

**Framingham State University
(a department of the Commonwealth
of Massachusetts)**

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

June 30, 2018 and 2017

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

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

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Independent Auditor's Report

To the Board of Trustees
Framingham State University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Framingham State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, Framingham State University Foundation, Inc. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Framingham State University Foundation, Inc., is based solely on the report of the other auditors. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Framingham State University as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As described in Note 26, the University has restated the accompanying financial statements to correct amounts allocated to the University by the Commonwealth of Massachusetts. Our opinion is not modified with respect to this matter.

Emphasis of Matters

As discussed in Notes 1 and 26 to the financial statements, in fiscal year 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of Framingham State University and its discretely presented component unit are intended to present the respective financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Framingham State University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the pension and OPEB benefit schedules on pages 6 to 16 and 81 to 84, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2018 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 85 to 87, and the statistical section on pages 88 to 92 are presented for purposes of additional analysis and are not a required part of the 2018 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2018 financial statements. The residence hall fund and residence hall damage fund activity information have been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 financial statements or to the 2018 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the residence hall fund and residence hall damage fund activity information are fairly stated, in all material respects, in relation to the 2018 financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the 2018 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 March 14, 2019, on our consideration of Framingham State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Framingham State University's 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 Framingham State University's internal control over financial reporting and compliance.



Boston, Massachusetts

November 14, 2018, except Note 26, which is dated March 14, 2019



FRAMINGHAM STATE UNIVERSITY
FY2018 Financial Statements
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2018 and 2017
Unaudited

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and results of operations of Framingham State University (the "University") for the years ended June 30, 2018 (Fiscal Year 2018), June 30, 2017 (Fiscal Year 2017), and June 30, 2016 (Fiscal Year 2016). This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, as separately provided.

FY2018 FINANCIAL STATEMENTS HIGHLIGHTS

- This year's financial statements are significantly impacted by implementation of Governmental Accounting Standards Board Statement Number 75 (GASB 75) that requires accounting for post-employment benefits liabilities (in addition to pension liabilities that were previously incorporated) on public institutions' financial statements. **The implementation of GASB 75 has resulted in the need to restate FY2017 financial statements – increase liabilities associated with Other Post-Employment Benefits (OPEB) obligations by \$25.8M - and the full accounting of these liabilities in FY2018.**
- The University's total assets at the end of Fiscal Year 2018 were \$213.7 million (a decrease of -\$4.4 million, or -2.0%, from FY2017), liabilities were \$95.1 million (an increase of \$0.4 million, or 0.4%, from FY2017) and there were \$11.1 million in deferred outflow of resources (associated with booked pension and OPEB obligations) and \$6.9M of deferred inflow of resources (\$2.5 million associated with the food service contract and \$4.4M associated with pension and OPEB obligations). **Net Position, which represents the residual interest in the University's assets after liabilities and deferred inflows/outflows, decreased -\$6.0 million, or -4.7%, from \$128.8 million in Fiscal Year 2017 (restated) to \$122.8 million in Fiscal Year 2018.**
 - **Restricted net position and net investment in capital assets accounts total \$112.5 million (an increase of \$2.6 million from FY2017)** and include: \$107.5 million net investment in capital assets, \$2.2 million in scholarship reserves, and \$2.8 million in other restricted accounts.
 - **Aggregate accumulated unrestricted net position (after accounting for increases in pension and OPEB liabilities that results in a direct accounting reduction to unrestricted assets) was \$10.3 million at the end of FY2018.**
 - **The aggregate impact of the accounting of pension and OPEB liabilities as well as associated deferred outflows/inflows for pension and OPEB obligations totaled -\$37.4 million in FY2018 and -\$34.9 million in FY2017; this impact is ultimately reflected in a reduction in Unrestricted Net Position.**
 - **A significant portion of the year-over-year (FY2018 versus FY2017) reduction in net position can be attributed to the increase in FY2018 aggregate pension and OPEB obligations as well as an increase in depreciation associated with the completion of the Science Laboratories building.**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Framingham State University's basic financial statements. These statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements. The University's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Financial Statements. The financial statements are designed to provide readers with a broad overview of the University's finances in a manner similar to a private-sector University.

