Reductions</b>          | <b>Ending</b>               | <b>Current</b>             |
|   |                             |                            |                            | <b>Balance</b>              | <b>Portion</b>             |
| <b>Interagency payables and capital leases:</b> |                             |                            |                            |                             |                            |
| Interagency payables                            | \$ 10,745,634               | \$ -                       | \$ 479,897                 | \$ 10,265,737               | \$ 479,731                 |
| Capital leases                                  | <u>2,369,565</u>            | <u>499,938</u>             | <u>1,973,814</u>           | <u>895,689</u>              | <u>497,437</u>             |
| <b>Total</b>                                    | <b><u>13,115,199</u></b>    | <b><u>499,938</u></b>      | <b><u>2,453,711</u></b>    | <b><u>11,161,426</u></b>    | <b><u>977,168</u></b>      |
| <b>Other liabilities:</b>                       |                             |                            |                            |                             |                            |
| Workers' compensation                           | 503,768                     | 256,579                    | 99,242                     | 661,105                     | 130,238                    |
| Compensated absences                            | 3,953,850                   | 2,383,433                  | 2,322,244                  | 4,015,039                   | 2,341,896                  |
| Rebate payable                                  | 17,875                      | 90                         | -                          | 17,965                      | -                          |
| Loan payable - federal financial assistance     | <u>1,833,747</u>            | <u>53,453</u>              | <u>35,487</u>              | <u>1,851,713</u>            | <u>-</u>                   |
| <b>Total other liabilities</b>                  | <b><u>6,309,240</u></b>     | <b><u>2,693,555</u></b>    | <b><u>2,456,973</u></b>    | <b><u>6,545,822</u></b>     | <b><u>2,472,134</u></b>    |
| <b>Long term obligations</b>                    | <b><u>\$ 19,424,439</u></b> | <b><u>\$ 3,193,493</u></b> | <b><u>\$ 4,910,684</u></b> | <b><u>\$ 17,707,248</u></b> | <b><u>\$ 3,449,302</u></b> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**16. Long term liabilities - continued:**

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

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

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

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

**17. Unrestricted net position:**

Unrestricted net position is comprised of net assets that are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net assets are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Designated unrestricted net assets were \$8,488,308 and \$8,134,673 at June 30, 2011 and 2010, respectively. Undesignated unrestricted net assets were \$13,587,343 and \$9,142,524 at June 30, 2011 and 2010, respectively.

The unrestricted net position amount of \$22,075,651 includes the effect of deferring the recognition of revenue from the installment payments associated with the dining facilities service concession arrangement. The \$2,621,266 balance of the deferred inflow of resources at June 30, 2011 will be recognized as revenue and increase unrestricted net position over the remaining thirteen years of the arrangement.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**18. Net position restricted by enabling legislation:**

Fitchburg State University Foundation, Inc.'s consolidated statements of net position as of June 30, 2011 and 2010 reflect a restricted net position of \$11,365,274 and \$10,251,327, respectively. Of these amounts, \$2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

**19. Operating expenses:**

The University's operating expenses for the years ended June 30, 2011 and 2010, on a natural classification basis, are comprised of the following:

|                             | <u>2011</u>          | <u>2010</u>          |
|-----------------------------|----------------------|----------------------|
| Salaries:                   |                      |                      |
| Faculty                     | 17,381,110           | \$ 16,568,424        |
| Exempt wages                | 2,794,427            | 3,734,036            |
| Non-exempt wages            | 14,868,032           | 13,750,367           |
| Benefits                    | 9,983,512            | 8,250,267            |
| Scholarships (endowed)      | 1,653,433            | 1,640,584            |
| Utilities                   | 3,996,055            | 3,698,307            |
| Supplies and other services | 17,141,119           | 16,189,508           |
| Depreciation                | <u>4,241,022</u>     | <u>4,010,435</u>     |
| Total operating expenses    | <u>\$ 72,058,710</u> | <u>\$ 67,841,928</u> |

**20. State controlled accounts:**

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

The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2011, 2010 and 2009 were as follows (See State appropriations under Note 25):

|  | <u>2011</u>  | <u>2010</u>  | <u>2009</u>  |
|--|--------------|--------------|--------------|
| Commonwealth's retirement system Contributions | \$ 1,519,792 | \$ 1,489,214 | \$ 1,962,325 |
| Employers share of health care premium         | \$ 5,966,244 | \$ 4,091,641 | \$ 4,371,925 |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**21. Retirement plan:**

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System (SERS). SERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 32A of the General Laws of the Commonwealth of Massachusetts assigns 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 \$1,519,792, \$1,489,214 and \$1,962,325 during 2011, 2010 and 2009, respectively. Annual covered payroll was approximately 67%, 62% and 76% of total payroll for the University for the years ended June 30, 2011, 2010 and 2009, respectively.

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

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

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

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

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

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

*Post Employment Other than Pensions*

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

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

*Post Employment Other than Pensions - continued*

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, 2011 and 2010, 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, 2011, 2010 and 2009 were \$9,983,512, \$8,250,267 and \$7,620,674, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

**23. Lease and license agreements:**

As disclosed in Note 14, the Foundation Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006. The lease is for a term of ten years and provides for base rent of \$165,000 per year, payable in monthly installments of \$13,750, for the entire lease term. The University is also responsible for the payment of normal operating, maintenance

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**23. Lease and license agreements - continued:**

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, 2011 and 2010, rental income for the Foundation Supporting Organization amounted to \$165,000 in each year. The rental income is reflected in revenue from sales and services of educational departments in the accompanying statements of net position. The corresponding rent expense of the University is reflected in operations and maintenance of plant.

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

| <u>Year ending<br/>June 30,</u> | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2012                            | \$ 165,000        |
| 2013                            | 165,000           |
| 2014                            | 165,000           |
| 2015                            | 165,000           |
| 2016                            | 165,000           |
| 2017                            | <u>20,625</u>     |
|                                 | <u>\$ 845,625</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. The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time after November 1, 2009 with the payment of two months' base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2011 and 2010, rent expense amounted to \$17,625 each year.

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

| <u>Year ending June 30,</u> | <u>Amount</u>     |
|-----------------------------|-------------------|
| 2012                        | \$ 18,506         |
| 2013                        | 18,947            |
| 2014                        | 18,947            |
| 2015                        | 19,895            |
| 2016                        | 20,368            |
| 2017 - 2019                 | <u>49,053</u>     |
|                             | <u>\$ 145,716</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**23. Lease and license agreements - continued:**

The Foundation Supporting Organization and the University entered into a License Agreement whereby the Foundation Supporting Organization granted the University an irrevocable and exclusive license to occupy, manage, maintain and operate certain property owned by the Foundation Supporting Organization. The License Agreement, which commenced on September 3, 2008, had an initial term of one year. Upon expiration of the initial term, the License Agreement provides for automatic annual renewals thereafter. The License Agreement provided for an annual license fee of \$108,875 payable, in arrears, in twelve equal monthly installments. The annual license fee was increased to \$177,455 commencing July 1, 2010 by agreement between the parties. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreement may be terminated by either party upon the expiration of the initial term of the agreement and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreement at any time with the giving of proper notice. For the years ended June 30, 2011 and 2010, license fee income for the Foundation Supporting Organization amounted to \$177,455 and \$108,875, respectively. The license fee income is reflected in revenue from sales and services of educational departments in the accompanying statements of net position. The corresponding license fee expense of the University is reflected in operations and maintenance of plant.

**24. Donated equipment, materials and services:**

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

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

The computer software license has been renewed for another term of one year expiring on June 30, 2012 and it is currently expected to be renewed annually thereafter. The Foundation shall record donation revenue each year in an amount equal to the then commercial value of the license to use the software.

**25. Management Accounting and Reporting System:**

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



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**25. Management Accounting and Reporting System - continued:**

State appropriations:

The University's State appropriations are comprised of the following for the years ended June 30, 2011 and 2010:

|   | <u>2011</u>          | <u>2010</u>          |
|---|----------------------|----------------------|
| Gross State appropriations  | \$ 24,454,735        | \$ 21,429,373        |
| Add: Fringe benefits for benefited employees on the Commonwealth payroll                      | 7,486,036            | 5,580,855            |
| Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue | ( 2,467,840)         | ( 2,387,879)         |
| Net State appropriations  | <u>\$ 29,472,931</u> | <u>\$ 24,622,349</u> |

\$29,332,885 and \$24,622,349 represent appropriations for maintenance and payroll during 2011 and 2010, respectively, and \$140,046 represents appropriations for capital improvements for 2011. 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, 2011 and 2010.

**26. Stimulus grants:**

In fiscal years 2011 and 2010, Fitchburg State University, through the Department of Higher Education, was the subrecipient of \$3,098,023 and \$6,666,991, respectively, in stimulus grants as part of the American Recovery and Reinvestment Act of 2009 (ARRA). As of June 30, 2011 and 2010, \$327,374 and \$376,405, respectively, of the total awarded for fiscal 2011 and 2010 is included in accounts receivable in the accompanying 2011 and 2010 statements of net position. The funds awarded have been expended as follows:

|                               | <u>2011</u>         | <u>2010</u>         |
|-------------------------------|---------------------|---------------------|
| Regular employee compensation | \$ 2,311,522        | \$ 2,335,343        |
| Pension and insurance         | 779,676             | 649,226             |
| Capital lease payments        | -                   | 1,121,070           |
| Scholarship allowances        | <u>6,825</u>        | <u>2,561,352</u>    |
|                               | <u>\$ 3,098,023</u> | <u>\$ 6,666,991</u> |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**27. Risk management:**

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

The University also participates in the Commonwealth's self-insured programs for employees workers' compensation, health care and other insurance. The Commonwealth assesses the costs of workers' compensation and unemployment insurance to the University based on the University's actual experience (see Note 7). The Commonwealth manages workers' compensation as part of its general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws. The Commonwealth assesses the costs of health care insurance to the University through a fringe benefit rate and the liability for such coverage is borne by the Commonwealth. The Commonwealth's Group Insurance Commission manages health insurance and other benefits for the Commonwealth's active and retired employees (see Note 22).

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

**28. Commitments and contingencies:**

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

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, 2011 AND 2010

**29. McKay Agreement:**

The University has an agreement with the City of Fitchburg, whereby the City can use the McKay building to provide elementary education to local residents on a year to year basis. The University receives quarterly payments from the City to reimburse the University for its share of payroll and related operating expenses (the McKay School expenditures). Reimbursements received for each of the years ended June 30, 2011 and 2010 were \$994,887. These reimbursements are included in the Sales and Services of Educational Departments revenue amount and the McKay School expenditures are included in the appropriate categories under Operating Expenses in the accompanying statements of revenues, expenses and changes in net position.

**30. Civic Center:**

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

**30. Civic Center - continued:**

operations, as defined. During each of the first ten years of the sublease term, no percentage rent is required. Thereafter, for each of the years eleven through twenty-five, percentage rent at the rate of 1% of actual gross revenues shall be due and payable on a monthly basis. However, in no event shall the aggregate amount of percentage rent paid by FMC during the sublease term be less than \$107,155.

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





SUPPLEMENTAL INFORMATION

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

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY

JUNE 30, 2011 AND 2010

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2011 are as follows:

**Statements of Net Position**

|                              | <u>Residence<br/>Hall Fund</u> | <u>Residence Hall<br/>Damage Fund</u> |
|------------------------------|--------------------------------|---------------------------------------|
| Assets:                      |                                |                                       |
| Cash                         | \$ 681,734                     | \$ 92,579                             |
| Cash held by State Treasurer | 150,438                        | -                                     |
| Investments                  | 1,726,459                      | -                                     |
| Accounts receivable, net     | 31,944                         | 17,971                                |
| Prepaid expenses             | <u>525</u>                     | <u>-</u>                              |
| Total assets                 | 2,591,100                      | 110,550                               |
| Liabilities:                 |                                |                                       |
| Accounts payable             | 91,190                         | 487                                   |
| Deposits                     | 259,160                        | -                                     |
| Salaries payable             | 82,864                         | -                                     |
| Compensated absences         | 108,801                        | -                                     |
| Deferred revenue             | <u>2,400</u>                   | <u>-</u>                              |
| Total liabilities            | <u>544,415</u>                 | <u>487</u>                            |
| Net position                 | <u>\$ 2,046,685</u>            | <u>\$ 110,063</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, 2011 AND 2010

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, 2011 are as follows:

|  | <u>Residence<br/>Hall Fund</u> | <u>Residence Hall<br/>Damage Fund</u> |
|--|--------------------------------|---------------------------------------|
| Revenues:  |                                |                                       |
| Student fees                                     | \$ 7,756,640                   | \$ 338                                |
| Interest   | 52,204                         | 1,360                                 |
| Investment income (loss)                         | 94,136                         | 2,440                                 |
| Commissions                                      | 34,341                         | -                                     |
| Rentals  | 29,284                         | -                                     |
| Room damage assessments                          | -                              | 9,874                                 |
| Miscellaneous                                    | <u>29,905</u>                  | <u>-</u>                              |
| Total revenues                                   | <u>7,996,510</u>               | <u>14,012</u>                         |
| Expenses:  |                                |                                       |
| Regular employee compensation                    | 1,047,763                      | -                                     |
| Regular employee related expenses                | 7,888                          | -                                     |
| Special employee/contract services               | 190,620                        | -                                     |
| Pension and insurance                            | 352,242                        | -                                     |
| Facility operating supplies and related expenses | 7,093                          | -                                     |
| Administrative expenses                          | 22,882                         | -                                     |
| Energy and space rental                          | 1,083,177                      | -                                     |
| Consultant services                              | 5,508                          | -                                     |
| Operational services                             | 26,712                         | 87                                    |
| Equipment purchases                              | 71,745                         | 1,670                                 |
| Equipment lease - purchase, lease, rent, repair  | 11,732                         | -                                     |
| Purchased client services and programs           | 4,064                          | -                                     |
| Construction and improvements                    | 360,790                        | 20,036                                |
| Benefit program                                  | 34,453                         | -                                     |
| Loans and special payments                       | 4,755,410                      | -                                     |
| Other - bad debt expense (recovery)              | 1,747                          | ( 2,217)                              |
| Information technology expenses                  | <u>15,327</u>                  | <u>-</u>                              |
| Total expenses                                   | <u>7,999,153</u>               | <u>19,576</u>                         |
| Transfers (in)/out:                              |                                |                                       |
| Interdepartmental rental income                  | ( 111,949)                     | -                                     |
| Printing   | 12,164                         | -                                     |
| Other  | <u>31,291</u>                  | <u>-</u>                              |
| Total transfers                                  | <u>( 68,494)</u>               | <u>-</u>                              |
| Total expenses and transfers                     | <u>7,930,659</u>               | <u>19,576</u>                         |
| Increase (decrease) in net position              | 65,851                         | ( 5,564)                              |
| Net position - beginning of year                 | <u>1,980,834</u>               | <u>115,627</u>                        |
| Net position - end of year                       | <u>\$ 2,046,685</u>            | <u>\$ 110,063</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.

