

**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

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**FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Financial Statements and  
Management's Discussion and Analysis**

**June 30, 2014 and 2013**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Westfield State University (an agency of the Commonwealth of Massachusetts) (the "University"), which comprise the statements of net position as of June 30, 2014 and 2013, the related statements of revenues and expenses, statements of changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We also have audited the financial statements of Westfield State Foundation, Inc. (the "Foundation") as of June 30, 2014 and 2013, and the related statements of revenues and expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not



for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Westfield State University as of June 30, 2014 and 2013, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, in the year ended June 30, 2014 the College adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this pronouncement resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

### **Supplementary Schedules**

Our audits were conducted for the purpose of forming opinions on the College's basic financial statements. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated, October 8, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

October 8, 2014

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2014**

**INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and results of operations of Westfield State University (the "University") for the fiscal year ended June 30, 2014, with comparative information for the years ended June 30, 2013 and 2012. This discussion has been prepared by management along with the financial statements and footnotes. Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the basic financial statements and notes thereto. The financial statements, footnotes and this discussion are the responsibility of management.

Westfield State University is a comprehensive public institution of higher learning with approximately 5,600 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers 31 undergraduate majors in both the traditional arts and sciences and in professional fields with over 60 options for discipline-specific or interdisciplinary minors and concentrations. There are also 36 graduate-level degree and certificate programs offered by the Division of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State University to providing quality educational programs.

**FINANCIAL HIGHLIGHTS**

- The University's financial position improved during the fiscal year ended June 30, 2014, with a \$5.0 million or 7.0% increase in total net position. Net position, which represents the residual interest in the University's assets after liabilities and deferred inflows of resources are deducted, increased to \$76.6 million from \$71.6 million in 2013. The University's financial position also improved during the fiscal year ended June 30, 2013, with a \$4.7 million or 7.0% increase in total net position, (to \$71.6 million from \$66.9 million in 2012).
- Expenses incurred during fiscal year 2014 totaled \$107.6 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$112.7 million resulting in an increase in net position of \$5.0 million. Expenses incurred during fiscal year 2013 totaled \$97.6 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$102.3 million resulting in an increase in net position of \$4.7 million as compared to an increase of \$6.5 million for the year ended June 30, 2012.

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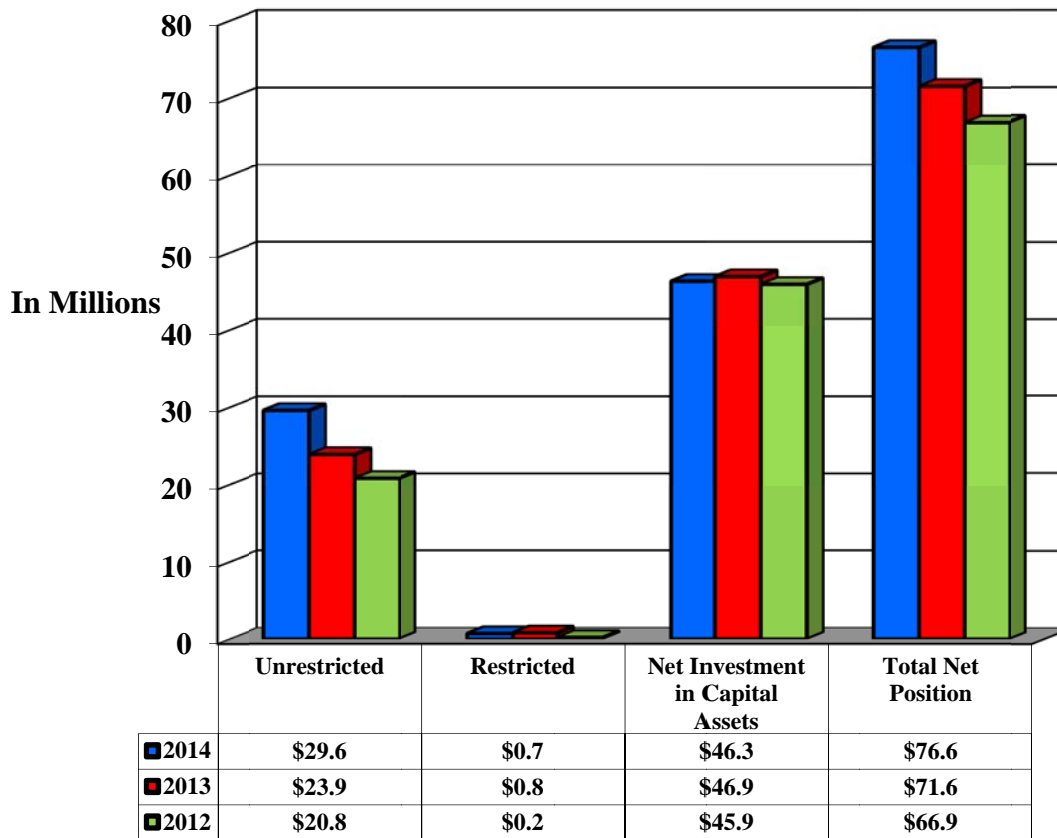
**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL HIGHLIGHTS - Continued**

Graphically displayed, the comparative changes in net position by category for the fiscal years ended June 30, 2014, 2013 and 2012 are shown below:

**Comparison of Net Position**



- The increase in total net position during the fiscal year ended June 30, 2014 was attributable partially to the recognition of state capital appropriation revenue in the amount of \$1.3 million for the work completed to date on the new science center building on campus which was in progress at June 30, 2014 and partially due to the increase in net non-operating revenues. The increase in total net position during the fiscal year ended June 30, 2013 was attributable partially to the recognition of state capital appropriation in the amount of \$1.8 million and partially due to increased revenue more than offsetting increased expenses.

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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements. Westfield State University's basic financial statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements.

**The Financial Statements.** The financial statements are designed to provide readers with a broad overview of Westfield State University's finances in a manner similar to a private-sector university. The University's financial report includes four financial statements: the *Statement of Net Position*, the *Statement of Revenues and Expenses*, the *Statement of Changes in Net Position* and the *Statement of Cash Flows*.

These statements have been prepared in accordance with Government Accounting Standards Board (GASB) principles. These principles establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the institution as a whole. A description of the financial statements follows.

The Westfield State Foundation, Inc. (the 'Foundation'), a component unit of the University, is an independent not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes for the benefit of the University. The financial information of the Foundation has been discretely presented and included within these financial statements because of the nature and significance of their relationship with the University. Complete financial statements for the Foundation can be obtained from their administrative office in Westfield, Massachusetts.

The *Statement of Net Position* presents the financial position of the University at the end of the fiscal year and includes all assets less liabilities and deferred inflows of resources of the University. The difference between these amounts, net position, is one indicator of the current financial position of the University, while the change in net position serves as a useful indicator of whether the financial position of the University is improving or deteriorating.

The *Statement of Revenues and Expenses* presents the University's results of operations and other non-operating revenues.

The *Statement of Changes in Net Position* presents information showing how the University's net position changed during the most recent fiscal year.



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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

The *Statement of Cash Flows* provides additional information about the University's financial results by reporting the major sources and uses of cash. Government Accounting Standards Board (GASB) Statements 34 and 35 require that the direct method be used to prepare this statement. The direct method of cash flow reporting portrays the net cash flow from operations by major categories of operating receipts and disbursements.

The financial statements can be found on pages 17-21 of this financial report.

**Notes to the Financial Statements.** The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 22-46 of this financial report.

**Other Information.** In addition to the financial statements and accompanying footnotes, this financial report also contains certain required supplementary information concerning the University's Building Authority trust fund. This supplementary information can be found on pages 47-48 of this financial report.

**FINANCIAL ANALYSIS OF THE UNIVERSITY**

The University's financial position increased during the year with an increase in net position of \$5.0 million for the year ended June 30, 2014 as compared to an increase of \$4.7 million for the year ended June 30, 2013 and an increase of \$6.6 million for the year ended June 30, 2012.

Net position invested in capital assets, net of related debt, represents the University's capital assets (e.g. land, buildings, machinery and equipment), net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. By far the largest portion of the University's net position (61% at June 30, 2014, 65% at June 30, 2013, 69% at June 30, 2012), these capital assets are used to provide services to students and support to faculty and administration; consequently these assets are not available for future spending.

An additional portion of the University's net position (1% at June 30, 2014, 2013, and 2012), are restricted expendable which represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. The remaining balance of unrestricted net position (38% at June 30, 2014, 34% at June 30, 2013, 30% at June 30, 2012) may be used to meet the University's ongoing obligations.