The *Statement of Net Position* presents information on the University's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the residual balance being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the University's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services).

Framingham State University reports its activity as a business-type activity under GASB using the full accrual measurement focus and basis of accounting. The University is a department of the Commonwealth of Massachusetts. Therefore, the results of the University's operations, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the separately attached financial statements.

Other Information. In addition to the financial statements and accompanying notes, supplemental information is also provided. The financial statements and related footnotes are presented separately from this discussion and analysis.

FINANCIAL ANALYSIS

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the fiscal year and includes all assets and deferred outflows of resources less liabilities and deferred inflows of resources of the University. The difference between these amounts – net position – is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. A condensed comparison of the University's assets,

deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018; June 30, 2017 and June 30, 2016 is as follows:

University Accounts

	<i>(In Thousands)</i>		
	2018	2017	2016
Current Assets	\$ 32,362	\$ 36,720	\$ 36,193
Capital Assets	137,879	139,585	134,207
Other Noncurrent Assets	43,487	41,813	35,316
Total Assets	213,728	218,118	205,716
Total Deferred Outflows of Resources	11,067	5,961	5,463
Current Liabilities	15,517	14,090	14,424
Noncurrent Liabilities	79,598	80,643	54,557
Total Liabilities	95,115	94,733	68,981
Total Deferred Inflows of Resources	6,871	527	375
Net Position			
Net Investment in Capital Assets	107,502	104,694	97,567
Restricted	4,979	5,207	4,607
Unrestricted	10,328	18,918	39,649
Total Net Position	\$ 122,809	\$ 128,819	\$ 141,823

As noted, the University's net position as of June 30, 2017 has been restated by -\$25.8M (Note 26 in the financial statements provides details) to reflect accounting for pension and other post-employment benefits ("OPEB") obligations (that are ultimately born by the Commonwealth). The University's net position as of June 30, 2018 reflects changes resulting from operations as well as the full impact of accounting for additional pension and OPEB liabilities.

Trend Analysis: Net Position

Millions



Net Position has decreased -\$6.0 million, or -4.7%, from the end of restated FY2017 to the end of FY2018.

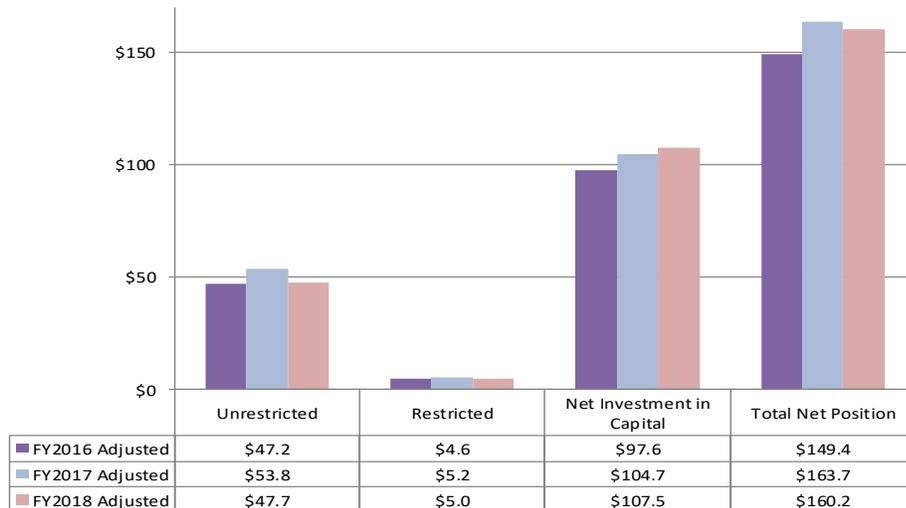
Net Impact of Accounting for Pension and OPEB Obligations