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

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

We have audited the financial statements of the business type activities and discretely presented component unit of Fitchburg State University (the University) (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2011, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon dated October 18, 2011, which included an explanatory paragraph as indicated therein. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

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

*Ercoleini & Company LLP*

Boston, Massachusetts  
October 18, 2011





*Statistical Section (Unaudited)*



# STATISTICAL SECTION

The Statistical Section of the Fitchburg State University Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and supplementary information say about the University's overall health. The information contained within this section is being presented to provide the reader with a better understanding in the following four areas:

---

| <b>Contents:</b>  | <b>Page</b>    |
|---|----------------|
| <b>Financial Trends</b><br>These schedules show how the University's financial position has changed over time.  | <b>107-112</b> |
| <b>Debt</b><br>The debt schedules assess the affordability of the University's current level of outstanding debt and the impact that debt has on the operating budget.                  | <b>113</b>     |
| <b>Operating Information</b><br>These schedules provide information about how the University's financial report relates to the services it provides and the activities it performs.     | <b>114-120</b> |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the region within which the University operates. | <b>121-133</b> |

**Note:** Information presented in the statistical section is unaudited. Please refer to the independent auditor's report on supplementary information on page 23-24 of the financial section.

These schedules do not include components units, such as the Fitchburg State University Foundation, Inc.

**SCHEDULE OF REVENUES BY SOURCE**

**For the Fiscal Year**

|   | 2010-11              | 2009-10              | 2008-09              | 2007-08              | 2006-07              | 2005-06              | 2004-05              | 2003-04              | 2002-03              | 2001-02              |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Source of Revenue</b>                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Operating Revenues</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Tuition & fees (net of scholarships)        | \$ 29,985,296        | \$ 28,372,042        | \$ 26,737,289        | \$ 25,033,128        | \$ 22,942,610        | \$ 20,877,997        | \$ 18,083,828        | \$ 16,035,993        | \$ 13,943,385        | \$ 11,213,515        |
| Federal, state & private grants & contracts | 6,616,044            | 6,112,586            | 4,483,292            | 3,951,007            | 3,656,979            | 3,486,257            | 3,831,266            | 3,962,244            | 3,081,004            | 2,930,694            |
| Stimulus grants                             | 3,098,023            | 6,666,991            | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Auxiliary enterprises                       | 8,042,922            | 8,046,782            | 6,467,184            | 6,085,147            | 5,946,282            | 5,485,605            | 5,027,889            | 4,317,584            | 3,877,418            | 3,477,126            |
| Other operating revenue                     | 2,169,883            | 2,096,607            | 2,098,358            | 1,963,274            | 1,987,191            | 1,927,868            | 1,889,756            | 1,796,923            | 1,806,843            | 1,702,415            |
| <b>Total operating revenue</b>              | <b>49,912,168</b>    | <b>51,295,008</b>    | <b>39,786,123</b>    | <b>37,032,556</b>    | <b>34,533,062</b>    | <b>31,777,727</b>    | <b>28,832,739</b>    | <b>26,112,744</b>    | <b>22,708,650</b>    | <b>19,323,750</b>    |
| <b>Nonoperating Revenues</b>                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| State appropriations                        | 29,332,885           | 24,622,349           | 29,415,783           | 34,063,661           | 31,702,393           | 29,645,087           | 27,375,808           | 25,199,981           | 27,974,237           | 29,808,715           |
| State capital appropriations                | 140,046              | -                    | 497,822              | 475,000              | 1,799,754            | 1,195,000            | 407,191              | -                    | 177,600              | 486,480              |
| Capital grants                              | 5,319,402            | 1,683,802            | 325,351              | 178,264              | 123,535              | 123,535              | 121,217              | 118,358              | 85,000               | 23,750               |
| Other non-operating revenue                 | 1,125,671            | 1,329,091            | (179,115)            | 819,844              | 1,393,662            | 1,078,894            | 510,689              | 265,905              | 260,729              | 383,553              |
| <b>Total nonoperating revenue</b>           | <b>35,918,004</b>    | <b>27,635,242</b>    | <b>30,059,841</b>    | <b>35,536,769</b>    | <b>35,019,344</b>    | <b>32,042,516</b>    | <b>28,414,905</b>    | <b>25,584,244</b>    | <b>28,497,566</b>    | <b>30,702,498</b>    |
| <b>Total revenue</b>                        | <b>\$ 85,830,172</b> | <b>\$ 78,930,250</b> | <b>\$ 69,845,964</b> | <b>\$ 72,569,325</b> | <b>\$ 69,552,406</b> | <b>\$ 63,820,243</b> | <b>\$ 57,247,644</b> | <b>\$ 51,696,988</b> | <b>\$ 51,206,216</b> | <b>\$ 50,026,248</b> |

**For the Fiscal Year**

**Percent of Total Revenue**

|   | 2010-11       | 2009-10       | 2008-09       | 2007-08       | 2006-07       | 2005-06       | 2004-05       | 2003-04       | 2002-03       | 2001-02       |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Operating Revenues</b>                   |               |               |               |               |               |               |               |               |               |               |
| Tuition & fees (net of scholarships)        | 34.9%         | 36.0%         | 38.3%         | 34.5%         | 33.0%         | 32.7%         | 31.6%         | 31.0%         | 27.2%         | 22.4%         |
| Federal, state & private grants & contracts | 7.7%          | 7.7%          | 6.4%          | 5.4%          | 5.3%          | 5.5%          | 6.7%          | 7.7%          | 6.0%          | 5.9%          |
| Stimulus grants                             | 3.6%          | 8.4%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| Auxiliary enterprises                       | 9.4%          | 10.2%         | 9.3%          | 8.4%          | 8.5%          | 8.6%          | 8.8%          | 8.4%          | 7.6%          | 7.0%          |
| Other operating revenue                     | 2.5%          | 2.7%          | 3.0%          | 2.7%          | 2.9%          | 3.0%          | 3.3%          | 3.5%          | 3.6%          | 3.3%          |
| <b>Total operating revenue</b>              | <b>58.1%</b>  | <b>65.0%</b>  | <b>57.0%</b>  | <b>51.0%</b>  | <b>49.7%</b>  | <b>49.8%</b>  | <b>50.4%</b>  | <b>50.6%</b>  | <b>44.4%</b>  | <b>38.6%</b>  |
| <b>Nonoperating Revenues</b>                |               |               |               |               |               |               |               |               |               |               |
| State appropriations                        | 34.2%         | 31.2%         | 42.1%         | 46.9%         | 45.6%         | 46.5%         | 47.8%         | 48.7%         | 54.6%         | 59.6%         |
| State capital appropriations                | 0.2%          | 0.0%          | 0.7%          | 0.7%          | 2.6%          | 1.9%          | 0.7%          | 0.0%          | 0.3%          | 1.0%          |
| Capital grants                              | 6.2%          | 2.1%          | 0.5%          | 0.2%          | 0.2%          | 0.2%          | 0.2%          | 0.2%          | 0.2%          | 0.0%          |
| Other non-operating revenue                 | 1.3%          | 1.7%          | -0.3%         | 1.2%          | 1.9%          | 1.6%          | 0.9%          | 0.5%          | 0.5%          | 0.8%          |
| <b>Total nonoperating revenue</b>           | <b>41.9%</b>  | <b>35.0%</b>  | <b>43.0%</b>  | <b>49.0%</b>  | <b>50.3%</b>  | <b>50.2%</b>  | <b>49.6%</b>  | <b>49.4%</b>  | <b>55.6%</b>  | <b>61.4%</b>  |
| <b>Total revenue</b>                        | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

Source: Fitchburg State University audited financial statements



**SCHEDULE OF EXPENSES BY FUNCTION**

For the Fiscal Year

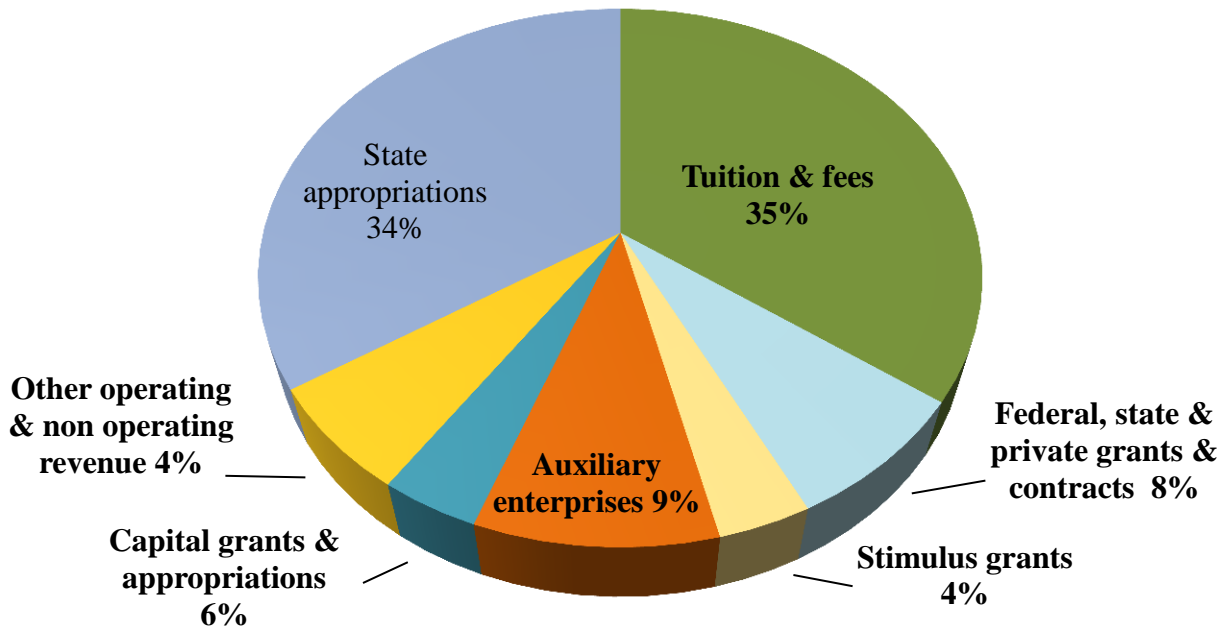
|                                     | 2010-11              | 2009-10              | 2008-09              | 2007-08              | 2006-07              | 2005-06              | 2004-05              | 2003-04              | 2002-03              | 2001-02              |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Functional Expense</b>           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Instruction                         | \$ 27,138,609        | \$ 25,682,331        | \$ 25,010,246        | \$ 26,699,550        | \$ 24,193,071        | \$ 22,856,426        | \$ 18,847,979        | \$ 18,019,813        | \$ 19,366,094        | \$ 20,092,140        |
| Research                            | 68,156               | 106,458              | 99,265               | 37,104               | 61,077               | 165,550              | 164,787              | 130,803              | 2,499                | 1,323                |
| Public service                      | 456,372              | 409,901              | 390,127              | 558,388              | 486,633              | 598,273              | 636,765              | 785,084              | 810,173              | 640,666              |
| Academic support                    | 4,806,942            | 4,361,103            | 4,538,538            | 5,344,027            | 5,108,978            | 4,631,842            | 4,607,796            | 4,301,883            | 4,553,718            | 5,038,238            |
| Student services                    | 8,030,813            | 7,445,019            | 7,299,258            | 7,478,709            | 7,022,806            | 6,560,972            | 5,980,391            | 5,426,794            | 5,772,833            | 5,284,418            |
| Institutional support               | 6,767,632            | 5,988,283            | 6,464,395            | 7,228,110            | 6,648,295            | 6,169,474            | 7,179,198            | 6,764,298            | 5,998,902            | 6,414,461            |
| Operations and maintenance of plant | 10,881,270           | 10,818,202           | 11,306,190           | 11,040,392           | 9,699,216            | 8,185,991            | 7,246,710            | 5,944,096            | 5,911,344            | 6,233,864            |
| Depreciation and amortization       | 4,241,022            | 4,010,435            | 3,556,875            | 3,227,502            | 3,112,604            | 2,648,290            | 2,588,240            | 2,416,473            | 2,321,284            | 2,106,504            |
| Scholarships                        | 1,618,980            | 1,608,419            | 1,456,842            | 1,280,862            | 1,198,719            | 971,606              | 949,222              | 926,658              | 760,798              | 345,591              |
| Auxiliary enterprises               | 8,048,914            | 7,411,777            | 6,200,539            | 5,809,898            | 5,714,435            | 5,419,873            | 4,762,364            | 4,032,223            | 3,576,732            | 2,908,940            |
| Total operating expense             | 72,058,710           | 67,841,928           | 66,322,275           | 68,704,542           | 63,245,834           | 58,208,297           | 52,963,452           | 48,748,125           | 49,074,377           | 49,066,145           |
| Interest expense                    | 583,060              | 384,861              | 545,680              | 657,783              | 548,265              | 316,491              | 307,292              | 198,855              | 146,440              | 177,366              |
| <b>Total expenses</b>               | <b>\$ 72,641,770</b> | <b>\$ 68,226,789</b> | <b>\$ 66,867,955</b> | <b>\$ 69,362,325</b> | <b>\$ 63,794,099</b> | <b>\$ 58,524,788</b> | <b>\$ 53,270,744</b> | <b>\$ 48,946,980</b> | <b>\$ 49,220,817</b> | <b>\$ 49,243,511</b> |