**WESTFIELD STATE UNIVERSITY**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued**

A summary of the Statements of Net Position as of June 30, is presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ <b>48,481,967</b>	\$ 43,343,566	\$ 41,596,383
Capital Assets, net	<b>61,642,210</b>	62,678,088	58,718,100
Other Non-current assets	<u><b>984,654</b></u>	<u>1,092,430</u>	<u>1,187,479</u>
Total Assets	<u><b>111,108,831</b></u>	<u>107,114,084</u>	<u>101,501,962</u>
Current Liabilities	<b>15,086,825</b>	15,221,757	13,488,245
Non-current Liabilities	<u><b>17,995,896</b></u>	<u>18,568,150</u>	<u>19,495,445</u>
Total Liabilities	<u><b>33,082,721</b></u>	<u>33,789,907</u>	<u>32,983,690</u>
Deferred Inflows of Resources	<u><b>1,439,277</b></u>	<u>1,737,997</u>	<u>1,643,997</u>
Net Position:			
Invested in Capital Assets, net of related debt	<b>46,289,232</b>	46,849,019	45,883,403
Restricted: Expendable	<b>680,442</b>	800,376	238,913
Unrestricted	<u><b>29,617,159</b></u>	<u>23,936,785</u>	<u>20,751,959</u>
Total Net Position	<u><b>76,586,833</b></u>	<u>71,586,180</u>	<u>66,874,275</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><b>\$ 111,108,831</b></u>	<u>\$ 107,114,084</u>	<u>\$ 101,501,962</u>

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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued**

A condensed summary of the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30 is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Tuition and fees	\$ <b>48,524,546</b>	\$ 46,239,640	\$ 44,196,990
Residence and dining fees	<b>25,713,839</b>	22,001,854	22,241,065
Less: scholarships and fellowships	<b>(9,375,369)</b>	(8,575,734)	(7,983,530)
Federal, state and private grants and contracts	<b>11,302,149</b>	9,974,054	9,448,951
Auxiliary operations	<b>3,544,894</b>	3,387,743	3,387,225
Other sources	<u><b>1,033,981</b></u>	<u>1,046,221</u>	<u>1,011,457</u>
Total operating revenues	<b>80,744,040</b>	74,073,778	72,302,158
Less: operating expenses	<u><b>107,184,356</b></u>	<u>96,971,803</u>	<u>95,895,785</u>
Operating loss	<u><b>(26,440,316)</b></u>	<u>(22,898,025)</u>	<u>(23,593,627)</u>
Non-operating revenues (expenses):			
State appropriations, net	<b>30,162,664</b>	25,971,090	25,494,134
Restricted state appropriations	<b>152,009</b>	183,150	-
Net investment income	<b>307,856</b>	311,925	350,752
Loss on disposal of assets	<b>(15,196)</b>	(26,094)	(36,761)
Interest expense	<u><b>(455,586)</b></u>	<u>(629,427)</u>	<u>(157,406)</u>
Total net non-operating revenues	<u><b>30,151,747</b></u>	<u>25,810,644</u>	<u>25,650,719</u>
Income before other revenues (expenses)	<b>3,711,431</b>	2,912,619	2,057,092
Related entity transfers	<b>(35,000)</b>	(714)	9,903
State capital appropriations	<u><b>1,324,222</b></u>	<u>1,800,000</u>	<u>4,424,944</u>
Increase in net position	<b>5,000,653</b>	4,711,905	6,491,939
Net position - beginning of year	<u><b>71,586,180</b></u>	<u>66,874,275</u>	<u>60,382,336</u>
Net position - end of year	<b>\$ <u>76,586,833</u></b>	<b>\$ <u>71,586,180</u></b>	<b>\$ <u>66,874,275</u></b>

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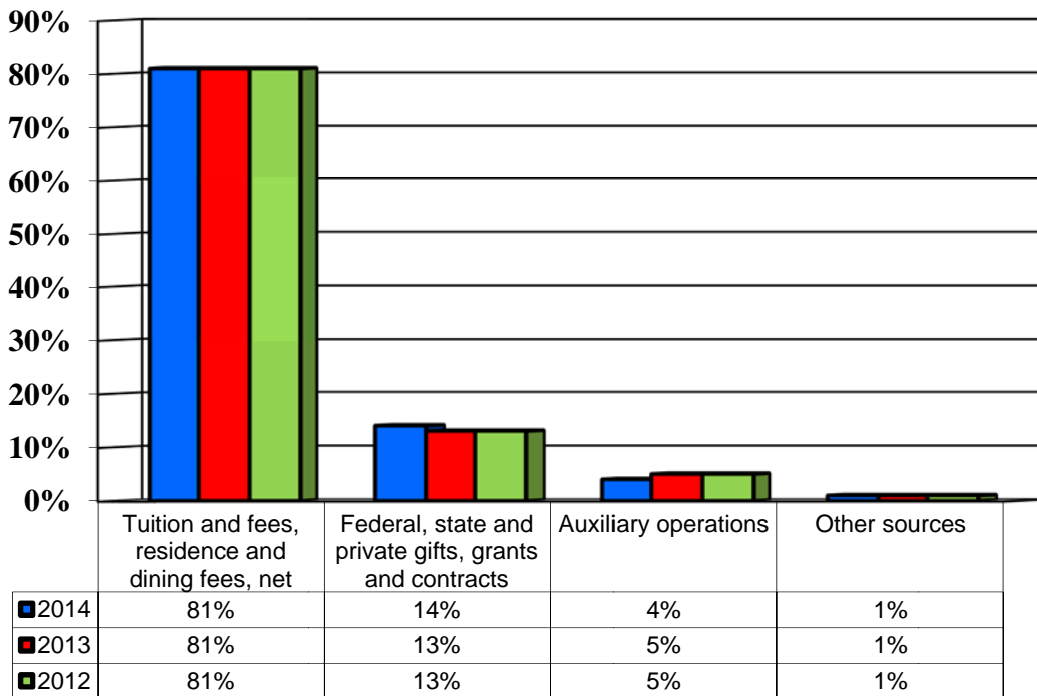
**Management’s Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued**

The following is a graphic illustration of operating revenues by source, as a percent of total operating revenue, which were used to fund the University’s operating activities for the years ended June 30, 2014, 2013 and 2012.

**Operating Revenues by Source**



The University’s operating revenues consist primarily of tuition and fee and residence and dining fee revenue. Tuition and fee revenue increased \$2.3 million or 4.9% during the fiscal year ended June 30, 2014 and \$2.0 million or 4.6% during the fiscal year ended June 30, 2013. The increase during fiscal year 2014 was due to an increase in enrollment over the prior fiscal year, the financial impact of which was \$1.7 million. Also adding to the increase was an increase in the Division of Graduate and Continuing Education tuition and fees of \$0.5 million and an increase in other miscellaneous fees of \$.1 million. For fiscal year ended June 30, 2013, the increase in the wellness center fee (\$0.4 million impact), the increase in the Division of Graduate and Continuing Education tuition and fees of \$0.9 million, offset by decreases due to lower than expected enrollment of \$1.0 million further offset by the increase in the general fee of \$405 per student (\$1.7 million impact) contributed to the increase.

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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued**

Tuition and fees received by the University include the following at June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tuition	\$ <b>12,699,687</b>	\$ 12,135,190	\$ 11,427,086
Student Fees:			
General fees	<b>25,374,623</b>	24,223,500	23,022,758
Student activity fees	<b>1,624,462</b>	1,491,552	1,105,403
Capital improvement fees	<b>459,617</b>	438,960	450,321
Technology fees	<b>7,585,504</b>	7,257,024	7,434,261
Miscellaneous fees	<u><b>780,653</b></u>	<u>693,414</u>	<u>757,161</u>
Total	\$ <u><b>48,524,546</b></u>	\$ <u>46,239,640</u>	\$ <u>44,196,990</u>

Residence and dining fee revenue generated by the auxiliary operations of the University's food service provider and building authority trust funds was \$25,713,839, \$22,001,854, and \$22,241,065 for the years ended June 30, 2014, 2013, and 2012, respectively. The increase in revenues for the year ended June 30, 2014 in the amount of \$3,711,985 or 16.9% is attributable to the increase in the number of students living on campus during fiscal year 2014 of 217 students. This increase in students combined with room and board fee increases and a new residence hall opening in Fall 2013 contributed to the substantial increase in revenue. At June 30, 2013 residence and dining fee revenue decreased \$239,211 or -1.1%.

Major grants and contracts awarded to Westfield State University for the years ended June 30, 2014, 2013 and 2012 included the following:

U.S. Department of Education - Student Support Services \$250,462 (in 2014) \$264,284 (in 2013 and 2012)

U.S. Department of Education - College Work Study \$368,333 (in 2014, 2013 and 2012)

U.S. Department of Education - SEOG \$295,448 (in 2014, 2013 and 2012)