<i>(In Thousands)</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Pension and OPEB Liabilities:			
Net Pension Liability	\$ 14,962	\$ 14,520	\$ 12,702
Net OPEB Liability	29,100	25,834	-
Allocated Pension/OPEB Liability	<u>44,062</u>	<u>40,354</u>	<u>12,702</u>
Net Deferred Outflows/Inflows:			
Deferred Outflows for Pensions	(5,495)	(5,961)	(5,463)
Deferred Outflows for OPEB	(5,572)	-	-
Deferred Inflows for Pensions	993	527	375
Deferred Outflows for OPEB	<u>3,416</u>	<u>-</u>	<u>-</u>
Net Deferred Outflows/Inflows	<u>\$ (6,658)</u>	<u>\$ (5,434)</u>	<u>\$ (5,088)</u>
Net Impact of Accounting for Pension and OPEB Obligations:	\$ 37,404	\$ 34,920	\$ 7,614
<i>Unrestricted Net position Adjusted for Pension and OPEB Obligations:</i>	\$ 47,732	\$ 53,838	\$ 47,262
<i>Total Net Position Adjusted for Pension and OPEB Obligations:</i>	\$ 160,213	\$ 163,739	\$ 149,437

The impact of the accounting for Pension (GASB 68) and OPEB (GASB 75) obligations on both Unrestricted Net Position and Total Net Position was \$37.4 million in FY2018; \$34.9 million in FY2017; and \$7.6 million in FY2016. Adjusted Net Position trends – backing out the impact of Pension and OPEB obligations - are as follows:

Trend Analysis: Net Position Revised to net out impact of Pension (GASB 68) and OPEB (GASB 75) Obligations

Millions

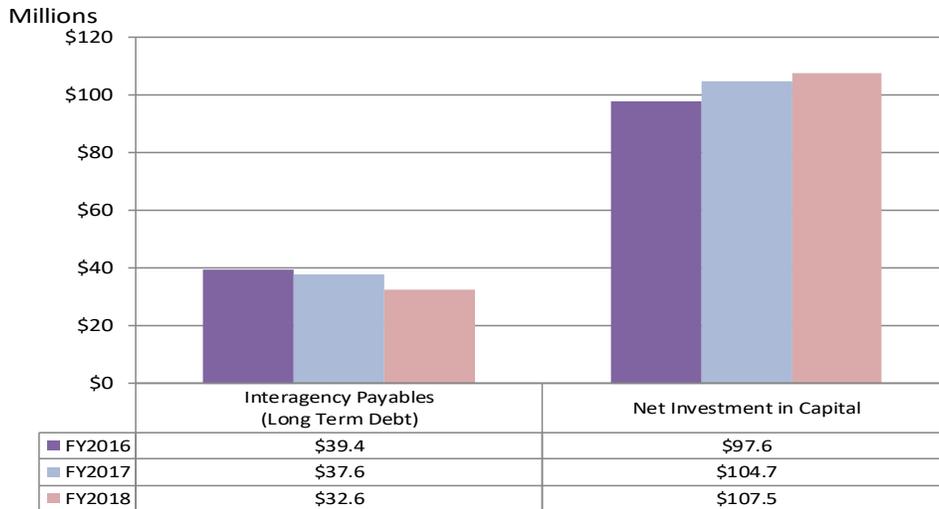


Capital Assets and Long-Term Debt

It should be noted that "Net Position: Net Investment in Capital Assets" represents a conservative accounting (cost approach) of the University's capital assets. This figure is net of related debt and net of accumulated depreciation and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those assets. Capital Assets also do not include residence halls since they are recorded on the financial statements of the Massachusetts State College Building Authority.

The University has \$32.6 million in aggregate interagency payables (predominantly long-term capital debt) as of the close of FY2018 (a decrease of \$5.0 million over FY2017 due to pay off of the outstanding balance on the MHEFA bond as well as debt service payments on other bonds). Net Investment in Capital Assets was \$107.5 million at the end of FY2018.