For the Fiscal Year  
Percent of Total Expenses

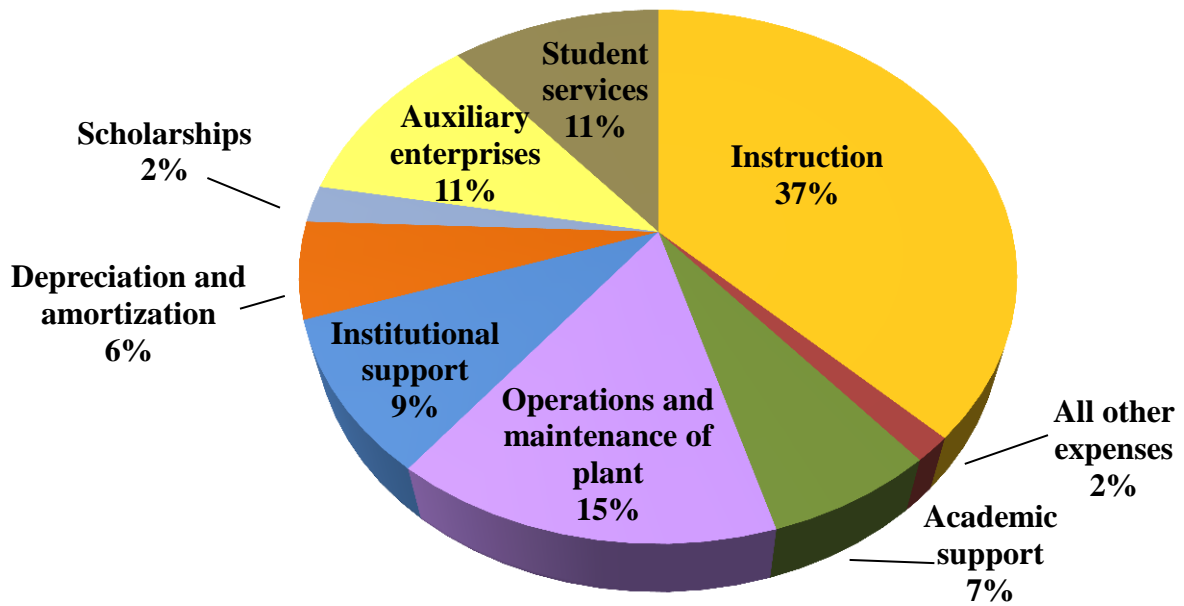
|                                     | 2010-11       | 2009-10       | 2008-09       | 2007-08       | 2006-07       | 2005-06       | 2004-05       | 2003-04       | 2002-03       | 2001-02       |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Functional Expense</b>           |               |               |               |               |               |               |               |               |               |               |
| Instruction                         | 37.4%         | 37.6%         | 37.4%         | 38.5%         | 37.9%         | 39.1%         | 35.4%         | 36.8%         | 39.3%         | 40.8%         |
| Research                            | 0.1%          | 0.2%          | 0.1%          | 0.1%          | 0.1%          | 0.3%          | 0.3%          | 0.3%          | 0.0%          | 0.0%          |
| Public service                      | 0.6%          | 0.6%          | 0.6%          | 0.8%          | 0.8%          | 1.0%          | 1.2%          | 1.6%          | 1.6%          | 1.3%          |
| Academic support                    | 6.6%          | 6.4%          | 6.8%          | 7.7%          | 8.0%          | 7.9%          | 8.6%          | 8.8%          | 9.3%          | 10.2%         |
| Student services                    | 11.1%         | 10.9%         | 10.9%         | 10.8%         | 11.0%         | 11.2%         | 11.2%         | 11.1%         | 11.7%         | 10.7%         |
| Institutional support               | 9.3%          | 8.8%          | 9.7%          | 10.4%         | 10.4%         | 10.5%         | 13.5%         | 13.8%         | 12.2%         | 13.0%         |
| Operations and maintenance of plant | 15.0%         | 15.8%         | 16.9%         | 15.9%         | 15.2%         | 14.0%         | 13.6%         | 12.1%         | 12.0%         | 12.7%         |
| Depreciation and amortization       | 5.8%          | 5.9%          | 5.3%          | 4.7%          | 4.9%          | 4.5%          | 4.9%          | 4.9%          | 4.7%          | 4.3%          |
| Scholarships                        | 2.2%          | 2.3%          | 2.2%          | 1.8%          | 1.9%          | 1.7%          | 1.8%          | 1.9%          | 1.5%          | 0.7%          |
| Auxiliary enterprises               | 11.1%         | 10.9%         | 9.3%          | 8.4%          | 9.0%          | 9.3%          | 8.9%          | 8.2%          | 7.3%          | 5.9%          |
| Total operating expenses            | 99.2%         | 99.4%         | 99.2%         | 99.1%         | 99.2%         | 99.5%         | 99.4%         | 99.5%         | 99.6%         | 99.6%         |
| Interest expense                    | 0.8%          | 0.6%          | 0.8%          | 0.9%          | 0.8%          | 0.5%          | 0.6%          | 0.5%          | 0.4%          | 0.4%          |
| <b>Total expenses</b>               | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

Source: Fitchburg State University audited financial statements

## REVENUES BY SOURCE



## EXPENSES BY FUNCTION



**RATIO ANALYSIS OF REVENUES BY SOURCE AND EXPENSES BY USE**

|   | For the Fiscal Year       |         |         |         |         |         |         |         |         |         |  |
|---|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
|   | 2010-11                   | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |  |
| <b>Contribution Ratios</b>  | Percent of Total Expenses |         |         |         |         |         |         |         |         |         |  |
| Contribution ratios analyze the extent to which each type of revenue contributes to the total expenses. |                           |         |         |         |         |         |         |         |         |         |  |
| Tuition & fees  | 41.3%                     | 41.6%   | 40.0%   | 36.1%   | 36.0%   | 35.7%   | 33.9%   | 32.8%   | 28.3%   | 22.8%   |  |
| General appropriations (non capital)  | 40.4%                     | 36.1%   | 44.0%   | 49.1%   | 49.7%   | 50.7%   | 51.4%   | 51.5%   | 56.8%   | 60.6%   |  |
| Federal, state & private grants & contracts   | 9.1%                      | 9.0%    | 6.7%    | 5.7%    | 5.7%    | 6.0%    | 7.2%    | 8.1%    | 6.3%    | 6.0%    |  |
| Stimulus grants   | 4.3%                      | 9.8%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    |  |
| Auxiliary enterprises   | 11.1%                     | 11.8%   | 9.7%    | 8.8%    | 9.3%    | 9.4%    | 9.4%    | 8.8%    | 7.9%    | 7.1%    |  |
| Other operating revenues  | 3.0%                      | 3.1%    | 3.1%    | 2.8%    | 3.1%    | 3.3%    | 3.5%    | 3.7%    | 3.7%    | 3.5%    |  |
| Other non-operating revenues  | 1.5%                      | 1.9%    | -0.3%   | 1.2%    | 2.2%    | 1.8%    | 1.0%    | 0.5%    | 0.5%    | 0.7%    |  |

|  | For the Fiscal Year     |         |         |         |         |         |         |         |         |         |  |
|--|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
|  | 2010-11                 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |  |
| <b>Demand Ratios</b>   | Percent of Total Income |         |         |         |         |         |         |         |         |         |  |
| Demand ratios measure the extent to which each type of expense is consuming operating and nonoperating revenues. |                         |         |         |         |         |         |         |         |         |         |  |
| Instruction  | 33.8%                   | 33.2%   | 36.2%   | 37.1%   | 35.8%   | 36.6%   | 33.2%   | 34.9%   | 38.0%   | 40.6%   |  |
| Research   | 0.1%                    | 0.1%    | 0.1%    | 0.1%    | 0.1%    | 0.3%    | 0.3%    | 0.3%    | 0.0%    | 0.0%    |  |
| Public service   | 0.6%                    | 0.5%    | 0.6%    | 0.8%    | 0.7%    | 1.0%    | 1.1%    | 1.5%    | 1.6%    | 1.3%    |  |
| Academic support   | 6.0%                    | 5.6%    | 6.6%    | 7.4%    | 7.6%    | 7.4%    | 8.1%    | 8.3%    | 8.9%    | 10.2%   |  |
| Student services   | 10.0%                   | 9.6%    | 10.6%   | 10.4%   | 10.4%   | 10.5%   | 10.5%   | 10.5%   | 11.3%   | 10.7%   |  |
| Institutional support  | 8.4%                    | 7.8%    | 9.4%    | 10.1%   | 9.8%    | 9.9%    | 12.7%   | 13.1%   | 11.8%   | 13.0%   |  |
| Operations and maintenance of plant  | 13.5%                   | 14.0%   | 16.4%   | 15.4%   | 14.3%   | 13.1%   | 12.8%   | 11.5%   | 11.6%   | 12.6%   |  |
| Depreciation and amortization  | 5.3%                    | 5.2%    | 5.2%    | 4.5%    | 4.6%    | 4.2%    | 4.6%    | 4.7%    | 4.6%    | 4.3%    |  |
| Scholarships   | 2.0%                    | 2.1%    | 2.1%    | 1.8%    | 1.8%    | 1.6%    | 1.7%    | 1.8%    | 1.5%    | 0.7%    |  |
| Auxiliary enterprises  | 10.0%                   | 9.6%    | 9.0%    | 8.1%    | 8.4%    | 8.7%    | 8.4%    | 7.8%    | 7.0%    | 5.9%    |  |
| ** See note below  | 89.7%                   | 87.7%   | 96.2%   | 95.7%   | 93.5%   | 93.3%   | 93.4%   | 94.4%   | 96.3%   | 99.3%   |  |
| Surplus  | 10.3%                   | 12.3%   | 3.8%    | 4.3%    | 6.5%    | 6.7%    | 6.6%    | 5.6%    | 3.7%    | 0.7%    |  |

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

**Source:** Fitchburg State University audited financial statements

**SCHEDULE OF CHANGES IN NET POSITION AND NET POSITION BY CATEGORY**

**For the Fiscal Year**

| <b>CHANGES IN NET POSITION</b>                                    | <b>2010-11*</b>      | <b>2009-10</b>       | <b>2008-09</b>       | <b>2007-08</b>       | <b>2006-07</b>       | <b>2005-06</b>       | <b>2004-05</b>       | <b>2003-04</b>       | <b>2002-03</b>       | <b>2001-02</b>       |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total operating revenues (from schedule of revenues by source)    | \$ 49,912,168        | \$ 51,295,008        | \$ 39,786,123        | \$ 37,032,556        | \$ 34,533,062        | \$ 31,777,727        | \$ 28,832,739        | \$ 26,112,744        | \$ 22,708,650        | \$ 19,323,750        |
| Total nonoperating revenues (from schedule of revenues by source) | 35,918,004           | 27,635,242           | 30,059,841           | 35,536,769           | 35,019,344           | 32,042,516           | 28,414,905           | 25,584,244           | 28,497,566           | 30,702,498           |
| Total operating expense (from schedule of expenses by function)   | (72,058,710)         | (67,841,928)         | (66,322,275)         | (68,704,542)         | (63,245,834)         | (58,208,297)         | (52,963,452)         | (48,748,125)         | (49,074,377)         | (49,066,145)         |
| Total interest expense (from schedule of expenses by function)    | (583,060)            | (384,861)            | (545,680)            | (657,783)            | (548,265)            | (316,491)            | (307,292)            | (198,855)            | (146,440)            | (177,366)            |
| Total changes in net position                                     | 13,188,402           | 10,703,461           | 2,978,009            | 3,207,000            | 5,758,307            | 5,295,455            | 3,976,900            | 2,750,008            | 1,985,399            | 782,737              |
| Net position, beginning   | 66,941,564           | 56,238,103           | 53,260,094           | 50,053,094           | 44,294,787           | 38,999,332           | 35,022,432           | 32,272,424           | 30,287,025           | 29,504,288           |
| <b>Net position, Ending</b>                                       | <b>\$ 80,129,966</b> | <b>\$ 66,941,564</b> | <b>\$ 56,238,103</b> | <b>\$ 53,260,094</b> | <b>\$ 50,053,094</b> | <b>\$ 44,294,787</b> | <b>\$ 38,999,332</b> | <b>\$ 35,022,432</b> | <b>\$ 32,272,424</b> | <b>\$ 30,287,025</b> |

**For the Fiscal Year**

| <b>NET POSITION BY CATEGORY</b>  | <b>2010-11*</b>      | <b>2009-10</b>       | <b>2008-09</b>       | <b>2007-08</b>       | <b>2006-07</b>       | <b>2005-06</b>       | <b>2004-05</b>       | <b>2003-04</b>       | <b>2002-03</b>       | <b>2001-02</b>       |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net investment in capital assets | \$ 44,551,543        | \$ 40,791,020        | \$ 39,530,560        | \$ 30,983,682        | \$ 25,806,513        | \$ 20,360,103        | \$ 20,186,185        | \$ 21,045,366        | \$ 20,793,469        | \$ 20,780,141        |
| Restricted-expendable            | 13,044,768           | 8,403,189            | 6,515,426            | 9,850,228            | 10,946,782           | 9,083,307            | 7,138,933            | 3,816,427            | 4,076,361            | 4,483,491            |
| Restricted-nonexpendable         | 458,004              | 470,158              | 437,045              | 511,206              | 600,377              | 597,461              | 588,587              | 576,826              | 521,361              | 529,685              |
| Unrestricted                     | 22,075,651           | 17,277,197           | 9,755,072            | 11,914,978           | 12,699,422           | 14,253,916           | 11,085,627           | 9,583,813            | 6,881,233            | 4,493,708            |
| <b>Total net position</b>        | <b>\$ 80,129,966</b> | <b>\$ 66,941,564</b> | <b>\$ 56,238,103</b> | <b>\$ 53,260,094</b> | <b>\$ 50,053,094</b> | <b>\$ 44,294,787</b> | <b>\$ 38,999,332</b> | <b>\$ 35,022,432</b> | <b>\$ 32,272,424</b> | <b>\$ 30,287,025</b> |

**Note:** This schedule does not include component units, like foundations; Statement of Net Position does include component units.

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

**Source:** Fitchburg State University audited financial statements

**SCHEDULE OF CAPITAL ASSET INFORMATION**

**For the Fiscal Year**

|                            | 2010-11        | 2009-10        | 2008-09        | 2007-08        | 2006-07        | 2005-06        |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Land (acreage)             | 222            | 222            | 222            | 222            | 222            | 228            |
| Buildings (square feet)    |                |                |                |                |                |                |
| 100 Instruction /classroom | 85,840         | 84,927         | 84,927         | 88,817         | 88,817         | 92,505         |
| 200 Labs                   | 87,517         | 88,543         | 88,543         | 88,336         | 88,336         | 114,836        |
| 300 Administrative         | 125,860        | 122,525        | 122,525        | 105,686        | 106,783        | 113,153        |
| 400 Study facilities       | 56,289         | 56,289         | 56,289         | 56,342         | 60,415         | 50,500         |
| 52x Athletic               | 48,827         | 55,671         | 55,671         | 58,113         | 58,113         | 66,424         |
| 5xx Other Special Use      | 5,243          | 5,242          | 5,242          | -              | -              | 3,757          |
| 600 General Use            | 122,721        | 125,393        | 125,393        | 125,353        | 125,353        | 111,085        |
| 700 Support facilities     | 21,296         | 28,097         | 28,097         | 30,796         | 36,022         | 40,565         |
| 800 Health Care            | 878            | 1,550          | 1,550          | 1,550          | 1,550          | -              |
| 000 Unclassified           | 7,197          | 3,005          | 3,005          | 3,022          | 1,964          | 2,927          |
| Unassigned/ unassignable   | 299,006        | 300,771        | 300,771        | 304,715        | 295,463        | 261,662        |
| <b>Total Sq Ft</b>         | <b>860,674</b> | <b>872,013</b> | <b>872,013</b> | <b>862,730</b> | <b>862,816</b> | <b>857,414</b> |

|                 |         |         |         |         |         |         |
|-----------------|---------|---------|---------|---------|---------|---------|
| Residence Halls | 438,140 | 438,140 | 438,140 | 377,077 | 377,077 | 377,077 |
| Rental space    | 111,775 | 111,775 | 111,775 | 58,337  | -       | -       |

**For the Fiscal Year**

|                              | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dormitories - # of residents | 1,620   | 1,639   | 1,483   | 1,499   | 1,466   | 1,443   | 1,434   | 1,355   | 1,305   | 1,215   |

**Note:** Classification of facilities space is consistent with Facilities Inventory & Classification Code guide, which was implemented in 2005.