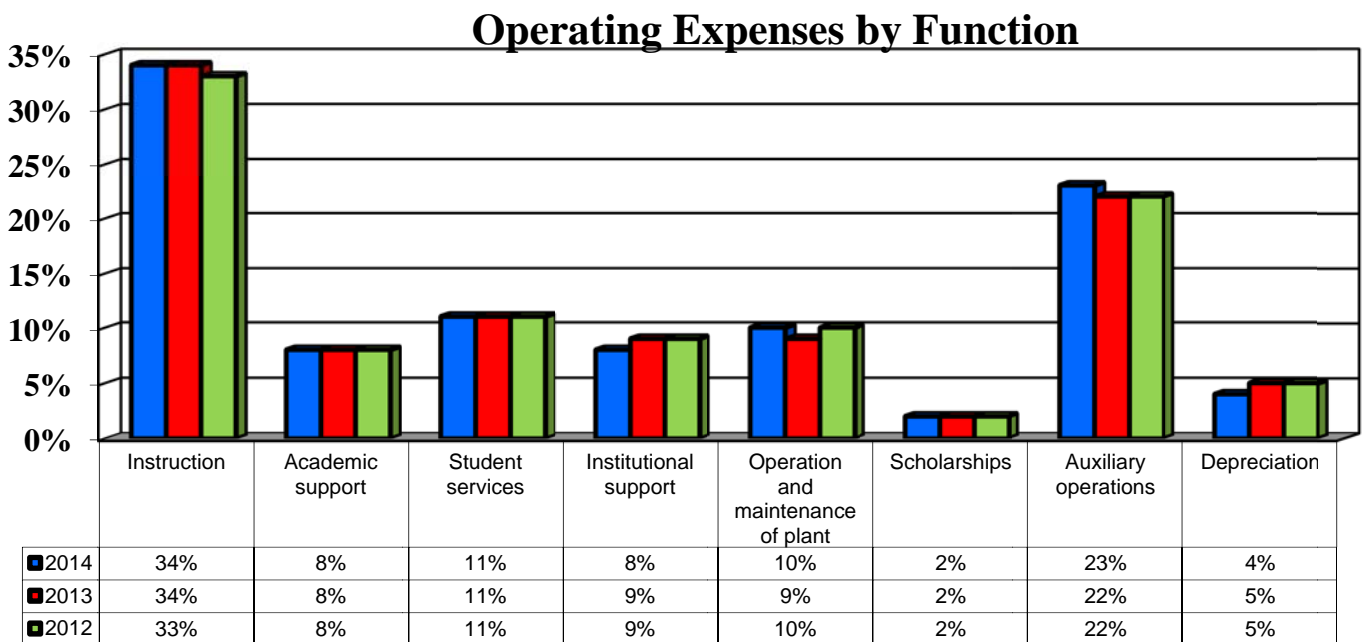
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued**

The following is a graphic illustration of operating expenses by function, shown as a percent of total operating expense, for the years ended June 30, 2014, 2013, and 2012.



A summary of the University's expenses by functional classification for the years ended June 30, 2014, 2013, and 2012 is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 35,972,212	\$ 32,423,039	\$ 31,608,287
Public service	306,904	331,509	355,860
Academic support	8,175,828	7,551,975	7,550,553
Student services	11,928,015	10,954,610	10,820,387
Institutional support	8,734,781	9,009,040	8,687,090
Operation and maintenance of plant	10,221,994	9,048,912	9,487,276
Scholarships and fellowships	2,092,247	2,069,704	1,960,052
Auxiliary operations	25,017,980	20,986,478	21,083,104
Depreciation	<u>4,734,395</u>	<u>4,596,536</u>	<u>4,343,176</u>
Total	\$ <u>107,184,356</u>	\$ <u>96,971,803</u>	\$ <u>95,895,785</u>

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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued**

The University's total operating expenses increased significantly during fiscal year ended June 30, 2014 by \$10,212,553 or 10.5% as compared to a 1.2% increase for the fiscal year ended June 30, 2013. The increase in fiscal year 2014 is attributable to many factors some of which are: an increase in compensation and benefits (\$3.3 million) increase in attorney's fees (\$1.4 million) and increases in auxiliary expenses (\$3.7 million) due to the increase in operating expenses of the new residence hall and increased board plan costs.

A condensed summary of the Statements of Cash Flows for years ended June 30 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash received from operating activities	\$ <b>110,222,007</b>	\$ 101,961,819	\$ 101,148,376
Cash expenses for operating activities	<u><b>(126,388,763)</b></u>	<u>(113,610,993)</u>	<u>(113,558,501)</u>
Net cash applied to operating activities	<b>(16,166,756)</b>	(11,649,174)	(12,410,125)
Net cash provided by non-capital financing activities	<b>23,880,980</b>	20,747,073	19,161,958
Net cash applied to capital financing activities	<b>(3,466,009)</b>	(7,683,973)	(1,624,158)
Net cash provided by investing activities	<u><b>307,070</b></u>	<u>310,295</u>	<u>349,177</u>
Net increase in cash and equivalents	<b>4,555,285</b>	1,724,221	5,476,852
Cash and equivalents - beginning of year	<u><b>41,671,770</b></u>	<u>39,947,549</u>	<u>34,470,697</u>
Cash and equivalents - end of year	\$ <u><b>46,227,055</b></u>	\$ <u>41,671,770</u>	\$ <u>39,947,549</u>

The University's liquidity increased significantly during the year ended June 30, 2014 with a \$4,555,285 increase in cash and equivalents. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2014, the University's net cash applied to operating activities increased by \$4.5 million over the prior year. This was due to increases in payments to employees and suppliers of \$10.0 million outpacing the increases in cash received of \$5.6 million (not including increases in direct lending receipts and disbursements of \$2.7 million). Net cash provided by non-capital financing activities increased approximately \$3.1 million due

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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued**

to an increase in state appropriation. Net cash applied to capital financing activities decreased by approximately \$4.2 million mostly due to the decrease in purchases of capital assets of \$6.5 million combined with a decrease in state capital appropriations of \$1.8 million. The slight decrease in net cash provided by investing activities was due to a decrease in interest received.

The University's combined liquidity increased slightly during the year ended June 30, 2013 with a \$1,724,221 increase in cash. The following discussion amplifies the overview of cash flows for fiscal year ended June 30, 2013.

During the year ended June 30, 2013, the University's net cash applied to operating activities decreased by approximately \$0.8 million over the prior year. This was mostly due to an increase in cash received. The increase in cash received for tuition of \$1.5 million and an increase in cash received for grants and contracts (mostly for increased Pell grants) of \$0.8 million was offset by decreases in cash received, due to decreased enrollment, from residence and dining fees and direct lending receipts of \$0.7 million and decreases in other receipts of \$0.8 million. Net cash provided by non-capital financing activities increased approximately \$1.5 million due to the increase in state appropriation for collective bargaining increases. Net cash applied to capital financing activities increased significantly by approximately \$6.1 million due to many factors including, a decrease in capital appropriation of \$2.6 million, a decrease in proceeds from sale of bonds of \$9.1 million, and a decrease in advance payment related to service concession arrangement of \$0.6 million offset by the decrease in purchase of capital assets of \$6.9 million and an increase in debt payments of \$0.7. The slight decrease in net cash provided by investing activities was due to a decrease in interest received.

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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**LOSS FROM OPERATIONS**

The following table presents the University's incurred losses from operations and its non-operating revenues for the fiscal years ended June 30, 2014, 2013 and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues, net	\$ <b>80,744,040</b>	\$ 74,073,778	\$ 72,302,158
Operating expenses	<u><b>107,184,356</b></u>	<u>96,971,803</u>	<u>95,895,785</u>
<b>Operating loss</b>	<u><b>(26,440,316)</b></u>	<u>(22,898,025)</u>	<u>(23,593,627)</u>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	<b>30,162,664</b>	25,971,090	25,494,134
Restricted state appropriations	<b>152,009</b>	183,150	-
Net investment income	<b>307,856</b>	311,925	350,752
Loss on disposal of assets	<b>(15,196)</b>	(26,094)	(36,761)
Other expenses	<b>(455,586)</b>	(629,427)	(157,406)
Capital appropriations	<b>1,324,222</b>	1,800,000	4,424,944
Related entity transfers	<u><b>(35,000)</b></u>	<u>(714)</u>	<u>9,903</u>
<b>Non-operating revenues</b>	<u><b>31,440,969</b></u>	<u>27,609,930</u>	<u>30,085,566</u>
<b>Increase in net position</b>	\$ <u><b>5,000,653</b></u>	\$ <u>4,711,905</u>	\$ <u>6,491,939</u>

Due to the nature of accounting for appropriations as non-operating revenues in accordance with GASB principles, the University incurred a loss from operations. The Commonwealth's Department of Higher Education establishes tuition rates while the University sets fees and other charges. The University, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

The \$3.8 million increase in net non-operating revenues during fiscal year 2014 is primarily attributable to the increase in net state appropriation in the amount of \$4.1 million. This increase was offset by a decrease in state capital appropriation (\$0.5 million) and a decrease in other expenses (\$0.2 million).

The \$2.5 million decrease in net non-operating revenues during fiscal year 2013 is primarily attributable to the decrease in state capital appropriation in the amount of \$2.6 million. This decrease was offset by an increase in state appropriation (\$0.6 million) and an increase in other expenses (\$0.5 million).

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014**

**CAPITAL ASSETS AND DEBT**

The University's investment in capital assets, net of accumulated depreciation, as of June 30, 2014, 2013 and 2012 were \$61,642,210, \$62,678,088, and \$58,718,100, respectively. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. Capital assets decreased by \$1,035,878 million or 2% during the fiscal year ended June 30, 2014 and increased \$4.0 million or 7% during the fiscal year ended June 30, 2013. The increase during fiscal year ended June 30, 2013 was due to capital additions outpacing depreciation expense while during the fiscal year ended June 30, 2014 the opposite was true resulting in a decrease. Capital additions during fiscal year ended June 30, 2014 amounted to \$3,729,753 as compared to \$8,582,619 for the year ended June 30, 2013 and \$15,711,643 for the year ended June 30, 2012.

Major additions during 2014 include \$1.9 million in construction in progress for two projects, the installation of air conditioning in Bates Hall and Parenzo Hall (\$.6 million) and construction costs (\$1.3 million) related to the new science center building on campus to be completed in August, 2016.