Trend Analysis: Interagency Payables (Long Term Debt); Net Capital Investment



Major capital projects undertaken during FY2018 ("Additions" to Net Investment in Capital) include:

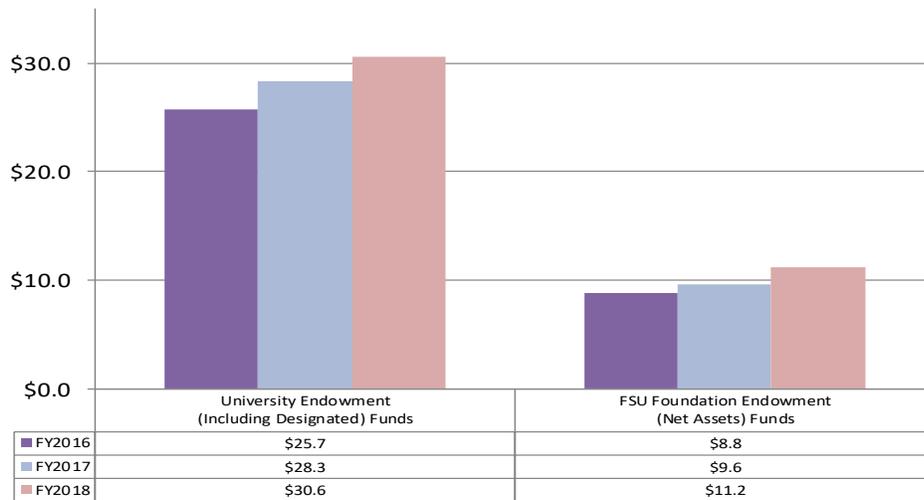
Maple Athletic Fields Study	\$	20,655
Whittemore Library Study		24,000
Welcome Center Exterior Painting		57,430
May Hall HVAC		62,554
McCarthy Student Services Center		83,786
Doyle Center ITS Renovation Project		92,991
Hemenway Hall "Backfill Project" Components		300,181
Power Plant Reheat Boiler		789,040
Utilities/Tunnel Project		1,003,618
McCarthy Student Center Chiller Project		1,438,485
McCarthy Student Center Dining Commons		3,647,924
	\$	7,520,664
<i>Maynard Building/Cultural Arts Center</i>	\$	2,932,536
<i>Recorded as interagency funded from FSU to MSCBA</i>		

Endowment Funds

A portion of the restricted net position includes endowment funds held by the University. The University itself has a very small designated endowment; \$2.2 million of non-expendable restricted funds. An additional \$2.0 million, at June 30, 2018, in restricted scholarship funds (designated as "expendable" but in practice allocations are limited to proceeds) acts as "quasi-endowment" funds. Further, the Board of Trustees has designated unrestricted net position with end of FY2018 value of \$26.4 million as quasi-endowment (noted as "Core Investment" funds in the University's annual approval of its Cash Management and Investment Policy). **Aggregate endowment and designated quasi-endowment funds held by the University total \$30.6M (representing an increase of \$2.3M or +8.1% from FY2017).** The University invests these assets, along with other cash holdings, in the Massachusetts Municipal Depository Trust (MMDT), the Common Fund, Eaton Vance, Brown Advisory, and Boston Trust.

Trend Analysis: Endowment (Including Designated) Funds

Millions



Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position represents the University's results from operations. A condensed summary of the University's revenues, expenses and changes in net position for the years ended June 30, 2018, June 30, 2017, and June 30, 2016 is as follows:

(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
Tuition and Fees	\$ 44,796	\$ 43,927	\$ 42,531
Less Scholarships	(9,569)	(8,532)	(8,215)
Net Student Tuition & Fees	<u>35,227</u>	<u>35,395</u>	<u>34,316</u>
Sales and Services	1,243	923	827
Auxiliary Enterprises	16,001	15,630	14,707
Other Revenues	<u>10,449</u>	<u>12,076</u>	<u>13,495</u>
Total Operating Revenues	<u>62,920</u>	<u>64,024</u>	<u>63,345</u>
Operating Expenses:			
Instruction	(34,241)	(33,812)	(31,337)
Research	(112)	(1,732)	(1,631)
Academic Support	(13,870)	(12,836)	(11,852)
Student Services	(13,682)	(13,214)	(11,912)
Institutional Support	(11,690)	(10,555)	(10,815)
Operation/Maintenance of Plant	(12,791)	(12,353)	(11,440)
Depreciation	(7,328)	(5,892)	(4,735)
Auxiliary Enterprises	<u>(13,866)</u>	<u>(13,601)</u>	<u>(10,396)</u>
Total Operating Expenses	<u>(107,580)</u>	<u>(103,995)</u>	<u>(94,118)</u>
Operating Loss	<u>(44,660)</u>	<u>(39,971)</u>	<u>(30,773)</u>

<i>(In Thousands)</i>	2018	2017	2016
Non-Operating Revenues/(Expenses):			
State Appropriations (net)	37,753	37,022	35,478
Gifts	871	324	329
Net Investment Income	3,815	4,170	1,729
State Capital Appropriations/Grants	173	12,189	20,696
Interest/Issuance Costs on Debt	(1,353)	(1,104)	(829)
Capital Grants	538		
Transfers (to)/from State Agencies	(3,147)	200	(10,799)
Net Non-Operating Revenues	38,650	52,801	46,604
Change in Net Position	\$ (6,010)	\$ 12,830	\$ 15,831

Due to the nature of public higher education accounting as it pertains to state appropriations, institutions incur a loss from operations before accounting for state support. State appropriations supplement University operations and act as a subsidy for operations not covered by operating revenues. Under GASB, appropriations are considered non-operating revenue. The following schedule illustrates the University's incurred losses from operations as well as change in net position for Fiscal Years ended June 30, 2018, June 30, 2017, and June 30, 2016:

Schedule of Loss from Operations and Change in Net Position

	(In Thousands)		
	FY2018	FY2017	FY2016
Tuition and Fees Revenue, Net	\$ 35,227	\$ 35,395	\$ 34,316
Other Operating Revenue	27,693	28,629	29,029
Total Operating Revenue	62,920	64,024	63,345
Operating Expenses	(107,580)	(103,995)	(94,118)
Operating Loss	(44,660)	(39,971)	(30,773)
Net State Appropriations	37,753	37,022	35,478
Net Other Revenue/(Expenses)	897	15,779	11,126
Change in Net Position	\$ (6,010)	\$ 12,830	\$ 15,831
Net Position End of Fiscal Year	\$ 122,809	\$ 128,819	\$ 141,823

Net position at the beginning of Fiscal Year 2018 (restated) was \$128.8 million. Net position at the end of Fiscal Year 2018 was \$122.8 million; representing a -\$6.0 million (-4.7%) decrease in net position. A significant portion of this decrease is associated with non-operating/accounting adjustments for pensions and OPEB obligations as well as depreciation expense increases.