Comparable statistics prior to that 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.

**For the Fiscal Year**

**For the Fiscal year**

|  | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|

**Physical Asset Reinvestment Ratio**

Calculates the extent capital renewal is occurring compared with physical usage (depreciation). A ratio above 1:1 indicates increasing investment in plant.

|  |     |     |     |     |     |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|  | 3.1 | 1.3 | 2.5 | 2.4 | 3.7 | 2.9 | 0.7 | 0.8 | 0.7 | 0.7 |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|

**Age of Facilities Ratio**

Calculates the average age of plant facilities measured in years. For non research, undergraduate institutions a measure of 14 demonstrates appropriate reinvestment.

|  |      |      |      |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|------|------|------|
|  | 13.6 | 13.4 | 14.0 | 14.3 | 13.9 | 15.3 | 14.8 | 14.8 | 14.8 | 15.3 |
|--|------|------|------|------|------|------|------|------|------|------|

**Facilities Burden Ratio**

Measures the comprehensive cost of facilities investment on the institutional budget.

|  |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 35.3% | 37.3% | 39.0% | 48.2% | 51.8% | 54.8% | 50.2% | 40.3% | 40.3% | 41.0% |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

**Source:** Fitchburg State University audited financial statements

**RATIO ANALYSIS OF OUTSTANDING DEBT**

**For the Fiscal Year**

|  | 2010-11              | 2009-10              | 2008-09              | 2007-08              | 2006-07              | 2005-06              | 2004-05              | 2003-04             | 2002-03              | 2001-02              |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| Massachusetts Development Finance Agency - Recreation Center             | \$ 4,037,685         | \$ 4,231,701         | \$ 4,425,913         | \$ 4,601,096         | \$ 4,767,596         | \$ 5,008,427         | \$ 5,145,958         | \$ 5,275,705        | \$ 6,000,000         | \$ 6,000,000         |
| Massachusetts State College Building Authority - Dining Hall Renovations | 2,628,353            | 2,759,036            | 2,884,719            | 3,000,402            | 3,116,085            | 3,226,769            | 1,090,000            | -                   | -                    | -                    |
| Athletic Field Renovations   | 3,110,000            | 3,275,000            | 3,435,000            | 3,590,000            | 3,740,000            | 3,885,000            | 4,020,000            | -                   | -                    | -                    |
| Hammond Campus Center Renovations  | 15,923,924           | 895,689              | 2,369,565            | 3,067,066            | 3,972,867            | 2,740,894            | 3,430,134            | 4,419,011           | 5,179,094            | 5,854,136            |
| Capital Leases   | 398,253              |                      |                      |                      |                      |                      |                      |                     |                      |                      |
| <b>Total Outstanding Debt</b>  | <b>\$ 26,098,215</b> | <b>\$ 11,161,426</b> | <b>\$ 13,115,197</b> | <b>\$ 14,258,564</b> | <b>\$ 15,596,548</b> | <b>\$ 14,861,090</b> | <b>\$ 13,686,092</b> | <b>\$ 9,694,716</b> | <b>\$ 11,179,094</b> | <b>\$ 11,854,136</b> |

Full-time equivalent students

|  |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 5,287 | 5,461 | 5,305 | 5,159 | 5,018 | 5,029 | 4,670 | 4,360 | 4,648 | 4,448 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

Outstanding debt per student

|  |          |          |          |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  | \$ 4,936 | \$ 2,044 | \$ 2,472 | \$ 2,764 | \$ 3,108 | \$ 2,955 | \$ 2,931 | \$ 2,224 | \$ 2,405 | \$ 2,665 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|

**For the Fiscal Year**

|   | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Debt Service Coverage</b>  |         |         |         |         |         |         |         |         |         |         |
| Measures the excess of income available to cover annual debt service payments.  | 8.8%    | 4.8%    | 3.4%    | 3.6%    | 4.4%    | 4.4%    | 4.4%    | 3.0%    | 3.8%    | 2.4%    |
| <b>Leverage Ratio</b>   |         |         |         |         |         |         |         |         |         |         |
| Measures the effective use of debt in relation to equity and the amount of future interest & principal payments that can be absorbed. | 3.1%    | 6.0%    | 4.3%    | 3.7%    | 3.2%    | 2.9%    | 2.8%    | 3.6%    | 2.8%    | 2.5%    |

**Source:** Fitchburg State University audited financial statements and Fitchburg State University Office of Institutional Research



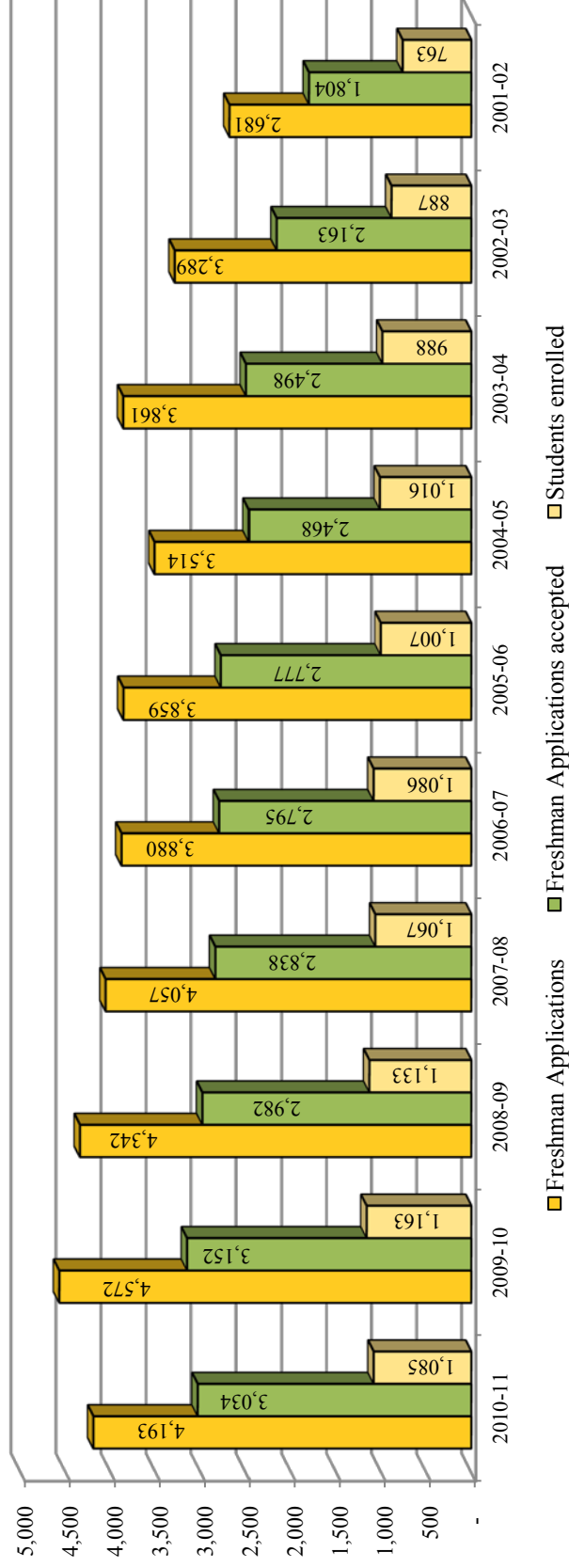
# ADMISSIONS AND ENROLLMENT STATISTICS

Last Ten Academic Years

## Fall Term

|  | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Admissions-Freshman</b>               |         |         |         |         |         |         |         |         |         |         |
| (1) Freshman Applications                | 4,193   | 4,572   | 4,342   | 4,057   | 3,880   | 3,859   | 3,514   | 3,861   | 3,289   | 2,681   |
| Freshman Applications accepted           | 3,034   | 3,152   | 2,982   | 2,838   | 2,795   | 2,777   | 2,468   | 2,498   | 2,163   | 1,804   |
| (2) Students enrolled                    | 1,085   | 1,163   | 1,133   | 1,067   | 1,086   | 1,007   | 988     | 988     | 887     | 763     |
| Accepted as a percentage of applications | 72%     | 69%     | 69%     | 70%     | 72%     | 72%     | 70%     | 65%     | 66%     | 67%     |

|                                      |     |     |     |     |     |     |     |     |     |     |
|--------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Enrolled as a percentage of accepted | 36% | 37% | 38% | 38% | 39% | 36% | 41% | 40% | 41% | 42% |
|--------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|



**Note:**

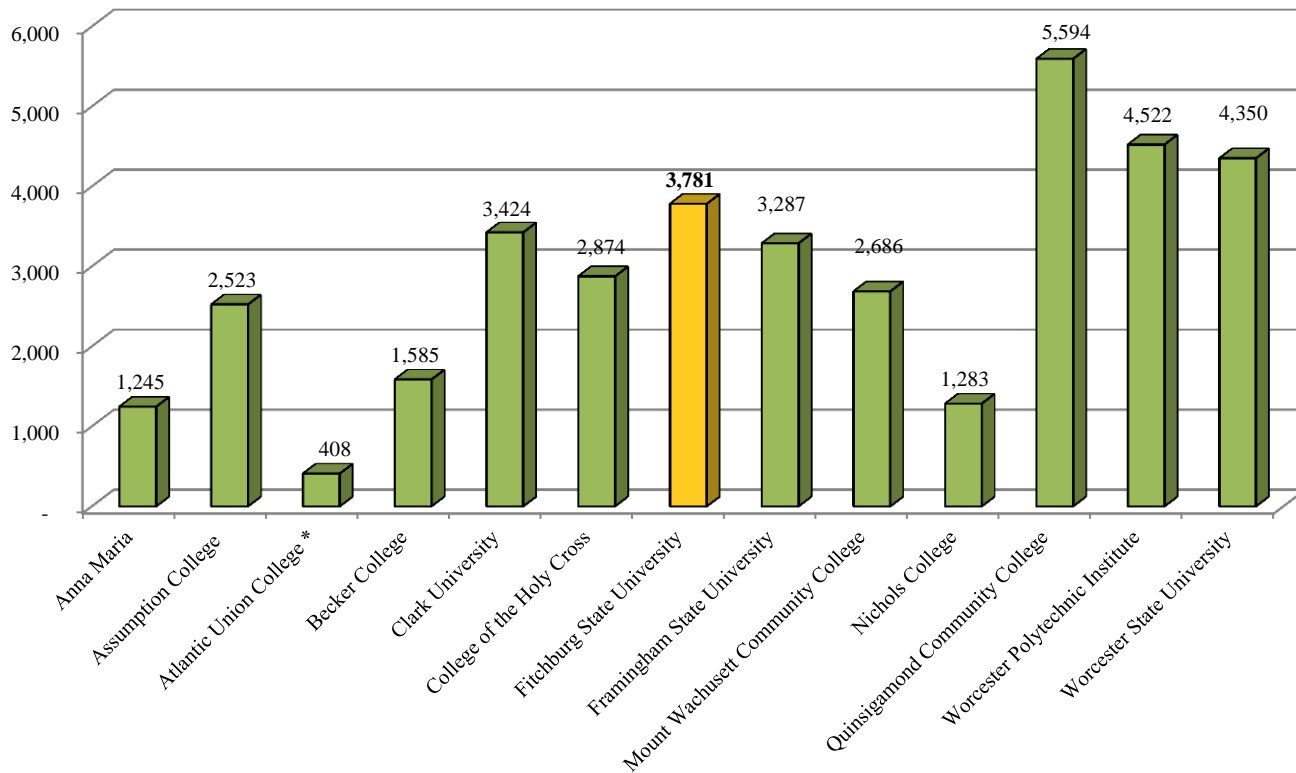
(1) Includes all undergraduate admissions, including transfer students.

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

**Source:** Fitchburg State University Office of Institutional Research

## COLLEGE ENROLLMENT IN CENTRAL MASSACHUSETTS

| College                           | Location         | Enrollment   |
|-----------------------------------|------------------|--------------|
| Anna Maria                        | Paxton           | 1,245        |
| Assumption College                | Worcester        | 2,523        |
| Atlantic Union College *          | Lancaster        | 408          |
| Becker College                    | Worcester        | 1,585        |
| Clark University                  | Worcester        | 3,424        |
| College of the Holy Cross         | Worcester        | 2,874        |
| <b>Fitchburg State University</b> | <b>Fitchburg</b> | <b>3,781</b> |
| Framingham State University       | Framingham       | 3,287        |
| Mount Wachusett Community College | Gardner          | 2,686        |
| Nichols College                   | Dudley           | 1,283        |
| Quinsigamond Community College    | Worcester        | 5,594        |
| Worcester Polytechnic Institute   | Worcester        | 4,522        |
| Worcester State University        | Worcester        | 4,350        |



\* Atlantic Union College closed in September 2011

**Note:** Enrollment numbers represent total full time equivalent (FTE) students.

**Source:** Colleges of Worcester Consortium, as reported in the Worcester Business Journal, November 14, 2011, Volume 22, #24

## DEGREES OFFERED

| Undergraduate                     |                                   |
|-----------------------------------|-----------------------------------|
| <b><u>Bachelor of Science</u></b> |                                   |
| Biology                           | Mathematics                       |
| Business Administration           | Middle School Education           |
| Communications Media              | Nursing                           |
| Computer Information Systems      | Occupational/Vocational Education |
| Computer Science                  | Political Science                 |
| Criminal Justice                  | Psychology                        |
| Early Childhood Education         | Sociology                         |
| Earth Science                     | Special Education                 |
| Economics                         | Technology Education              |
| Elementary Education              |                                   |
| Exercise and Sport Science        | <b><u>Bachelor of Arts</u></b>    |
| Geography                         | English                           |
| History                           | Interdisciplinary Studies         |
| Human Services                    |                                   |
| Industrial Technology             |                                   |
| Interdisciplinary Studies         |                                   |