Major additions during 2013 included \$5.8 million to complete the major renovation of the Ely Campus Center which includes a new wellness center, food service venue and student programming space, \$1.4 million for the replacement of the chiller in Wilson Hall, \$.3 for information technology projects including computer lab upgrades and server replacements, and \$.2 million for sustainability initiatives which were in progress at June 30, 2013.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Westfield State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Vice President of Administration and Finance, 333 Western Avenue, Westfield, Massachusetts 01085.



**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Net Position**

**June 30, 2014 and 2013**

**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Net Position**

**June 30,**

**Assets**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2014 University</u>	2013 <u>University</u>	<u>2014 Foundation</u>	2013 <u>Foundation</u>
<b>Current Assets:</b>				
Cash and equivalents	\$ 43,270,956	\$ 37,864,693	\$ 109,959	\$ 274,739
Cash held by State Treasurer	1,600,783	1,701,899	-	-
Deposits held by State Treasurer	1,346,446	1,951,467	-	-
Deposits held by MSCBA	8,870	153,711	-	-
Short-term investments	60,823	60,037	-	-
Accounts receivable, net	1,528,150	895,298	223,899	228,475
Due from Foundation	1,760	1,250	-	-
Loans receivable	191,589	191,203	-	-
Other current assets	<u>472,590</u>	<u>524,008</u>	<u>9,906</u>	<u>1,674</u>
<b>Total Current Assets</b>	<u><b>48,481,967</b></u>	<u>43,343,566</u>	<u><b>343,764</b></u>	<u>504,888</u>
<b>Non-Current Assets:</b>				
Debt service reserve	447,527	457,275	-	-
Investments	-	-	6,201,245	5,182,312
Loans receivable, net	537,127	635,155	-	-
Capital assets, net	<u>61,642,210</u>	<u>62,678,088</u>	<u>460,649</u>	<u>473,242</u>
<b>Total Non-Current Assets</b>	<u><b>62,626,864</b></u>	<u>63,770,518</u>	<u><b>6,661,894</b></u>	<u>5,655,554</u>
<b>Total Assets</b>	<u><b>\$ 111,108,831</b></u>	<u>\$ 107,114,084</u>	<u><b>\$ 7,005,658</b></u>	<u>\$ 6,160,442</u>

*The accompanying notes are an integral part of the financial statements.*

**Liabilities, Deferred Inflows of Resources and Net Position**

	Primary Government		Component Unit	
	2014 <u>University</u>	2013 <u>University</u>	2014 <u>Foundation</u>	2013 <u>Foundation</u>
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 2,397,774	\$ 2,334,215	\$ 10,740	\$ 8,572
Accrued salaries, wages and benefits	4,683,704	4,530,625	-	-
Compensated absences	4,559,360	4,338,286	-	-
Accrued workers' compensation	179,154	185,044	-	-
Due to University	-	-	1,760	1,250
Student deposits and unearned revenue	1,076,386	1,013,469	1,000	1,000
Deposits held	657,639	662,053	-	-
Line of credit	-	-	304,800	462,400
Assets held in custody for others	569,260	1,282,824	209,260	223,265
Current portion of capital lease obligations	107,203	48,169	-	-
Current portion of bonds payable	852,363	814,200	-	-
Other liabilities	<u>3,982</u>	<u>12,872</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>15,086,825</u>	<u>15,221,757</u>	<u>527,560</u>	<u>696,487</u>
<b>Non-Current Liabilities:</b>				
Compensated absences	1,439,320	1,324,221	-	-
Accrued workers' compensation	712,161	671,637	-	-
Grants refundable	994,606	994,606	-	-
Capital lease obligations	230,413	105,956	-	-
Bonds payable	<u>14,619,396</u>	<u>15,471,730</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Liabilities</b>	<u>17,995,896</u>	<u>18,568,150</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>33,082,721</u>	<u>33,789,907</u>	<u>527,560</u>	<u>696,487</u>
<b>Deferred Inflows of Resources</b>	<u>1,439,277</u>	<u>1,737,997</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	46,289,232	46,849,019	460,649	473,242
Restricted for:				
Expendable	680,442	800,376	3,146,133	2,349,308
Non-expendable	-	-	3,205,298	3,151,274
Unrestricted	<u>29,617,159</u>	<u>23,936,785</u>	<u>(333,982)</u>	<u>(509,869)</u>
<b>Total Net Position</b>	<u>76,586,833</u>	<u>71,586,180</u>	<u>6,478,098</u>	<u>5,463,955</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 111,108,831</u>	<u>\$ 107,114,084</u>	<u>\$ 7,005,658</u>	<u>\$ 6,160,442</u>

**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Revenues and Expenses**

**For the Years Ended June 30, 2014 and 2013**

	2014 Primary <u>Institution</u>	2013 Primary <u>Institution</u>	2014 Component Unit- <u>Foundation</u>	2013 Component Unit- <u>Foundation</u>
<b>Operating Revenues:</b>				
Tuition and fees	\$ 48,524,546	\$ 46,239,640	\$ -	\$ -
Residence and dining fees	25,713,839	22,001,854	-	-
Less: scholarships and fellowships	<u>(9,375,369)</u>	<u>(8,575,734)</u>	-	-
Net tuition and fees	64,863,016	59,665,760	-	-
Federal grants and contracts	8,241,354	7,675,537	-	-
State grants and contracts	2,498,291	1,902,339	-	-
Private grants and contracts	562,504	396,178	584,219	607,392
Public service	329,771	364,524	-	-
Auxiliary operations	3,544,894	3,387,743	-	-
Other sources	<u>704,210</u>	<u>681,697</u>	<u>65,980</u>	<u>72,540</u>
<b>Total Operating Revenues</b>	<u>80,744,040</u>	<u>74,073,778</u>	<u>650,199</u>	<u>679,932</u>
<b>Operating Expenses:</b>				
Instruction	35,972,212	32,423,039	-	-
Public service	306,904	331,509	-	-
Academic support	8,175,828	7,551,975	71,806	83,693
Student services	11,928,015	10,954,610	-	-
Institutional support	8,734,781	9,009,040	394,422	547,272
Operation and maintenance of plant	10,221,994	9,048,912	-	-
Scholarships and fellowships	2,092,247	2,069,704	198,855	185,570
Auxiliary operations	25,017,980	20,986,478	-	-
Depreciation	<u>4,734,395</u>	<u>4,596,536</u>	<u>12,593</u>	<u>12,592</u>
<b>Total Operating Expenses</b>	<u>107,184,356</u>	<u>96,971,803</u>	<u>677,676</u>	<u>829,127</u>
<b>Operating Loss</b>	<u>(26,440,316)</u>	<u>(22,898,025)</u>	<u>(27,477)</u>	<u>(149,195)</u>
<b>Non-Operating Revenues (Expenses):</b>				
State appropriations, net	30,162,664	25,971,090	-	-
Restricted state appropriations	152,009	183,150	-	-
Loss on disposal of assets	(15,196)	(26,094)	-	-
Investment income, net of expenses	307,856	311,925	1,018,967	666,374
Interest expense	<u>(455,586)</u>	<u>(629,427)</u>	<u>(12,347)</u>	<u>(14,427)</u>
<b>Net Non-Operating Revenues</b>	<u>30,151,747</u>	<u>25,810,644</u>	<u>1,006,620</u>	<u>651,947</u>
<b>Income Before Other Revenues (Expenses)</b>	3,711,431	2,912,619	979,143	502,752
Capital appropriations	1,324,222	1,800,000	-	-
Related entity transfers	<u>(35,000)</u>	<u>(714)</u>	<u>35,000</u>	<u>714</u>
<b>Total Increase in Net Position</b>	<u>\$ 5,000,653</u>	<u>\$ 4,711,905</u>	<u>\$ 1,014,143</u>	<u>\$ 503,466</u>

The accompanying notes are an integral part of the financial statements.

**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Changes in Net Position**

**For the Years Ended June 30, 2014 and 2013**

	<u>Primary Government</u>				
	<u>Investment in Capital Assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
<b>Balance, June 30, 2012</b>					
as previously reported	\$ 45,883,403	\$ 238,913	\$ -	\$ 20,854,584	\$ 66,976,900
<b>Prior period adjustment:</b>					
Change in accounting principle (Note 2)	-	-	-	(102,625)	(102,625)
<b>Balance, June 30, 2012</b>					
as restated	45,883,403	238,913	-	20,751,959	66,874,275
Changes in net position for 2013					
as previously reported	965,616	561,463		3,177,921	4,705,000
Change in accounting principle (Note 2)	-	-	-	6,905	6,905
<b>Balance, June 30, 2013, as restated</b>	<b>46,849,019</b>	<b>800,376</b>	<b>-</b>	<b>23,936,785</b>	<b>71,586,180</b>
Changes in net position for 2014	(559,787)	(119,934)	-	5,680,374	5,000,653
<b>Balance, June 30, 2014</b>	<b><u>\$ 46,289,232</u></b>	<b><u>\$ 680,442</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 29,617,159</u></b>	<b><u>\$ 76,586,833</u></b>

	<u>Component Unit</u>				
	<u>Investment in Capital Assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
<b>Balance, June 30, 2012</b>	\$ 485,834	\$ 1,791,709	\$ 3,072,929	\$ (389,983)	\$ 4,960,489
Changes in net position	(12,592)	557,599	78,345	(119,886)	503,466
<b>Balance, June 30, 2013</b>	473,242	2,349,308	3,151,274	(509,869)	5,463,955
Changes in net position	(12,593)	796,825	54,024	175,887	1,014,143
<b>Balance, June 30, 2014</b>	<b><u>\$ 460,649</u></b>	<b><u>\$ 3,146,133</u></b>	<b><u>\$ 3,205,298</u></b>	<b><u>\$ (333,982)</u></b>	<b><u>\$ 6,478,098</u></b>

The accompanying notes are an integral part of the financial statements.