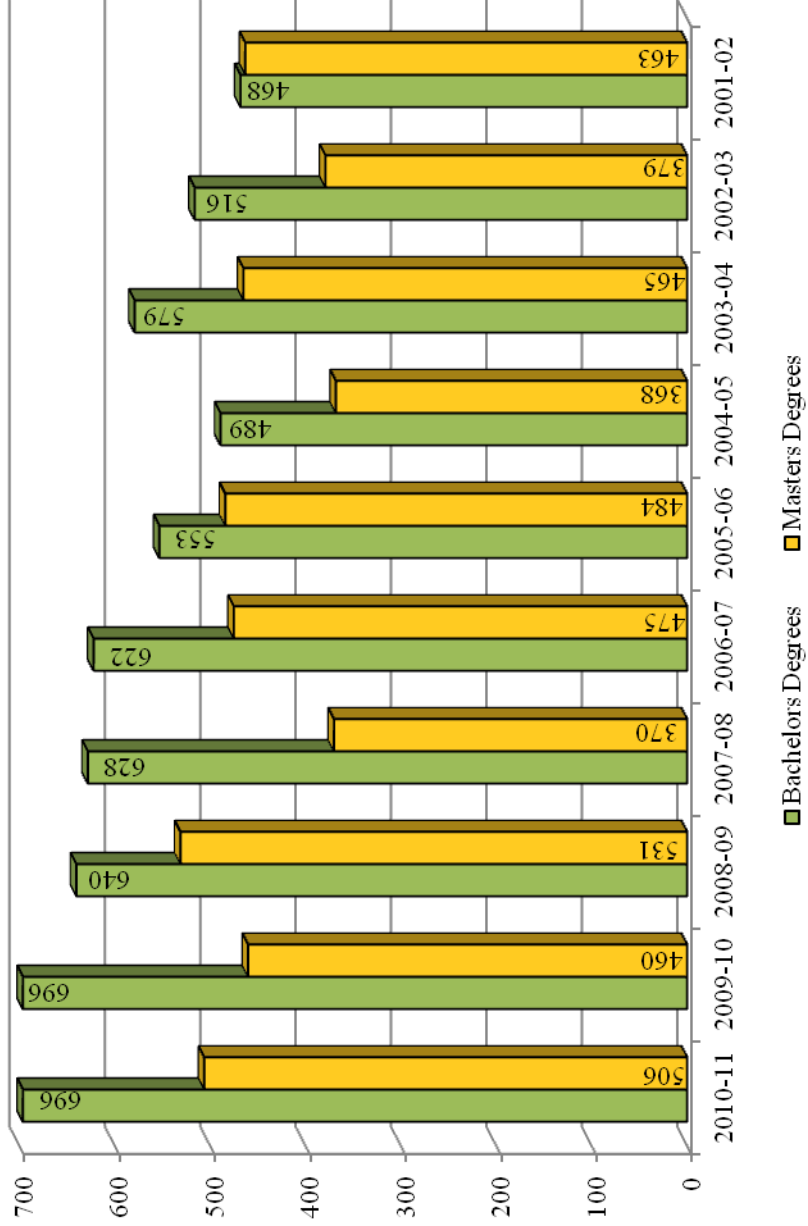
| Graduate Degree and Certificate Programs |   |
|--|---|
| <b><u>Master of Arts</u></b>             | <b><u>Master of Business Administration</u></b>   |
| Biology                                  | Accounting  |
| English                                  | Human Resources Management                        |
| History                                  | Management  |
|  | Online MBA  |
| <b><u>Master of Education</u></b>        |   |
| Arts Education                           | <b><u>Master of Science</u></b>                   |
| Curriculum and Teaching                  | Applied Communications                            |
| Early Childhood Education                | Computer Science                                  |
| Educational Leadership and Management:   | Counseling  |
| • School Principal                       | Nursing (Forensic)                                |
| • Supervisor/Director                    | Online Master of Science in Forensic Nursing      |
| • Technology Leader                      |   |
| Elementary Education                     | <b><u>Graduate Level Certificate Programs</u></b> |
| Middle School Education                  | Applied Communication                             |
| Occupational Education                   | Civic Engagement                                  |
| Science Educaion                         | Fine Arts Director                                |
| Secondary Education                      | Leadership in Outdoor-based Adventure Education   |
| Special Education                        | Not-for-Profit Management                         |
| Technology Education                     | Reading Specialist                                |
|  | Behavior Analyst                                  |
|  | Health Care Management                            |

Source: Fitchburg State University Office of Academic Affairs

**DEGREES EARNED**

For the Fiscal Year

|                   | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Bachelors Degrees | 696     | 696     | 640     | 628     | 622     | 553     | 489     | 579     | 516     | 468     |
| Masters Degrees   | 506     | 460     | 531     | 370     | 475     | 484     | 368     | 465     | 379     | 463     |



Source: Fitchburg State University Office of Institutional Research

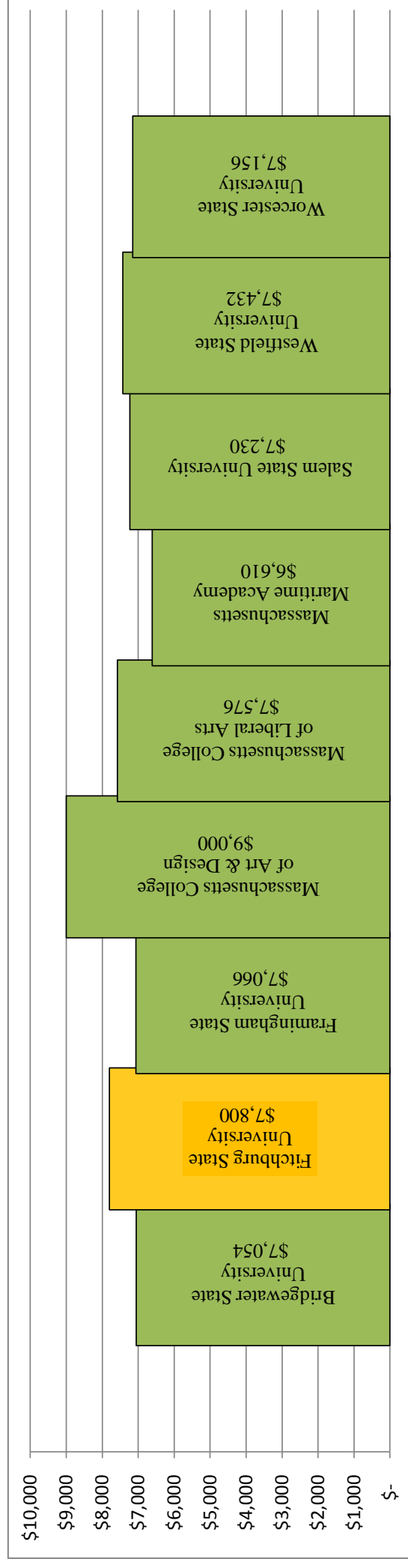
**SCHEDULE OF TUITION AND FEES FOR THE LAST TEN ACADEMIC YEARS  
RESIDENT UNDERGRADUATE STUDENTS**

For the Fiscal Year

|                                       | 2010-11      | 2009-10      | 2008-09      | 2007-08      | 2006-07      | 2005-06      | 2004-05      | 2003-04      | 2002-03      | 2001-02      |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Bridgewater State University          | \$ 7,054     | \$ 6,604     | \$ 6,238     | \$ 6,034     | \$ 5,866     | \$ 5,506     | \$ 5,326     | \$ 4,390     | \$ 3,735     | \$ 2,823     |
| <b>Fitchburg State University</b>     | <b>7,800</b> | <b>6,900</b> | <b>6,400</b> | <b>5,992</b> | <b>5,542</b> | <b>5,002</b> | <b>4,588</b> | <b>4,186</b> | <b>3,688</b> | <b>2,988</b> |
| Framingham State University           | 7,066        | 6,540        | 6,142        | 5,798        | 5,450        | 5,004        | 4,654        | 4,324        | 3,334        | 2,770        |
| Massachusetts College of Art & Design | 9,000        | 8,400        | 7,900        | 7,450        | 7,200        | 6,850        | 6,400        | 5,768        | 4,968        | 4,068        |
| Massachusetts College of Liberal Arts | 7,576        | 6,876        | 6,426        | 6,168        | 5,926        | 5,616        | 5,417        | 5,397        | 4,197        | 3,497        |
| Massachusetts Maritime Academy        | 6,610        | 6,122        | 5,828        | 5,686        | 5,674        | 5,508        | 5,163        | 4,863        | 3,663        | 2,913        |
| Salem State University                | 7,230        | 6,850        | 6,520        | 6,270        | 6,030        | 5,594        | 5,454        | 4,988        | 3,938        | 3,038        |
| Westfield State University            | 7,432        | 7,018        | 6,452        | 6,210        | 5,950        | 5,658        | 4,857        | 4,558        | 3,755        | 2,956        |
| Worcester State University            | 7,156        | 6,606        | 6,170        | 5,866        | 5,540        | 5,080        | 4,579        | 4,123        | 3,273        | 2,573        |

State University/College Average (1) \$ 7,338 \$ 6,818 \$ 6,400 \$ 6,123 \$ 5,855 \$ 5,456 \$ 5,100 \$ 4,590 \$ 3,743 \$ 2,954

**Resident Undergraduate Tuition & Fees - Fiscal Year 2009-10**



(1) Weighted average calculated based on % Undergraduate FTE (Full-Time Equivalent) of total by segment and overall.

**Source:** Massachusetts Department of Higher Education Resident Tuition and Fee Rates

**SCHEDULE OF NON RESIDENT TUITION AND MANDATORY FEES FOR THE LAST TEN ACADEMIC YEARS**

**For the Fiscal Year**

|  | <b>2010-11</b>   | <b>2009-10</b>   | <b>2008-09</b>   | <b>2007-08</b>   | <b>2006-07</b>   | <b>2005-06</b>   | <b>2004-05</b>   | <b>2003-04</b>   | <b>2002-03</b>  | <b>2001-02</b>  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
| <b>Non Resident Undergraduate</b>                              |                  |                  |                  |                  |                  |                  |                  |                  |                 |                 |
| Tuition  | \$ 7,050         | \$ 7,050         | \$ 7,050         | \$ 7,050         | \$ 7,050         | \$ 7,050         | \$ 7,050         | \$ 7,050         | \$ 7,050        | \$ 7,050        |
| Mandatory Fees   | 6,830            | 5,930            | 5,430            | 5,022            | 4,572            | 4,032            | 3,618            | 3,216            | 2,718           | 2,018           |
| <b>Total</b>   | <b>\$ 13,880</b> | <b>\$ 12,980</b> | <b>\$ 12,480</b> | <b>\$ 12,072</b> | <b>\$ 11,622</b> | <b>\$ 11,082</b> | <b>\$ 10,668</b> | <b>\$ 10,266</b> | <b>\$ 9,768</b> | <b>\$ 9,068</b> |
| <b>Resident or Non Resident Graduate (6 Credits-Full time)</b> |                  |                  |                  |                  |                  |                  |                  |                  |                 |                 |
| Tuition  | \$ 900           | \$ 900           | \$ 900           | \$ 900           | \$ 900           | \$ 900           | \$ 900           | \$ 900           | \$ 900          | \$ 900          |
| Mandatory Fees   | 762              | 720              | 653              | 653              | 510              | 510              | 432              | 432              | 117             | 107             |
| <b>Total</b>   | <b>\$ 1,662</b>  | <b>\$ 1,620</b>  | <b>\$ 1,553</b>  | <b>\$ 1,553</b>  | <b>\$ 1,410</b>  | <b>\$ 1,410</b>  | <b>\$ 1,332</b>  | <b>\$ 1,332</b>  | <b>\$ 1,017</b> | <b>\$ 1,007</b> |

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

**Source:** Fitchburg State University Office of Student Accounts & Financial Aid

**SCHEDULE OF EMPLOYMENT**

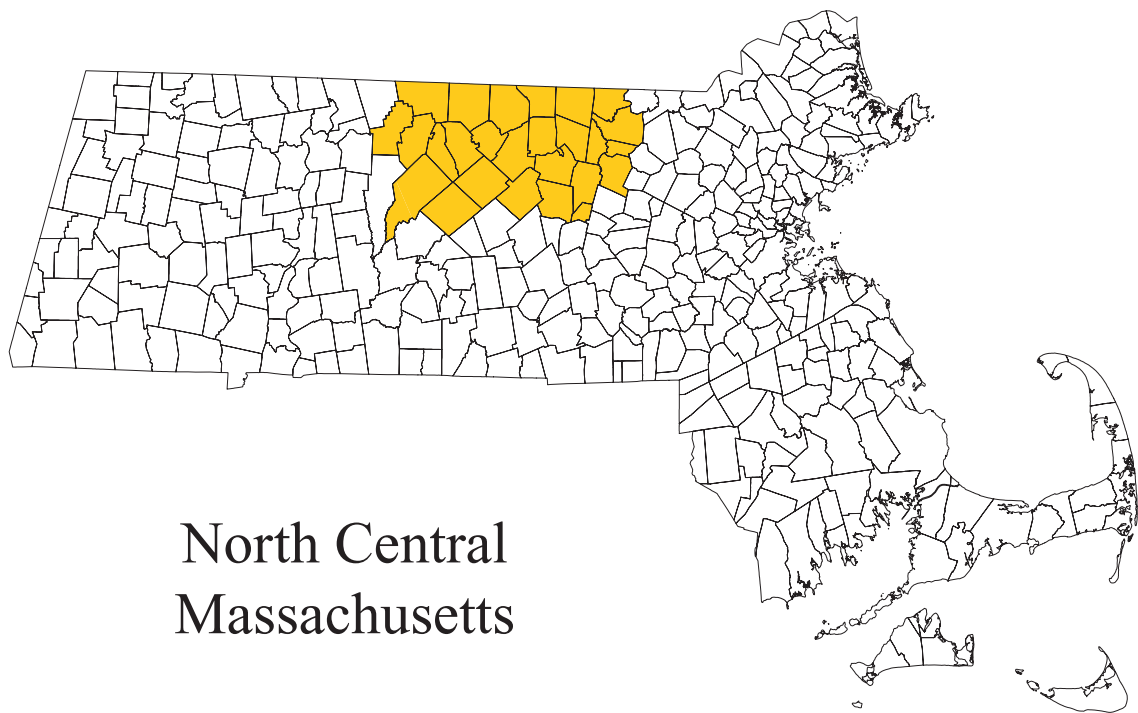
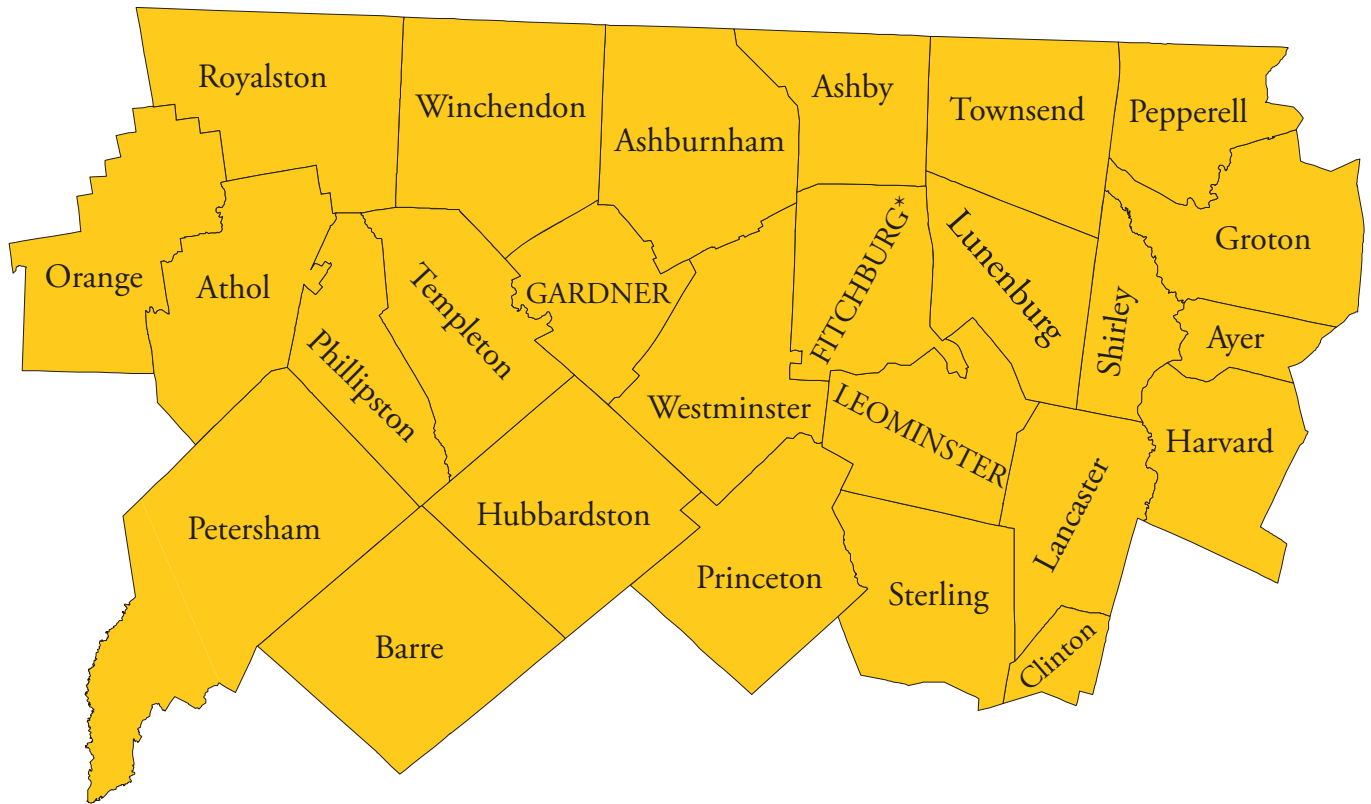
|  | For the Fiscal Year |            |            |            |            |            |            |            |  |  |  |
|--|---------------------|------------|------------|------------|------------|------------|------------|------------|--|--|--|
|  | 2010-11             | 2009-10    | 2008-09    | 2007-08    | 2006-07    | 2005-06    | 2003-04    | 2001-02    |  |  |  |
| <b>Faculty - Primary Instruction *</b> | <b>369</b>          | <b>377</b> | <b>350</b> | <b>266</b> | <b>269</b> | <b>252</b> | <b>283</b> | <b>474</b> |  |  |  |
| Part-time                              | 193                 | 197        | 166        | 90         | 95         | 86         | 115        | 273        |  |  |  |
| Full-time                              | 176                 | 180        | 184        | 176        | 174        | 166        | 168        | 201        |  |  |  |
| <b>Staff and Administrators</b>        | <b>394</b>          | <b>419</b> | <b>410</b> | <b>386</b> | <b>385</b> | <b>439</b> | <b>329</b> | <b>346</b> |  |  |  |
| Part-time                              | 77                  | 112        | 93         | 75         | 81         | 143        | 13         | 9          |  |  |  |
| Full-time                              | 317                 | 307        | 317        | 311        | 304        | 296        | 316        | 337        |  |  |  |
| <b>Total Employees</b>                 | <b>763</b>          | <b>796</b> | <b>760</b> | <b>652</b> | <b>654</b> | <b>691</b> | <b>612</b> | <b>820</b> |  |  |  |
| Part-time                              | 270                 | 309        | 259        | 165        | 176        | 229        | 128        | 282        |  |  |  |
| Full-time                              | 493                 | 487        | 501        | 487        | 478        | 462        | 484        | 538        |  |  |  |