**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Cash Flows**

**For the Years Ended June 30, 2014 and 2013**

	<u>Primary Government</u>	
	<u>2014 University</u>	<u>2013 University</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 42,354,353	\$ 40,660,378
Residence and dining fees	22,432,460	19,000,347
Grants and contracts	10,980,375	10,160,552
Payments to suppliers	(37,478,551)	(29,865,975)
Payments to employees	(56,408,773)	(53,976,765)
Payments to students	(2,092,757)	(2,068,749)
Direct lending receipts	30,273,332	27,568,154
Direct lending disbursements	(30,273,332)	(27,568,154)
Loans issued to students	(135,350)	(131,350)
Collections of loans to students	162,477	214,376
Auxiliary operations	3,544,894	3,387,743
Other receipts	<u>474,116</u>	<u>970,269</u>
Net Cash Applied to Operating Activities	<u>(16,166,756)</u>	<u>(11,649,174)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
State appropriation	24,981,775	21,750,049
Tuition remitted to state	(1,095,795)	(1,002,262)
Received from the Foundation	<u>(5,000)</u>	<u>(714)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>23,880,980</u>	<u>20,747,073</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Capital appropriations	18,404	1,800,000
Purchases of capital assets	(2,128,628)	(8,582,619)
Proceeds from sale of assets	2,040	-
Advance payment related to service concession arrangement	-	410,000
Principal paid on capital leases	(98,241)	(46,275)
Interest paid on capital leases	(8,777)	(7,431)
Principal paid on bonds payable	(814,171)	(637,596)
Interest paid on bonds payable	(446,384)	(615,090)
Increase (decrease) in debt service reserve	<u>9,748</u>	<u>(4,962)</u>
Net Cash Applied to Capital Financing Activities	<u>(3,466,009)</u>	<u>(7,683,973)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest income	<u>307,070</u>	<u>310,295</u>
<b>Net Increase in Cash and Equivalents</b>	<b>4,555,285</b>	<b>1,724,221</b>
Cash and Equivalents, Beginning of Year	<u>41,671,770</u>	<u>39,947,549</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 46,227,055</u></b>	<b><u>\$ 41,671,770</u></b>

**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Cash Flows - Continued**

**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u> <u>University</u>	Primary Government  <u>2013</u> <u>University</u>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Operating loss	\$ (26,440,316)	\$ (22,898,025)
<b>Adjustments to Reconcile Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Depreciation	4,734,395	4,596,536
Fringe benefits provided by the State	6,428,693	5,406,453
Deferred inflows of resources	(328,720)	(316,000)
Bad debts	141,165	47,855
<b>Changes in Assets and Liabilities:</b>		
Accounts receivable	(708,735)	(57,955)
Due from Foundation	(510)	955
Loans receivable	32,360	89,403
Other current assets	51,418	(8,484)
Accounts payable and accrued liabilities	63,559	486,144
Accrued salaries, wages and benefits	153,079	46,991
Compensated absences	336,173	469,467
Accrued workers' compensation	34,634	14,373
Student deposits and unearned revenue	62,917	2,868
Deposits held	(4,414)	79,091
Assets held in custody for others	(713,564)	403,647
Other liabilities	<u>(8,890)</u>	<u>(12,493)</u>
Net Cash Applied to Operating Activities	<u>\$ (16,166,756)</u>	<u>\$ (11,649,174)</u>
<b>Non-Cash Transactions:</b>		
Fringe benefits paid by State	<u>\$ 6,428,693</u>	<u>\$ 5,406,453</u>
Acquisition of capital assets through capital leases	<u>\$ 295,307</u>	<u>\$ -</u>
Trade in value received for capital assets obtained in capital lease	<u>\$ 14,000</u>	<u>\$ -</u>
Capital improvements provided by capital appropriations	<u>\$ 1,305,818</u>	<u>\$ -</u>
Deferred inflows of resources	<u>\$ 328,720</u>	<u>\$ 316,000</u>
Service concession arrangement funds received directly by Foundation	<u>\$ 30,000</u>	<u>\$ -</u>
<b>Cash and Equivalents, End of Year:</b>		
Cash and equivalents	\$ 43,270,956	\$ 37,864,693
Cash held by State Treasurer	1,600,783	1,701,899
Deposits held by State Treasurer	1,346,446	1,951,467
Deposits held by MSCBA	<u>8,870</u>	<u>153,711</u>
<b>Total</b>	<u>\$ 46,227,055</u>	<u>\$ 41,671,770</u>

*The accompanying notes are an integral part of the financial statements.*

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies**

*Organization*

Westfield State University (the "University") is a public, state-supported university located in Westfield, Massachusetts and governed by a local Board of Trustees under the direction of the Massachusetts Department of Higher Education. The University is empowered to award baccalaureate and post graduate degrees in education, business, and arts and sciences, as well as conduct programs of continuing education. The University is accredited by the New England Association of Schools and Colleges.

*Basis of Presentation*

The accompanying 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)*.

Westfield State Foundation, Inc. (the "Foundation") is a related tax exempt organization founded to foster and promote the growth, progress and general welfare of the University. The Foundation is included in the University's financial statements and is reported in a separate column from the University to emphasize that it is a Massachusetts not-for-profit organization legally separate from the University. Because of the significance of its financial relationship with the University, the Foundation is included in the University's financial statements. Complete financial statements can be obtained from the Foundation's administrative office in Westfield, Massachusetts.

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. The accompanying statement of revenues and expenses demonstrates the degree to which the direct expenses of a given function are 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.

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Basis of Presentation - Continued*

The University has determined that it functions as a business-type activity, as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The University presents statements of net position, revenues and expenses, changes in net position, and cash flows on a combined University-wide basis.

The University's policy for defining operating activities in the statements of revenues and expenses is 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 non-operating activities in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, and interest expense.

*Net Position*

Resources are classified for accounting purposes into the following four net asset categories:

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

Restricted - nonexpendable: Net position subject to externally imposed conditions such that the University must maintain the funds in perpetuity.

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the University or the passage of time.

Unrestricted: Net position that is not subject to externally imposed stipulations. 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.

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Net Position - Continued*

The University has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

*Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the dates of the financial statements and revenues and expenses recognized during the reporting periods. The University's significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, the accrual for pollution remediation, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

*Trust Funds*

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

*Cash and Equivalents*

The University's cash and equivalents are cash on hand, cash and deposits held with the Commonwealth's Treasurer and Massachusetts State College Board Authority (MSCBA), which are short term, highly liquid investments with original maturities of three months or less from the date of acquisition.

*Allowance for Doubtful Accounts*

Accounts and pledge receivable are periodically evaluated for collectability. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and current economic conditions.

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Investments*

Investments in marketable securities are stated at fair value.

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

- A) 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;
- B) as increases in temporarily 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 generally be classified as restricted - expendable; and
- C) as increases in unrestricted net position in all other cases.

*Capital Assets*

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the University's capitalization policy, non-collection items with a unit cost of more than \$1,000 are capitalized. Library materials are generally expensed during the year. University capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

*Restricted Gifts*

The University recognizes restricted gifts as revenues or receivables when all applicable eligibility requirements, including time requirements, are met.

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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Grants and Contracts*

The University receives monies from the Federal and state government and other private agencies under grants and contracts. The costs, both direct and indirect, charged to these grants and contracts are subject to audit by the granting agency. The University administration believes that any audit adjustments would not have a material adverse effect on the University's financial position, its revenues, expenses and changes in net position, or its cash flows.

*Compensated Absences*

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2014 and 2013. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2014 and 2013. Upon retirement, these employees are entitled to receive payment for this accrued balance. Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

*Deposits and Unearned Revenue*

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred. Funds received in advance from various grants and contracts are deferred. Deposits and unearned revenue are recorded as revenue as earned.

*Deposits held by MSCBA*

Deposits held represent funds held by the Massachusetts State College Building Authority for specific projects.

*Deposits held by State Treasurer*

Deposits held represent funds accessible by the University held by the Commonwealth of Massachusetts for payments on payroll.

*Student Fees*

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

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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 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. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the University. Workers' compensation costs are assessed separately based on the University's actual experience. The Commonwealth requires the University to record, as a liability, its portion of the future estimated workers' compensation benefits to be paid.

*Income Tax Status*

The University is a component unit of the Commonwealth of Massachusetts and is exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

*New Governmental Accounting Pronouncements*

GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Management is in the process of reviewing this statement and its potential effect upon their financial reporting.

GASB 69, *Government Combinations and Disposals of Government Operations* is required for periods—beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Management is in the process of reviewing this statement and its potential effect upon their financial reporting. It does not expect any material impact.



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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*New Governmental Accounting Pronouncements - Continued*

GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB 68* is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Management is in the process of reviewing this statement and its potential effect upon their financial reporting.

*Reclassifications*

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Note 2 - **Change in Accounting Principle**

GASB 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, establishes accounting and financial reporting standards for the reclassification of certain assets and liabilities in accordance with GASBS 63. The University adopted GASB 65 as of July 1, 2013, which required that the unamortized bond issuance costs were charged against net position. Accordingly, net position at June 30, 2013 and 2012 have been restated. The restatement resulted in an increase of net position of \$6,905 at June 30, 2013, and a decrease in net position of \$102,625 at June 30, 2012.

A summary of the changes made to the previously issued financial statements for the year ended June 30, 2013 is as follows:

	<u>As Previously Stated</u>	<u>As Restated</u>
Bond issue costs, net	\$ 95,720	\$ -
Unrestricted net position	24,032,505	23,936,785
Change in net position	4,705,000	4,711,905
Operation and maintenance of plant	6,905	-

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 3 - **Cash and Equivalents**

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the University would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) and other third-party insurance. The University's policy is to mitigate as much custodial risk associated with its cash assets as possible. Deposits in the bank in excess of the insured amounts are uninsured and uncollateralized. The University places funds with the Massachusetts Municipal Depository Trust (MMDT).

The MMDT is an instrumentality of the Treasurer of the Commonwealth and therefore not subject to FDIC insurance and its political sub-divisions. It is designed as a legal means to temporarily invest available cash in safe, liquid and high yield investment vehicles by offering participation in a diversified portfolio of high quality money market instruments.

The University has a repurchase agreement with one of its financial institutions. The fair value of the securities held at this institution at June 30, 2014 and 2013 was approximately \$5,700,000 and \$5,559,000, respectively. The University will earn interest on their cash investment at prime rate minus 75 basis points.

The carrying amount of the University's bank deposits and deposits in trust depositories are \$43,270,956 and \$37,864,693, as compared to bank balances of \$43,689,931 and \$38,238,096 at June 30, 2014 and 2013, respectively. The differences between the carrying amount and the bank balances were caused by deposits in-transit and outstanding checks.

Bank balances as of June 30, 2014 and 2013 in the amount of \$37,931,875 and \$32,619,739, respectively, at Peoples Bank and Berkshire Bank are insured by the Massachusetts Depositors Insurance Fund and are therefore not subject to custodial risk. Amounts remaining that are exposed to custodial risk at June 30, 2014 and 2013 were \$5,699,998 and \$5,559,409, respectively.

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 4 - **Cash Held by the State Treasurer**

Accounts payable, accrued salaries, wages and withholdings to be funded from state appropriated funds totaled \$1,600,783 and \$1,701,899 at June 30, 2014 and 2013, respectively. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which was subsequently used to pay for such liabilities.

Note 5 - **Investments**

*University*

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2014 and 2013, the entire balance of investments represents mutual funds that are held in safekeeping accounts in trust depositories in the name of the University and are uninsured. At June 30, 2014 and 2013, the investments are stated at fair market value, have a maturity of less than one year, and have an unrated quality.

*Foundation*

Investments of the Foundation are stated at fair value and consist of the following at June 30:

	<u>2014</u>		<u>2013</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Investments:				
Stock Market Index Fund	\$ <b>3,279,991</b>	\$ <b>2,115,419</b>	\$ 3,136,613	\$ 2,595,220
Bond Market Index Fund	<b>1,353,791</b>	<b>1,300,780</b>	1,023,697	993,996
International Stock Market Index Fund	<b><u>1,567,463</u></b>	<b><u>1,449,588</u></b>	<u>1,022,002</u>	<u>1,284,533</u>
	<b>\$ <u>6,201,245</u></b>	<b>\$ <u>4,865,787</u></b>	<b>\$ <u>5,182,312</u></b>	<b>\$ <u>4,873,749</u></b>

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 5 - **Investments - Continued**

The following schedule summarizes the investment return net of investment fees and its classification in the statements of revenues and expenses, and changes in net position for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ <b>132,915</b>	\$ 141,660
Net unrealized gains	<u><b>886,052</b></u>	<u>524,714</u>
	<u><b>\$ 1,018,967</b></u>	<u>\$ 666,374</u>

Note 6 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Student accounts receivable	\$ <b>1,369,891</b>	\$ 1,245,046
Grants receivable	<b>496,179</b>	174,405
Other receivables	<u><b>600,324</b></u>	<u>338,208</u>
	<b>2,466,394</b>	1,757,659
Less: allowance for doubtful accounts	<u><b>(938,244)</b></u>	<u>(862,361)</u>
	<u><b>\$ 1,528,150</b></u>	<u>\$ 895,298</u>

Note 7 - **Loans Receivable and Grants Refundable**

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The Federal government provides the majority of the funds to support this program. Loan payments received from students made under this program may be re-loaned after collection. The portion of the Perkins program provided by the Federal government, identified as grants refundable on the Statement of Net Position, is refundable to the Federal government upon the termination of the University's participation in the program.

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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 7 - **Loans Receivable and Grants Refundable - Continued**

Loans receivable include the following at June 30:

	<u>2014</u>	<u>2013</u>
Perkins loans receivable	\$ <b>1,225,456</b>	\$ 1,257,816
Less: allowance for doubtful accounts	<b>(496,740)</b>	<u>(431,458)</u>
 Total loans receivable, net	 <b>728,716</b>	 826,358
Less: amount due in one year	<b>(191,589)</b>	<u>(191,203)</u>
 Long term loans receivable	 \$ <b><u>537,127</u></b>	 \$ <u>635,155</u>

Note 8 - **Related Party Transactions**

The University provides certain personnel and payroll services to the Foundation at no charge.

A member of the Board of Trustees of the University is the President of Westfield Bank which in connection with a repurchase agreement the University has entered into, holds deposits of approximately \$5,700,000 and \$5,559,000 at June 30, 2014 and 2013, respectively.

During fiscal year end 2014 the Foundation received legal services from a law firm in which a member of the Board of Directors is a principal, at a cost of approximately \$13,600. No charges were incurred during the fiscal year ended 2013.

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 9 - **Capital Assets**

The University's capital asset activity for the years ended June 30, 2014 and 2013 is summarized as follows:

	<b>Estimated lives (in years)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>Ending Balance</b>
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction-in-progress	-	<u>495,924</u>	<u>1,861,318</u>	<u>-</u>	<u>(229,701)</u>	<u>2,127,541</u>
Total		<u>1,719,786</u>	<u>1,861,318</u>	<u>-</u>	<u>(229,701)</u>	<u>3,351,403</u>
Depreciable:						
Buildings, including improvements	20-40	91,035,663	217,681	-	-	91,253,344
Land improvements	20	2,104,294	-	-	-	2,104,294
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	23,306,662	1,258,985	961,677	229,701	23,833,671
Library books	5	7,117,910	49,777	-	-	7,167,687
Vehicles	5	<u>1,064,989</u>	<u>341,992</u>	<u>23,478</u>	<u>-</u>	<u>1,383,503</u>
Total		<u>124,900,601</u>	<u>1,868,435</u>	<u>985,155</u>	<u>229,701</u>	<u>126,013,582</u>
Less accumulated depreciation:						
Buildings, including improvements		37,681,011	2,624,084	-	-	40,305,095
Land improvements		830,282	104,595	-	-	934,877
Leasehold improvements		216,867	54,216	-	-	271,083
Equipment and furnishings		17,399,424	1,762,843	930,441	-	18,231,826
Library books		7,000,502	63,297	-	-	7,063,799
Vehicles		<u>814,213</u>	<u>125,360</u>	<u>23,478</u>	<u>-</u>	<u>916,095</u>
Total accumulated depreciation		<u>63,942,299</u>	<u>4,734,395</u>	<u>953,919</u>	<u>-</u>	<u>67,722,775</u>
Capital Assets, Net		<u>\$ 62,678,088</u>	<u>\$ (1,004,642)</u>	<u>\$ 31,236</u>	<u>\$ -</u>	<u>\$ 61,642,210</u>

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

**Note 9 - Capital Assets - Continued**

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction-in-progress	-	9,638,135	229,701	-	(9,371,912)	495,924
Total		<u>10,861,997</u>	<u>229,701</u>	<u>-</u>	<u>(9,371,912)</u>	<u>1,719,786</u>
Depreciable:						
Buildings, including improvements	20-40	75,824,642	5,839,109	-	9,371,912	91,035,663
Land improvements	20	2,001,316	102,978	-	-	2,104,294
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	21,570,180	2,241,047	504,565	-	23,306,662
Library books	5	7,072,188	45,722	-	-	7,117,910
Vehicles	5	1,007,962	124,062	67,035	-	1,064,989
Total		<u>107,747,371</u>	<u>8,352,918</u>	<u>571,600</u>	<u>9,371,912</u>	<u>124,900,601</u>
Less accumulated depreciation:						
Buildings, including improvements		35,061,148	2,619,863	-	-	37,681,011
Land improvements		725,686	104,596	-	-	830,282
Leasehold improvements		162,650	54,217	-	-	216,867
Equipment and furnishings		16,193,474	1,684,420	478,470	-	17,399,424
Library books		6,949,146	51,356	-	-	7,000,502
Vehicles		799,164	82,084	67,035	-	814,213
Total accumulated depreciation		<u>59,891,268</u>	<u>4,596,536</u>	<u>545,505</u>	<u>-</u>	<u>63,942,299</u>
Capital Assets, Net		<u>\$ 58,718,100</u>	<u>\$ 3,986,083</u>	<u>\$ 26,095</u>	<u>\$ -</u>	<u>\$ 62,678,088</u>