\* Includes Instruction, Research & Public Service

**Note:** Prior to fiscal year 2004, data was submitted to IPEDS every other year per reporting requirements existing at that time.  
 As such, data for that time period is not available.  
 This schedule reflects personnel as of November 1, Full-Time Equivalent Employees.

**Source:** Fitchburg State University Office of Institutional Research





## North Central Massachusetts

ANNUAL ESTIMATES OF POPULATION FOR MASSACHUSETTS, BY COUNTY

| Geographic Area         | Population Estimates as of July 1 |                    |                    |                    |                    |                    |                    |                    |                    |                    | April 1, 2010      |                    | Population July 1, 2010 to April 1, 2010 |                |
|-------------------------|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|----------------|
|                         | 2009                              | 2008               | 2007               | 2006               | 2005               | 2004               | 2003               | 2002               | 2001               | 2000               | Estimates Base     | Census             | Net Change                               | Percent Change |
|                         |                                   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |  |                |
| <b>United States</b>    | <b>306,771,529</b>                | <b>304,093,966</b> | <b>301,231,207</b> | <b>298,379,912</b> | <b>295,516,599</b> | <b>292,805,298</b> | <b>290,107,933</b> | <b>287,625,193</b> | <b>284,968,955</b> | <b>282,162,411</b> | <b>281,424,602</b> | <b>308,745,538</b> | <b>26,583,127</b>                        | <b>9.4%</b>    |
| <b>Massachusetts</b>    | <b>6,517,613</b>                  | <b>6,468,967</b>   | <b>6,431,559</b>   | <b>6,410,084</b>   | <b>6,403,290</b>   | <b>6,412,281</b>   | <b>6,422,565</b>   | <b>6,417,206</b>   | <b>6,397,634</b>   | <b>6,361,104</b>   | <b>6,349,364</b>   | <b>6,547,629</b>   | <b>186,525</b>                           | <b>2.9%</b>    |
| Barnstable County       | 215,994                           | 217,066            | 218,380            | 220,037            | 221,995            | 224,264            | 226,011            | 225,421            | 224,087            | 223,031            | 222,239            | 215,888            | (7,143)                                  | -3.2%          |
| Berkshire County        | 131,264                           | 131,372            | 131,883            | 131,977            | 132,563            | 133,076            | 133,423            | 133,529            | 133,928            | 134,769            | 134,922            | 131,219            | (3,550)                                  | -2.6%          |
| Bristol County          | 547,324                           | 546,456            | 545,288            | 544,487            | 545,437            | 545,988            | 546,281            | 542,721            | 538,282            | 535,817            | 534,702            | 548,285            | 12,468                                   | 2.3%           |
| Dukes County            | 16,373                            | 16,132             | 15,919             | 15,768             | 15,743             | 15,704             | 15,630             | 15,482             | 15,261             | 15,090             | 15,001             | 16,535             | 1,445                                    | 9.6%           |
| Essex County            | 739,086                           | 734,361            | 730,664            | 729,455            | 728,877            | 729,783            | 731,544            | 732,232            | 730,206            | 725,025            | 723,496            | 743,159            | 18,134                                   | 2.5%           |
| Franklin County         | 71,392                            | 71,571             | 71,577             | 71,708             | 71,879             | 71,875             | 71,837             | 71,761             | 71,557             | 71,471             | 71,540             | 71,372             | (99)                                     | -0.1%          |
| Hampden County          | 462,777                           | 462,053            | 461,434            | 461,408            | 461,147            | 460,841            | 460,673            | 458,780            | 456,557            | 456,533            | 456,280            | 463,490            | 6,957                                    | 1.5%           |
| Hampshire County        | 157,910                           | 157,615            | 156,842            | 156,168            | 155,383            | 155,019            | 154,621            | 153,461            | 152,518            | 152,364            | 152,237            | 158,080            | 5,716                                    | 3.8%           |
| Middlesex County        | 1,494,764                         | 1,477,049          | 1,463,106          | 1,456,528          | 1,454,868          | 1,459,232          | 1,464,083          | 1,468,488          | 1,473,021          | 1,467,248          | 1,465,244          | 1,503,085          | 35,837                                   | 2.4%           |
| Nantucket County        | 10,225                            | 10,170             | 9,985              | 9,811              | 9,703              | 9,732              | 9,629              | 9,556              | 9,415              | 9,503              | 9,511              | 10,172             | 669                                      | 7.0%           |
| Norfolk County          | 666,301                           | 661,703            | 656,582            | 653,421            | 651,538            | 652,630            | 653,032            | 653,860            | 653,137            | 650,865            | 650,265            | 670,850            | 19,985                                   | 3.1%           |
| Plymouth County         | 492,738                           | 490,371            | 488,251            | 486,779            | 486,292            | 485,010            | 484,245            | 482,092            | 478,222            | 474,131            | 472,858            | 494,919            | 20,788                                   | 4.4%           |
| Suffolk County          | 716,214                           | 702,201            | 693,368            | 687,192            | 686,600            | 691,272            | 697,080            | 701,333            | 700,232            | 692,745            | 691,047            | 722,023            | 29,278                                   | 4.2%           |
| <b>Worcester County</b> | <b>795,251</b>                    | <b>790,847</b>     | <b>788,280</b>     | <b>785,345</b>     | <b>781,265</b>     | <b>777,855</b>     | <b>774,476</b>     | <b>768,490</b>     | <b>761,211</b>     | <b>752,512</b>     | <b>750,011</b>     | <b>798,552</b>     | <b>46,040</b>                            | <b>6.1%</b>    |

**Note:** The April 1, 2010 estimates base reflects changes to the 2000 Census population resulting from legal boundary updates, other geographic program changes, and Count Question Resolution actions. All geographic boundaries for the 2000 - 2010 estimates are defined as of January 1, 2010.

**Source:** Population Division, U.S. Census Bureau, Release date; December, 2010.

**POPULATION CHANGE FOR MASSACHUSETTS, BY COUNTY, 2000 TO 2010**

| Population Rank |      | Geographic Area      | Population         |                    | Change, 2000 to 2010 |             |                     |
|-----------------|------|----------------------|--------------------|--------------------|----------------------|-------------|---------------------|
| 2010            | 2000 |                      | Revised 2000*      | 2010               | Number               | Percent     | Rank Percent Change |
|                 |      | <b>United States</b> | <b>282,162,411</b> | <b>308,745,538</b> | <b>26,583,127</b>    | <b>9.4%</b> |                     |
|                 |      | <b>Massachusetts</b> | <b>6,361,104</b>   | <b>6,547,629</b>   | <b>186,525</b>       | <b>2.9%</b> |                     |
| 9               | 9    | Barnstable County    | 222,234            | 215,888            | -6,346               | -2.9%       | 14                  |
| 11              | 11   | Berkshire County     | 134,953            | 131,219            | -3,734               | -2.8%       | 13                  |
| 6               | 6    | Bristol County       | 534,682            | 548,285            | 13,603               | 2.5%        | 10                  |
| 13              | 13   | Dukes County         | 14,987             | 16,535             | 1,548                | 10.3%       | 1                   |
| 3               | 3    | Essex County         | 723,421            | 743,159            | 19,738               | 2.7%        | 8                   |
| 12              | 12   | Franklin County      | 71,535             | 71,372             | -163                 | -0.2%       | 12                  |
| 8               | 8    | Hampden County       | 456,226            | 463,490            | 7,264                | 1.6%        | 11                  |
| 10              | 10   | Hampshire County     | 152,255            | 158,080            | 5,825                | 3.8%        | 6                   |
| 1               | 1    | Middlesex County     | 1,466,396          | 1,503,085          | 36,689               | 2.5%        | 9                   |
| 14              | 14   | Nantucket County     | 9,520              | 10,172             | 652                  | 6.8%        | 2                   |
| 5               | 5    | Norfolk County       | 650,306            | 670,850            | 20,544               | 3.2%        | 7                   |
| 7               | 7    | Plymouth County      | 472,822            | 494,919            | 22,097               | 4.7%        | 4                   |
| 4               | 4    | Suffolk County       | 689,809            | 722,023            | 32,214               | 4.7%        | 5                   |
| 2               | 2    | Worcester County     | 749,973            | 798,552            | 48,579               | 6.5%        | 3                   |

**Note:** The revised 2000 counts reflect changes to the 2000 Census population resulting from legal boundary updates, other geographic program changes, and Count Question Resolution action. All geographic boundaries are defined as of January 1, 2009

**Source:** U.S. Census Bureau

**POPULATION CHANGE FOR CITIES AND TOWNS IN THE NORTH CENTRAL MASSACHUSETTS WORKFORCE AREA, 2000 TO 2010**

| Population Rank |           | Geographic Area           |             | Population       |                  | Change, 2000 to 2010 |             |                     |
|-----------------|-----------|---------------------------|-------------|------------------|------------------|----------------------|-------------|---------------------|
| 2010            | 2000      |                           |             | Revised 2000*    | 2010             | Number               | Percent     | Rank Percent Change |
|                 |           | <b>Massachusetts</b>      |             | <b>6,349,119</b> | <b>6,547,629</b> | <b>198,510</b>       | <b>3.1%</b> |                     |
|                 |           | <b>North Central Mass</b> |             | <b>255,131</b>   | <b>264,622</b>   | <b>9,491</b>         | <b>3.7%</b> |                     |
| 229             | 234       | Ashburnham                | Town        | 5,546            | 6,081            | 535                  | 9.6%        | 57                  |
| 275             | 275       | Ashby                     | Town        | 2,845            | 3,074            | 229                  | 8.0%        | 75                  |
| 160             | 158       | Athol                     | Town        | 11,299           | 11,584           | 285                  | 2.5%        | 188                 |
| 211             | 208       | Ayer                      | Town        | 7,287            | 7,427            | 4                    | 0.1%        | 204                 |
| 238             | 242       | Barre                     | Town        | 5,113            | 5,398            | 171                  | 3.3%        | 117                 |
| 143             | 136       | Clinton                   | Town        | 13,435           | 13,606           | 171                  | 1.3%        | 224                 |
| <b>35</b>       | <b>36</b> | <b>Fitchburg</b>          | <b>City</b> | <b>39,102</b>    | <b>40,318</b>    | <b>1,216</b>         | <b>3.1%</b> | <b>172</b>          |
| 93              | 87        | Gardner                   | City        | 20,770           | 20,228           | -542                 | -2.6%       | 295                 |
| 170             | 178       | Groton                    | Town        | 9,547            | 10,646           | 1,099                | 11.5%       | 41                  |
| 221             | 228       | Harvard                   | Town        | 5,981            | 6,520            | 539                  | 9.0%        | 68                  |
| 255             | 258       | Hubbardston               | Town        | 3,909            | 4,382            | 473                  | 12.1%       | 36                  |
| 198             | 206       | Lancaster                 | Town        | 7,380            | 8,055            | 675                  | 9.1%        | 66                  |
| 34              | 31        | Leominster                | City        | 41,303           | 40,759           | -544                 | -1.3%       | 279                 |
| 179             | 181       | Lunenburg                 | Town        | 9,401            | 10,086           | 685                  | 7.3%        | 92                  |
| 203             | 203       | Orange                    | Town        | 7,518            | 7,839            | 321                  | 4.3%        | 144                 |
| 162             | 162       | Pepperell                 | Town        | 11,142           | 11,497           | 355                  | 3.2%        | 169                 |
| 317             | 321       | Petersham                 | Town        | 1,180            | 1,234            | 54                   | 4.6%        | 139                 |
| 303             | 303       | Phillipston               | Town        | 1,621            | 1,682            | 61                   | 3.8%        | 154                 |
| 266             | 267       | Princeton                 | Town        | 3,353            | 3,413            | 60                   | 1.8%        | 208                 |
| 316             | 318       | Royalston                 | Town        | 1,254            | 1,258            | 4                    | 0.3%        | 242                 |
| 213             | 218       | Shirley                   | Town        | 6,373            | 7,211            | 838                  | 13.1%       | 31                  |
| 204             | 210       | Sterling                  | Town        | 7,257            | 7,808            | 551                  | 7.6%        | 83                  |
| 199             | 214       | Templeton                 | Town        | 6,799            | 8,013            | 1,214                | 17.9%       | 17                  |
| 188             | 182       | Townsend                  | Town        | 9,198            | 8,926            | -272                 | -3.0%       | 301                 |
| 212             | 212       | Westminster               | Town        | 6,907            | 7,277            | 370                  | 5.4%        | 127                 |
| 174             | 177       | Winchendon                | Town        | 9,611            | 10,300           | 689                  | 7.2%        | 95                  |