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 10 - **Student Deposits and Unearned Revenue**

Student deposits and unearned revenue includes tuition received in advance from students for summer courses commencing after June 30, the subsequent fall semester, and grant funds received in advance. Student deposits and unearned revenue of the University include the following as of June 30:

	<u>2014</u>	<u>2013</u>
Tuition and fees	\$ <b>1,067,648</b>	\$ 1,002,763
Grants	<u>8,738</u>	<u>10,706</u>
Total student deposits and unearned revenue	\$ <u><b>1,076,386</b></u>	\$ <u>1,013,469</u>

Note 11 - **Deferred Inflows of Resources**

The University has entered into agreements, categorized as service concession arrangements per GASB 60 *Accounting and Reporting for Service Concession Arrangements*, expiring through June 2022, with certain vendors for the provision of beverages and dining and related services. As part of these arrangements the vendors provided the College with \$3,442,715 for the purpose of improvements of the related facilities and \$30,000 in support of the mission of the University. In accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*, the University has accounted for these monies as deferred inflows of resources and will amortize the amounts into income over the life of the respective agreements. In addition, each of the agreements provides for additional payments to the University to defray certain costs and as revenue sharing. During the fiscal years ended 2014 and 2013, such additional payments aggregated \$718,540 and \$650,690, respectively.



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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 11 - **Deferred Inflows of Resources - Continued**

Recognition of these monies in annual revenue is as follows:

Years Ending <u>June 30,</u>	
2015	\$ 328,720
2016	328,720
2017	155,556
2018	155,556
2019	149,556
Thereafter	<u>321,169</u>
	\$ <u>1,439,277</u>

Note 12 - **Line of Credit**

The Foundation has a \$1,000,000 line of credit with a bank, secured by certain investments. The balance outstanding on the line of credit was \$304,800 and \$462,400 at June 30, 2014 and 2013, respectively. At both June 30, 2014 and 2013, the interest rate was 3.50%. The line of credit expired in November 2013. Management is currently working with the lender to formally extend the line of credit.

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 13 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2014 consist of:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Current Portion</u></b>
Leases and bonds payable:					
Lease obligations	\$ 154,125	\$ 281,732	\$ 98,241	\$ 337,616	\$ 107,203
Bonds payable	15,073,881	-	736,004	14,337,877	774,197
Bonds premium	<u>1,212,049</u>	<u>-</u>	<u>78,167</u>	<u>1,133,882</u>	<u>78,166</u>
Total leases and bonds payable	<u>16,440,055</u>	<u>281,732</u>	<u>912,412</u>	<u>15,809,375</u>	<u>959,566</u>
Other long-term liabilities:					
Compensated absences	5,662,507	336,173	-	5,998,680	4,559,360
Workers' compensation	<u>856,681</u>	<u>34,634</u>	<u>-</u>	<u>891,315</u>	<u>179,154</u>
Total	<u>\$ 22,959,243</u>	<u>\$ 652,539</u>	<u>\$ 912,412</u>	<u>\$ 22,699,370</u>	<u>\$ 5,698,080</u>

Long-term liabilities at June 30, 2013 consist of:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Current Portion</u></b>
Leases and bonds payable:					
Lease obligations	\$ 200,400	\$ -	\$ 46,275	\$ 154,125	\$ 48,169
Bonds payable	15,664,897	-	591,016	15,073,881	736,034
Bonds premium	<u>1,258,629</u>	<u>-</u>	<u>46,580</u>	<u>1,212,049</u>	<u>78,166</u>
Total leases and bonds payable	<u>17,123,926</u>	<u>-</u>	<u>683,871</u>	<u>16,440,055</u>	<u>862,369</u>
Other long-term liabilities:					
Compensated absences	5,193,040	469,467	-	5,662,507	4,338,286
Workers' compensation	<u>842,308</u>	<u>14,373</u>	<u>-</u>	<u>856,681</u>	<u>185,044</u>
Total	<u>\$ 23,159,274</u>	<u>\$ 483,840</u>	<u>\$ 683,871</u>	<u>\$ 22,959,243</u>	<u>\$ 5,385,699</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 13 - **Long-Term Liabilities - Continued**

*Bonds Payable*

In November 2011, the University entered into a financing agreement with the Massachusetts State College Building Authority (MSCBA) for an expansion of the wellness center, and the relocation of the food services and other student areas in Ely Hall. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2012A). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting November 1, 2012 and ending May 1, 2031, at an annual variable coupon rate averaging 4.9%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2014 and 2013, the balance on the bond was \$8,528,906 and \$8,872,078, respectively.

During November 2010, the University borrowed \$226,065 in clean renewable energy bonds issue Series 2010A-14 with the Massachusetts Development Finance Agency (MDFFA). The Series 2010A-14 bonds are payable in annual principal installments of \$13,298 through fiscal year 2027. Interest is payable semiannually at a fixed interest rate of 3.5%. MDFFA requires no debt reserve. At June 30, 2014 and 2013, the balance on the bond was \$172,873 and \$186,171, respectively.

In December 2010, the University entered into a financing agreement with the Massachusetts State College Building Authority (MSCBA) for an expansion of a dining facility. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2010A and 2010B). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting May 1, 2011 and ending May 1, 2030, at an annual variable coupon rate averaging 5.5%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2014 and 2013, the balance on the bond was \$3,908,528 and \$4,093,239, respectively.

In August 2002, the University borrowed \$5,816,000 in tax-exempt revenue bonds issue Series M-2 with the Massachusetts Health and Educational Facilities Authority (MHEFA). The Series M-2 bonds are payable in annual installments through fiscal year 2022 with principal amounts ranging between approximately \$242,000 and \$435,000. Interest is payable monthly at a predetermined varying rate (0.108% as of June 30, 2014). MHEFA requires that the University maintain a debt service reserve. At June 30, 2014 and 2013, the balance on the bond was \$2,861,452 and \$3,134,442, respectively.

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 13 - **Long-Term Liabilities - Continued**

*Bonds Payable - Continued*

The University has a \$3,173,403 letter of credit agreement with Bank of America in support of the above MHEFA revenue bonds. Under the terms of the agreement, the University has pledged its right to receive continuing education tuition and fees, general fees, technical fees and miscellaneous fees as collateral to Bank of America. The agreement also places certain limits on the University with regard to incurring additional debt; requires the University to maintain a minimum amount of unrestricted cash and equivalents, and to maintain a debt service ratio and debt service reserve fund. Fees paid under the terms of the agreement were \$45,942 and \$43,470 at June 30, 2014 and 2013, respectively. As of June 30, 2014, there is no outstanding balance on the letter of credit.

Maturities of the bonds payable subsequent to June 30, 2014 are as follows:

Years Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 852,363	\$ 509,377	\$ 1,361,740
2016	891,022	486,208	1,377,230
2017	932,183	461,932	1,394,115
2018	976,514	434,322	1,410,836
2019	1,012,014	411,904	1,423,918
2020-2024	4,808,106	1,683,371	6,491,477
2025-2029	4,336,618	875,236	5,211,854
2030-2031	<u>1,662,939</u>	<u>89,335</u>	<u>1,752,274</u>
	<u>\$ 15,471,759</u>	<u>\$ 4,951,685</u>	<u>\$ 20,423,444</u>

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 13 - **Long-Term Liabilities - Continued**

*Capital Lease Obligations*

The following schedule summarizes future minimum payments under non-cancelable capital leases as of June 30, 2014.

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Imputed Interest</u>	<u>Total</u>
2015	\$ 107,203	\$ 10,371	\$ 117,574
2016	100,704	6,420	107,124
2017	75,138	3,044	78,182
2018	<u>54,571</u>	<u>880</u>	<u>55,451</u>
	<b>\$ <u>337,616</u></b>	<b>\$ <u>20,715</u></b>	<b>\$ <u>358,331</u></b>

The following is a summary of property held under capital lease as of June 30, 2014:

Equipment	<b>\$ 558,990</b>
Less: accumulated depreciation	<b><u>(195,430)</u></b>
	<b>\$ <u>363,560</u></b>

Note 14 - **Pollution Remediation**

In 2009, the University adopted GASB Statement No. 49 (“GASB 49”), *Accounting and Financial Reporting for Pollution Remediation Obligations*. The University has accrued a liability of approximately \$85,000 and \$105,000 at June 30, 2014 and 2013, respectively, related to an underground oil spill that is currently under remediation. The estimated liability is based on current operating costs associated with the engineering and design of the remediation, installation and removal, and overall monitoring. The University expects the annual monitoring and evaluation to continue for approximately four years.

Note 15 - **Operating Leases**

During fiscal year 2011, the University entered into a lease agreement for an apartment building to be used for student housing, expiring in July 2021. The University also leases office equipment under non-cancelable operating leases with various expiration dates through 2018. Total rent expense under these lease agreements is approximately \$1,881,000 and \$1,865,000 for the years ended June 30, 2014 and 2013, respectively.

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 15 - **Operating Leases - Continued**

Future minimum payments related to these leases are as follows:

Years Ending <u>June 30,</u>	
2015	\$ 1,574,885
2016	1,392,614
2017	1,417,328
2018	1,449,571
2019	1,484,045
2020-2022	<u>2,612,639</u>
Total	\$ <u>9,931,082</u>

Note 16 - **Restricted Net Position**

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	<u>2014</u>	<u>2013</u>
Restricted - expendable:		
Scholarships and fellowships	\$ 248,673	\$ 187,639
Loans	15,095	15,095
Capital projects	324,275	416,198
Other	<u>92,399</u>	<u>181,444</u>
	\$ <u>680,442</u>	\$ <u>800,376</u>

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support as of June 30, 2014 and 2013.

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 17 - **Operating Expenses**

The University's operating expenses, on a natural classification basis, are comprised of the following at June 30:

	<u>2014</u>	<u>2013</u>
Compensation and benefits	\$ <b>63,572,964</b>	\$ 60,288,728
Supplies and services	<b>36,784,750</b>	30,023,740
Depreciation and amortization	<b>4,734,395</b>	4,596,536
Scholarships and fellowships	<u><b>2,092,247</b></u>	<u>2,069,704</u>
	<u><b>\$ 107,184,356</b></u>	<u>\$ 96,978,708</u>

Note 18 - **Retirement Plan**

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension, and worker's compensation benefits. Health insurance and pension costs (described in the subsequent paragraph) 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, as are any effects on net assets and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of the University's employees who participate in the Massachusetts State Employees' Retirement System (the "Retirement System"). The Retirement System, a single employer defined benefit public employee retirement system, is administered by the Commonwealth. The retirement portion of employees paid through State Appropriation accounts are met by the Commonwealth. Such pension expense amounted to approximately \$1,941,000 and \$1,407,000 for the years ended June 30, 2014 and 2013, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 88% of annual total payroll for the University in both 2014 and 2013.

**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 18 - **Retirement Plan - Continued**

The University makes direct contributions on behalf of the employees at the fringe benefit rate assessed by the Commonwealth. Retirement Benefits paid directly to the Commonwealth by the University on behalf of employees amounted to approximately \$1,301,000 and \$1,200,000 for the years ended June 30, 2014 and 2013, respectively. Employees contribute a percentage of their regular compensation to fund the annuity portion of the Retirement System. The overall 'fringe benefit charge' increased from 25.98% in 2013 to 26.26% in 2014. The retirement portion of the 'fringe rate' increased from 6.76% in 2013 to 7.93% in 2014.

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

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

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



**WESTFIELD STATE UNIVERSITY**  
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**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 18 - **Retirement Plan - Continued**

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 year ended June 30, 2014, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans.

The GIC also administers carve-outs for pharmacy, 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), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 19 - **Commitments and Contingencies**

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.

Various lawsuits are pending or threatened against the University, which arise in the ordinary course of operations. In November 2013, the former President of Westfield State University initiated an action in the United States District Court against the University and several trustees. The University and trustees are represented by the Office of the Attorney General. At this point, there is no opinion as to the likelihood of a liability for the institution other than the trustees are indemnified by state law.

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

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 19 - **Commitments and Contingencies - Continued**

The University participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for the future tuition at the cost of tuition at the time of election to participate, 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 standard tuition rate in effect at the time of the individual's enrollment at the University. The effect of the program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the University.

Note 20 - **Massachusetts 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. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

The College's state appropriations are composed of the following at June 30:

	<u>2014</u>	<u>2013</u>
Direct unrestricted appropriations	\$ 24,829,766	\$ 21,566,899
Add: Fringe benefits for benefited employees on the state payroll	6,428,693	5,406,453
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(1,095,795)</u>	<u>(1,002,262)</u>
Total unrestricted appropriations	30,162,664	25,971,090
Capital appropriations	1,324,222	1,800,000
Restricted appropriations	<u>152,009</u>	<u>183,150</u>
Total appropriations	\$ <u>31,638,895</u>	\$ <u>27,954,240</u>

**WESTFIELD STATE UNIVERSITY**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 20 - **Massachusetts Management Accounting and Reporting System - Continued**

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System (MMARS) after June 30, 2014 and 2013.

Note 21 - **Pass-Through Grants**

The University distributed \$30,273,332 and \$27,568,154 as of June 30, 2014 and 2013, respectively, for student loans through the U.S. Department of Education Federal direct lending program. These distributions and related funding sources are not included as expenses and revenues, or as cash disbursements and cash receipts in the accompanying financial statements.

Note 22 - **Massachusetts State College Building Authority**

The Massachusetts State College Building Authority (MSCBA) was created pursuant to Chapter 703 of the Acts of 1963 by the Commonwealth as a public instrumentality for the general purpose of providing dormitories, dining commons and other facilities primarily for use by students of the state universities of the Commonwealth.

The University is charged a semi-annual revenue assessment that 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. The Commonwealth guarantees these obligations. The Revenue Assessments for the residence halls for the years ended June 30, 2014 and 2013 were \$10,017,053 and \$7,423,577, respectively. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

Dormitory trust fund reports included as supplemental information include revenues and expenses, which are included in auxiliary enterprises revenues and expenses.

# **SUPPLEMENTAL INFORMATION**

**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Schedules of Net Position**  
**Dormitory Trust Fund Report (Unaudited)**

**For the Years Ended June 30,**

**Assets**

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>Current Assets:</b>		
Cash and equivalents	\$ 6,433,755	\$ 5,974,925
Accounts receivable, net	44,276	38,506
Deposits held by State Treasurer	190,959	221,077
Other current assets	<u>17,371</u>	<u>1,603</u>
<b>Total Current Assets</b>	<u><b>6,686,361</b></u>	<u>6,236,111</u>
<b>Total Assets</b>	<u><b>\$ 6,686,361</b></u>	<u><b>\$ 6,236,111</b></u>

**Liabilities and Net Position**

<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 236,121	\$ 199,322
Accrued employee compensation and benefits	412,682	389,696
Deposits held	572,060	562,300
Other liabilities	<u>60</u>	<u>417</u>
<b>Total Current Liabilities</b>	<u><b>1,220,923</b></u>	<u>1,151,735</u>
<b>Noncurrent Liabilities:</b>		
Accrued liability for employee compensation and benefits	<u>38,398</u>	<u>44,356</u>
<b>Total Noncurrent Liabilities</b>	<u><b>38,398</b></u>	<u>44,356</u>
<b>Total Liabilities</b>	<u><b>1,259,321</b></u>	<u>1,196,091</u>
<b>Net Position:</b>		
Unrestricted	<u>5,427,040</u>	<u>5,040,020</u>
<b>Total Net Position</b>	<u><b>5,427,040</b></u>	<u>5,040,020</u>
<b>Total Liabilities and Net Position</b>	<u><b>\$ 6,686,361</b></u>	<u><b>\$ 6,236,111</b></u>

**WESTFIELD STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Schedules of Revenues, Expenses and Changes in Net Position**  
**Dormitory Trust Fund Report (Unaudited)**

**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues:</b>		
Room rent	\$ 16,323,874	\$ 13,539,994
Infrastructure fees	276,000	254,250
Other sources	80,761	69,974
Deposits forfeited	124,915	121,246
Commissions - laundry	77,968	56,964
Commissions - vending	38,403	34,182
University support	<u>150,000</u>	<u>-</u>
<b>Total Operating Revenues</b>	<u><b>17,071,921</b></u>	<u><b>14,076,610</b></u>
<b>Operating Expenses:</b>		
Employee compensation	2,419,919	2,176,868
Energy costs	1,521,291	1,280,436
Pension and insurance	672,507	570,830
Special employees	580,031	591,968
Operational services	379,005	318,578
Scholarships	384,000	384,000
Repairs and maintenance	188,261	57,522
Facility operations supplies	288,098	267,811
Administrative	68,489	87,705
Equipment purchase	82,732	50,877
Equipment lease, rental and maintenance	30,008	29,643
Consultant services	40,838	29,751
Student travel	2,748	4,339
Employee related	9,921	13,810
Annual payment to the Massachusetts State College Building Authority	<u>10,017,053</u>	<u>7,423,577</u>
<b>Total Operating Expenses</b>	<u><b>16,684,901</b></u>	<u><b>13,287,715</b></u>
<b>Increase in Net Position</b>	<u><b>387,020</b></u>	<u><b>788,895</b></u>
Net Assets, Beginning of Year	<u><b>5,040,020</b></u>	<u><b>4,251,125</b></u>
<b>Net Assets, End of Year</b>	<u><b>\$ 5,427,040</b></u>	<u><b>\$ 5,040,020</b></u>

**INDEPENDENT AUDITORS' 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***



**Independent Auditors' 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  
Westfield State University  
Westfield, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Westfield State University (the "University"), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Westfield State University's basic financial statements and have issued our report thereon dated October 8, 2014.

**Internal Control Over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

October 8, 2014