**Note:** The revised 2000 counts reflect changes to the 2000 Census population resulting from legal boundary updates, other geographic program changes, and Count Question Resolution action. All geographic boundaries are defined as of January 1, 2009

**Source:** U.S. Census Bureau

**EDUCATIONAL ATTAINMENT: MASSACHUSETTS, 2010**

| Geographic Area                    | Square Miles | Population    | Persons 25 years and older |              |                       |                         |              |              |                          |                      |             |              |                          |
|------------------------------------|--------------|---------------|----------------------------|--------------|-----------------------|-------------------------|--------------|--------------|--------------------------|----------------------|-------------|--------------|--------------------------|
|                                    |              |               | Total                      | No Diploma   | High School Graduates | Total College Graduates | Associate's  | Bachelor's   | Graduate or Professional | High school graduate | Associate's | Bachelor's   | Graduate or Professional |
| Massachusetts                      | 7,840        | 6,593,587     | 4,490,445                  | 495,310      | 1,930,585             | 2,064,550               | 347,972      | 980,758      | 735,820                  | 43.0%                | 7.7%        | 21.8%        | 16.4%                    |
| Worcester County                   | 1,513.1      | 798,552       | 520,015                    | 60,469       | 249,788               | 209,758                 | 44,581       | 101,909      | 63,268                   | 48.0%                | 8.6%        | 19.6%        | 12.2%                    |
| <b>North Central Massachusetts</b> |              |               |                            |              |                       |                         |              |              |                          |                      |             |              |                          |
| Ashburnham                         | 38.7         | 6,081         | 4,048                      | 208          | 1,283                 | 1,824                   | 427          | 820          | 577                      | 49.8%                | 10.5%       | 20.3%        | 14.3%                    |
| Ashby                              | 23.8         | 3,074         | 1,944                      | 114          | 675                   | 820                     | 162          | 363          | 295                      | 52.0%                | 8.3%        | 18.7%        | 15.2%                    |
| Athol                              | 32.6         | 11,584        | 5,626                      | 957          | 2,274                 | 1,359                   | 627          | 498          | 234                      | 58.8%                | 11.1%       | 8.9%         | 4.2%                     |
| Ayer                               | 9.0          | 7,427         | 2,010                      | 283          | 647                   | 707                     | 204          | 314          | 189                      | 50.7%                | 10.1%       | 15.6%        | 9.4%                     |
| Barre                              | 44.3         | 5,398         | 952                        | 17           | 218                   | 477                     | 76           | 188          | 213                      | 48.1%                | 8.0%        | 19.7%        | 22.4%                    |
| Clinton                            | 5.7          | 13,606        | 5,054                      | 996          | 1,675                 | 1,496                   | 354          | 625          | 517                      | 50.7%                | 7.0%        | 12.4%        | 10.2%                    |
| <b>Fitchburg</b>                   | <b>27.8</b>  | <b>40,318</b> | <b>25,269</b>              | <b>4,066</b> | <b>9,103</b>          | <b>7,441</b>            | <b>2,306</b> | <b>3,329</b> | <b>1,806</b>             | <b>54.5%</b>         | <b>9.1%</b> | <b>13.2%</b> | <b>7.1%</b>              |
| Gardner                            | 22.2         | 20,228        | 14,649                     | 2,782        | 5,148                 | 4,129                   | 1,444        | 1,876        | 809                      | 52.8%                | 9.9%        | 12.8%        | 5.5%                     |
| Groton                             | 32.8         | 10,646        | 6,595                      | 153          | 902                   | 4,727                   | 418          | 2,555        | 1,754                    | 26.0%                | 6.3%        | 38.7%        | 26.6%                    |
| Harvard                            | 26.4         | 6,520         | 4,184                      | 336          | 484                   | 2,823                   | 297          | 1,188        | 1,338                    | 24.5%                | 7.1%        | 28.4%        | 32.0%                    |
| Hubbardston                        | 41.0         | 4,382         | 3,023                      | 221          | 1,038                 | 1,248                   | 358          | 650          | 240                      | 51.4%                | 11.8%       | 21.5%        | 7.9%                     |
| Lancaster                          | 27.7         | 8,055         | 4,696                      | 693          | 1,099                 | 1,968                   | 406          | 825          | 737                      | 43.3%                | 8.6%        | 17.6%        | 15.7%                    |
| Leominster                         | 28.9         | 40,759        | 27,797                     | 5,166        | 8,952                 | 8,287                   | 2,188        | 3,891        | 2,208                    | 51.6%                | 7.9%        | 14.0%        | 7.9%                     |
| Lunenburg                          | 26.4         | 10,086        | 1,177                      | 149          | 290                   | 615                     | 148          | 215          | 252                      | 35.1%                | 12.6%       | 18.3%        | 21.4%                    |
| Orange                             | 35.4         | 7,839         | 2,388                      | 273          | 1,050                 | 581                     | 142          | 235          | 204                      | 64.2%                | 5.9%        | 9.8%         | 8.5%                     |
| Pepperell                          | 22.6         | 11,497        | 1,568                      | 182          | 467                   | 655                     | 133          | 348          | 174                      | 46.6%                | 8.5%        | 22.2%        | 11.1%                    |
| Petersham                          | 54.2         | 1,234         | 988                        | 43           | 207                   | 584                     | 70           | 270          | 244                      | 36.5%                | 7.1%        | 27.3%        | 24.7%                    |
| Phillipston                        | 24.3         | 1,682         | 1,214                      | 137          | 431                   | 408                     | 141          | 148          | 119                      | 55.1%                | 11.6%       | 12.2%        | 9.8%                     |
| Princeton                          | 35.4         | 3,413         | 2,397                      | 87           | 452                   | 1,544                   | 154          | 866          | 524                      | 32.0%                | 6.4%        | 36.1%        | 21.9%                    |
| Royalston                          | 41.9         | 1,258         | 1,025                      | 67           | 360                   | 364                     | 84           | 175          | 105                      | 58.0%                | 8.2%        | 17.1%        | 10.2%                    |
| Shirley                            | 15.8         | 7,211         | 1,402                      | 173          | 449                   | 432                     | 42           | 283          | 107                      | 56.8%                | 3.0%        | 20.2%        | 7.6%                     |
| Sterling                           | 30.5         | 7,808         | 5,294                      | 229          | 1,303                 | 3,300                   | 364          | 1,861        | 1,075                    | 33.3%                | 6.9%        | 35.2%        | 20.3%                    |
| Templeton                          | 32.0         | 8,013         | 5,332                      | 505          | 2,127                 | 1,754                   | 808          | 543          | 403                      | 57.6%                | 15.2%       | 10.2%        | 7.6%                     |
| Townsend                           | 32.9         | 8,926         | 665                        | 45           | 414                   | 104                     | 38           | 48           | 18                       | 77.6%                | 5.7%        | 7.2%         | 2.7%                     |
| Westminster                        | 35.5         | 7,277         | 5,025                      | 493          | 1,556                 | 2,113                   | 586          | 949          | 578                      | 48.1%                | 11.7%       | 18.9%        | 11.5%                    |
| Winchendon                         | 43.3         | 10,300        | 2,743                      | 355          | 1,062                 | 853                     | 476          | 199          | 178                      | 56.0%                | 17.4%       | 7.3%         | 6.5%                     |

Source: U.S. Census, Demographic Profile, 2010 (most current data available)

## LABOR FORCE ESTIMATES BY WORKFORCE AREA

2nd Quarter 2011 versus 2nd Quarter 2010

| Geographic Area           | Labor Force      |                  |                | Unemployment Rate |             |
|---------------------------|------------------|------------------|----------------|-------------------|-------------|
|                           |                  | Employed         | Unemployed     | 2011              | 2010        |
| <b>Massachusetts</b>      | <b>3,487,500</b> | <b>3,223,900</b> | <b>263,700</b> | <b>7.6%</b>       | <b>8.4%</b> |
| Berkshire County          | 75,287           | 69,820           | 5,467          | 7.3%              | 7.9%        |
| Boston                    | 331,654          | 306,222          | 25,432         | 7.7%              | 8.4%        |
| Bristol                   | 199,857          | 180,323          | 19,534         | 9.8%              | 10.1%       |
| Brockton                  | 127,443          | 116,146          | 11,297         | 8.9%              | 9.8%        |
| Cape and Islands          | 150,814          | 140,464          | 10,350         | 6.9%              | 7.1%        |
| Central Mass              | 298,836          | 274,257          | 24,579         | 8.2%              | 8.9%        |
| Franklin/Hampshire        | 131,219          | 121,660          | 9,559          | 7.3%              | 8.0%        |
| Greater Lowell            | 150,202          | 138,081          | 12,121         | 8.1%              | 8.9%        |
| Greater New Bedford       | 109,424          | 98,022           | 11,402         | 10.4%             | 11.1%       |
| Hampden                   | 227,301          | 205,589          | 21,712         | 9.6%              | 9.9%        |
| Merrimack Valley          | 168,862          | 153,287          | 15,575         | 9.2%              | 9.6%        |
| Metro North               | 422,398          | 394,247          | 28,151         | 6.7%              | 7.4%        |
| Metro South/West          | 498,347          | 468,597          | 29,750         | 6.0%              | 6.7%        |
| <b>North Central Mass</b> | <b>128,980</b>   | <b>117,452</b>   | <b>11,528</b>  | <b>8.9%</b>       | <b>9.6%</b> |
| North Shore               | 218,483          | 202,380          | 16,103         | 7.4%              | 8.2%        |
| South Shore               | 285,223          | 264,311          | 20,912         | 7.3%              | 8.5%        |

**Note:** Data is not seasonally adjusted.

**Source:** Massachusetts Department of Workforce Development

**LABOR FORCE ESTIMATES BY CITIES AND TOWNS IN THE NORTH CENTRAL MASSACHUSETTS WORKFORCE AREA**

2nd Quarter 2011 versus 2nd Quarter 2010

| Geographic Area           | Labor Force      | Employed         | Unemployed     | Unemployment Rate |              |
|---------------------------|------------------|------------------|----------------|-------------------|--------------|
|                           |                  |                  |                | 2011              | 2010         |
| <b>Massachusetts</b>      | <b>3,487,500</b> | <b>3,223,900</b> | <b>263,700</b> | <b>7.6%</b>       | <b>8.4%</b>  |
| <b>North Central Mass</b> | <b>128,980</b>   | <b>117,452</b>   | <b>11,528</b>  | <b>8.9%</b>       | <b>9.6%</b>  |
| Ashburnham                | 3,154            | 2,861            | 293            | 9.3%              | 9.8%         |
| Ashby                     | 1,670            | 1,518            | 152            | 9.1%              | 9.5%         |
| Athol                     | 5,358            | 4,789            | 569            | 10.6%             | 12.2%        |
| Ayer                      | 4,503            | 4,174            | 329            | 7.3%              | 7.7%         |
| Barre                     | 2,862            | 2,645            | 217            | 7.6%              | 9.0%         |
| Berlin                    | 1,681            | 1,561            | 120            | 7.1%              | 8.5%         |
| Bolton                    | 2,663            | 2,486            | 177            | 6.6%              | 7.3%         |
| Clinton                   | 7,687            | 7,027            | 660            | 8.6%              | 9.6%         |
| <b>Fitchburg</b>          | <b>19,194</b>    | <b>16,965</b>    | <b>2,229</b>   | <b>11.6%</b>      | <b>11.9%</b> |
| Gardner                   | 9,945            | 8,836            | 1,109          | 11.2%             | 11.7%        |
| Groton                    | 5,740            | 5,369            | 371            | 6.5%              | 6.6%         |
| Harvard                   | 2,975            | 2,798            | 177            | 5.9%              | 7.0%         |
| Hubbardston               | 2,530            | 2,333            | 197            | 7.8%              | 8.1%         |
| Lancaster                 | 3,154            | 2,902            | 252            | 8.0%              | 9.7%         |
| Leominster                | 20,879           | 18,837           | 2,042          | 9.8%              | 10.9%        |
| Lunenburg                 | 5,355            | 4,888            | 467            | 8.7%              | 9.2%         |
| Orange                    | 3,666            | 3,312            | 354            | 9.7%              | 11.6%        |
| Pepperell                 | 6,384            | 5,996            | 388            | 6.1%              | 6.5%         |
| Petersham                 | 691              | 651              | 40             | 5.8%              | 6.9%         |
| Phillipston               | 952              | 863              | 89             | 9.3%              | 10.4%        |
| Princeton                 | 1,977            | 1,847            | 130            | 6.6%              | 7.3%         |
| Royalston                 | 678              | 589              | 89             | 13.1%             | 11.2%        |
| Shirley                   | 3,837            | 3,544            | 293            | 7.6%              | 8.1%         |
| Sterling                  | 4,429            | 4,151            | 278            | 6.3%              | 7.6%         |
| Templeton                 | 3,892            | 3,502            | 390            | 10.0%             | 11.2%        |
| Townsend                  | 5,371            | 5,028            | 343            | 6.4%              | 7.6%         |
| Westminster               | 3,833            | 3,514            | 319            | 8.3%              | 8.7%         |
| Winchendon                | 4,992            | 4,416            | 576            | 11.5%             | 10.8%        |

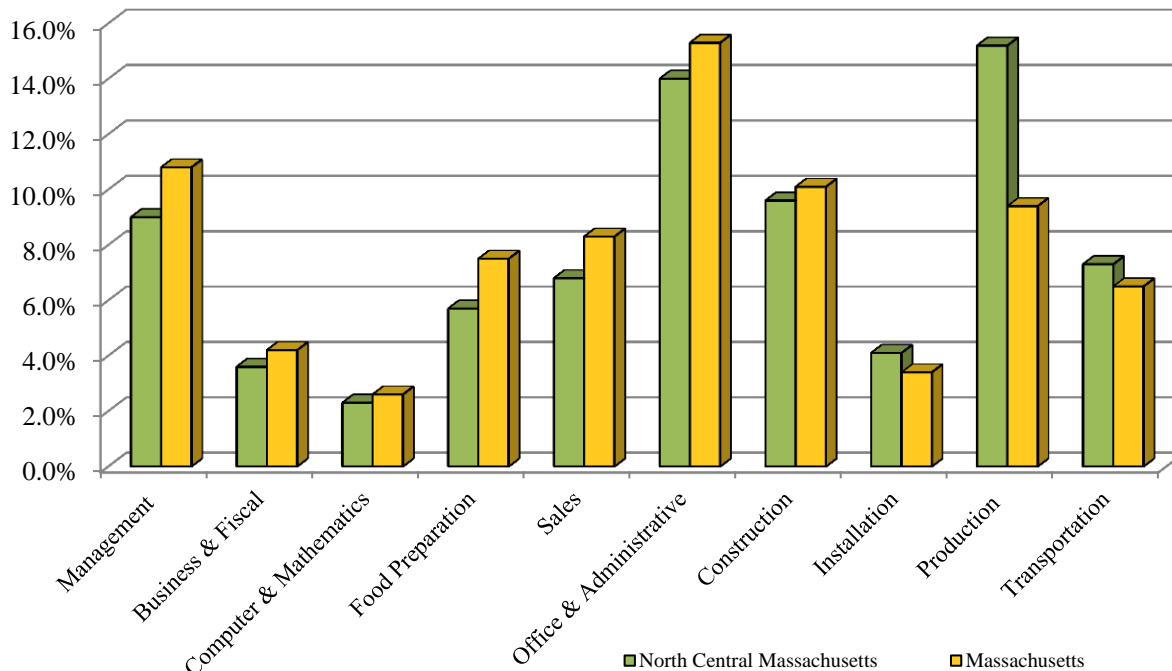
**Note:** Data is not seasonally adjusted.

**Source:** Massachusetts Department of Workforce Development



**PROFILE OF UNEMPLOYMENT INSURANCE CLAIMS**  
**North Central Massachusetts**

| Claimants                                   | Standard Occupational Code (SOC) | North Central Mass |                   | Massachusetts    |                   |
|---|----------------------------------|--------------------|-------------------|------------------|-------------------|
|   |                                  | June 2011 Number   | June 2011 Percent | June 2011 Number | June 2011 Percent |
| Total                                       |                                  | 3,693              | 100.0%            | 83,052           | 100.0%            |
| Management                                  | 11                               | 333                | 9.0%              | 8,938            | 10.8%             |
| Business & Fiscal Operations                | 13                               | 134                | 3.6%              | 3,455            | 4.2%              |
| Computer & Mathematics                      | 15                               | 84                 | 2.3%              | 2,146            | 2.6%              |
| Architecture & Engineering                  | 17                               | 98                 | 2.7%              | 1,622            | 2.0%              |
| Life, Physical & Social Sciences            | 19                               | 24                 | 0.6%              | 817              | 1.0%              |
| Community & Social Services                 | 21                               | 62                 | 1.7%              | 1,180            | 1.4%              |
| Legal Operations                            | 23                               | 14                 | 0.4%              | 591              | 0.7%              |
| Education, Training & Library               | 25                               | 130                | 3.5%              | 2,229            | 2.7%              |
| Arts, Design, Entertainment, Sports & Media | 27                               | 45                 | 1.2%              | 1,505            | 1.8%              |
| Health Practitioners & Technical            | 29                               | 134                | 3.6%              | 2,288            | 2.8%              |
| Healthcare Support                          | 31                               | 92                 | 2.5%              | 2,442            | 2.9%              |
| Protective Services                         | 33                               | 26                 | 0.7%              | 973              | 1.2%              |
| Food Preparation & Serving                  | 35                               | 211                | 5.7%              | 6,245            | 7.5%              |
| Building, Grounds Cleaning & Maintenance    | 37                               | 74                 | 2.0%              | 1,780            | 2.1%              |
| Personal Care & Service                     | 39                               | 102                | 2.8%              | 2,257            | 2.7%              |
| Sales & Related                             | 41                               | 252                | 6.8%              | 6,853            | 8.3%              |
| Office & Administrative Support             | 43                               | 516                | 14.0%             | 12,731           | 15.3%             |
| Farming, Fishing, Forestry                  | 45                               | 18                 | 0.5%              | 542              | 0.7%              |
| Construction and Extraction                 | 47                               | 356                | 9.6%              | 8,351            | 10.1%             |
| Installation, Maintenance, Repair           | 49                               | 150                | 4.1%              | 2,839            | 3.4%              |
| Production Occupations                      | 51                               | 563                | 15.2%             | 7,776            | 9.4%              |
| Transportation & Material Moving            | 53                               | 271                | 7.3%              | 5,391            | 6.5%              |
| SOC Code Unknown                            |                                  |                    | 0.0%              | 25               | 0.0%              |



Prepared by: Massachusetts Department of Workforce Development,  
 Economic Research Department, July, 2011

**Central Massachusetts**  
**Top 20 Employers**

| <b><u>Company</u></b>                  | <b><u># employed<br/>in Central Massachusetts</u></b> | <b><u>% of total employed in<br/>Massachusetts</u></b> |
|--|---|--|
| UMass Memorial Health Care, Inc.       | 13,466  | .41 %  |
| EMC Corp.                              | 9,200   | .28 %  |
| University of Mass Medical School      | 5,914   | .18 %  |
| IBM                                    | 3,600   | .11 %  |
| Verizon Massachusetts                  | 3,600   | .11 %  |
| Staples, Inc.                          | 3,200   | .09 %  |
| CVS Caremark Corp.                     | 3,000   | .09 %  |
| Hewlett-Packard                        | 2,525   | .08 %  |
| Bose Corp.                             | 2,520   | .08 %  |
| Genzyme Corp.                          | 2,520   | .08 %  |
| MetroWest Medical Center               | 2,470   | .08 %  |
| The TJX Cos. Inc.                      | 2,040   | .06 %  |
| Shaws Supermarkets                     | 2,031   | .06 %  |
| Cisco Systems Inc.                     | 2,000   | .06 %  |
| Intel Massachusetts, Inc. / Mapfre USA | 1,900   | .06 %  |
| BJ's Wholesale Club, Inc.              | 1,871   | .06 %  |
| The Hanover Insurance Group, Inc.      | 1,850   | .06 %  |
| Fallon Clinic, Inc.                    | 1,841   | .06 %  |
| Saint-Gobain                           | 1,800   | .06 %  |

**Source:** Central Massachusetts data, as reported by Worcester Business Journal, published July, 2011, Volume 22, Number 15. Total Massachusetts employed, as reported by Massachusetts Department of Workforce Development for the second quarter of 2011. Data is not seasonally adjusted.





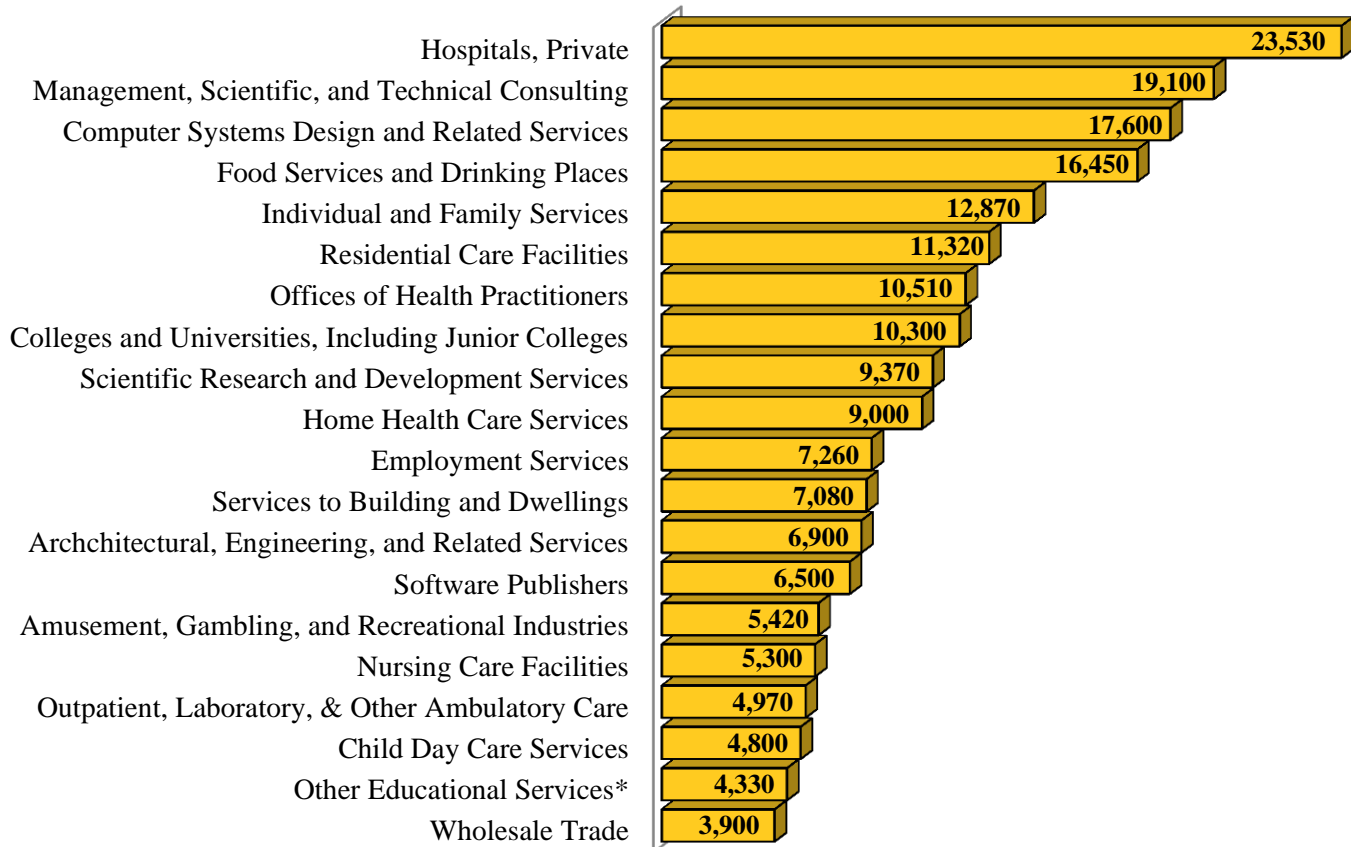
***By 2016 the Massachusetts economy is expected to expand by approximately 6.3% or 216,650 new jobs. An additional 768,330 jobs should arise from the need to replace workers who retire, change careers or advance up the career ladder.***

***In total, nearly 1 million jobs should result.***



Source: Massachusetts Employment Projections 2006 through 2016, as reported by the Massachusetts Department of Workforce Development, Division of Career Services, Economic Analysis Office

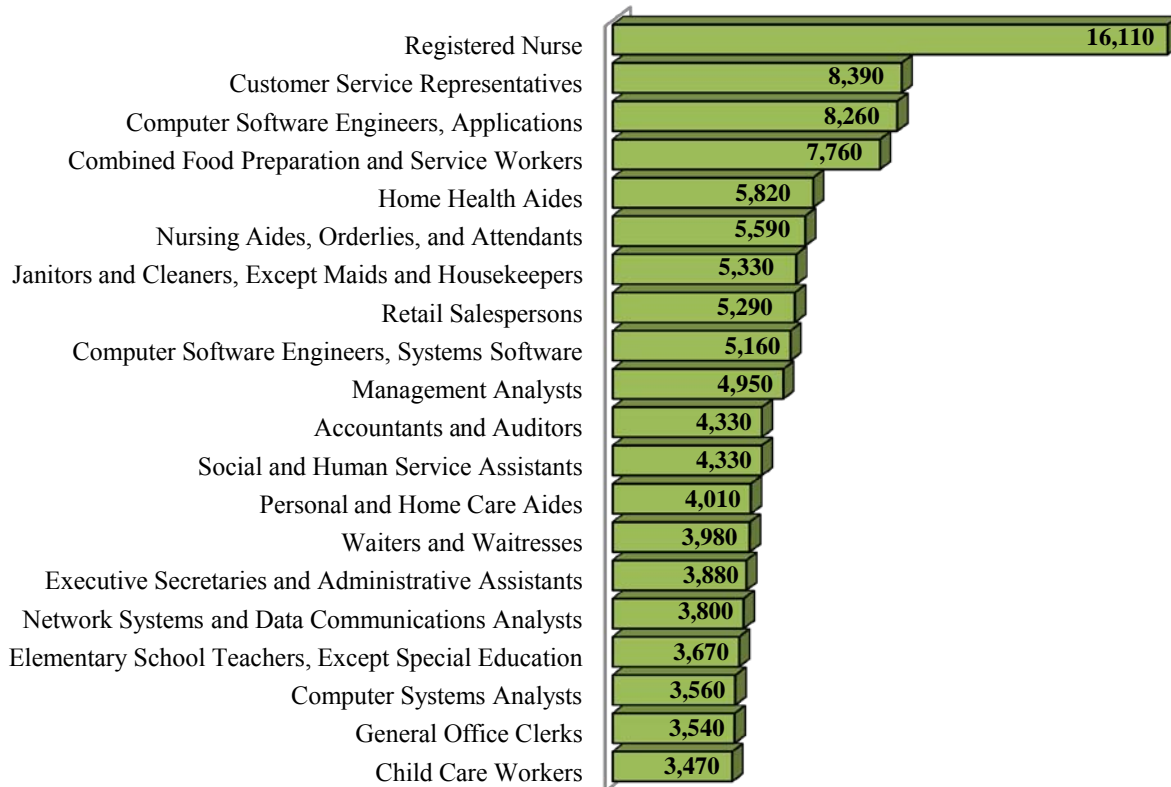
## INDUSTRIES GENERATING THE MOST NEW JOBS THROUGH 2016



\* exam preparation, tutoring & educational consultants

**Source:** Massachusetts Employment Projections 2006 through 2016, as reported by the Massachusetts Department of Workforce Development, Economic Analysis Office, May, 2010

## OCCUPATIONS GENERATING NEARLY HALF OF ALL NEW JOBS BY 2016



**Source:** Massachusetts Employment Projections 2006 through 2016, as reported by the Massachusetts Workforce Development, Economic Analysis Office, May, 2010







**This Comprehensive Annual Financial Report is also available on the Fitchburg State University Vice President of Finance & Administration website located at <http://www.fitchburgstate.edu/offices/administration/vpfaa/>**

**Prepared by:  
Office of Financial Services  
Fitchburg State University  
160 Pearl Street  
Fitchburg, MA 01420  
Jay D. Bry  
Vice President of Finance & Administration**