Revenues and Expenditures

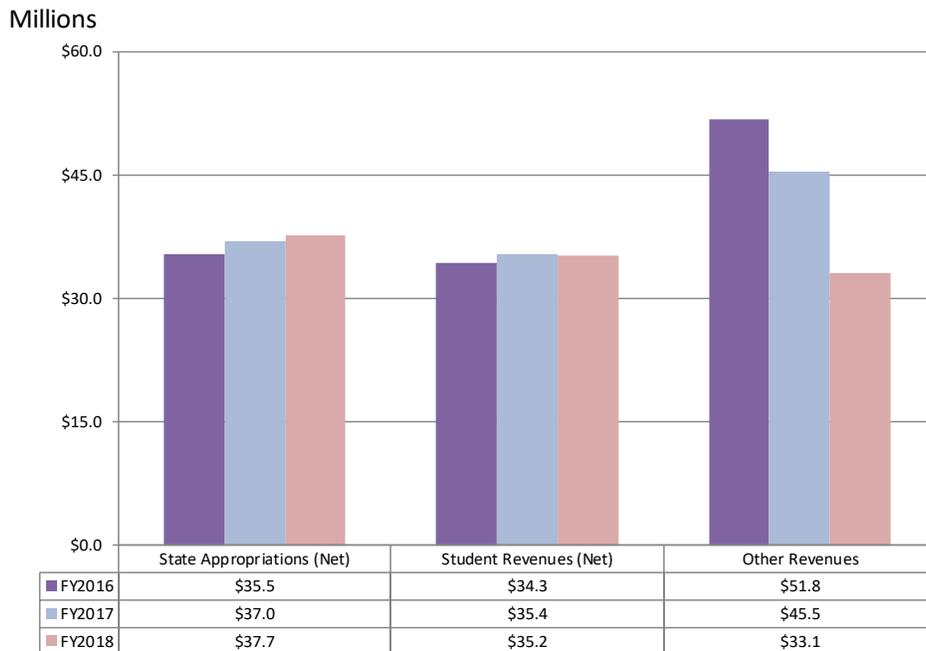
From FY2016 to FY2018, expenditures on Auxiliary Enterprises experienced the largest increase (reflecting the opening of West Hall in FY2017) increasing \$3.5 million, or 33.7%; followed by: Depreciation that increased \$2.6 million, or 54.8% (due to the completion of the Science Laboratories buildings); Instruction that increased \$2.9 million, or 9.3%; Academic Support that increased \$2.0 million, or 16.9%; Student Services that increased \$1.8 million, or 15.1%; Operations and Maintenance of Plant that increased \$1.4 million, or 12.2%; and Institutional Support that increased \$0.9 million or 8.1%.

Trend Analysis: Instruction, Support Services, Plant O&M, Aux. Ent. Expenditures



From FY2017 to FY2018, net state appropriations (including fringe benefits support) increased by \$0.7M (+2.0%), student net revenues decreased by -\$0.2M (-0.5%), and other revenues decreased a total of -\$16.0M (-36.0%); the decrease in Other Revenues is largely associated with reductions in state capital support in FY2018 associated with completion of the Science Laboratories building.

Trend Analysis: State Appropriations, Student and Other Revenues

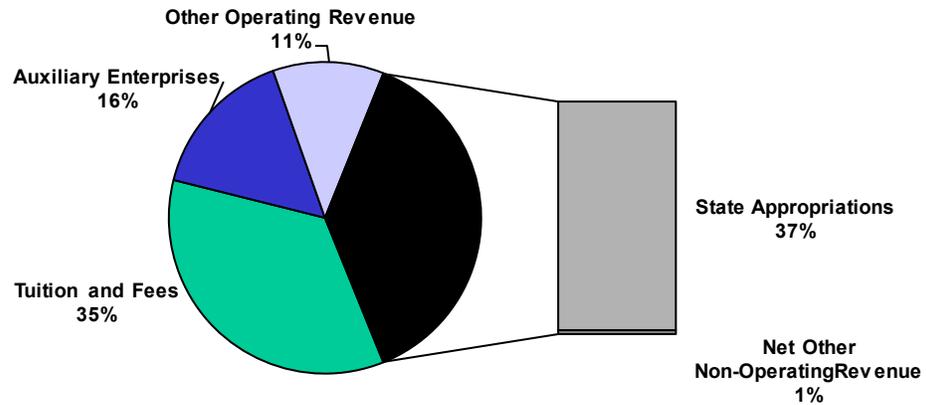


FY2018 Other Revenues reflects a significant reduction in state capital funding associated with the Science Laboratories Project.

Revenues Illustration

The following is an illustration of revenues by source (both operating and non-operating), which were used to fund the University's activities for the year ended June 30, 2018.

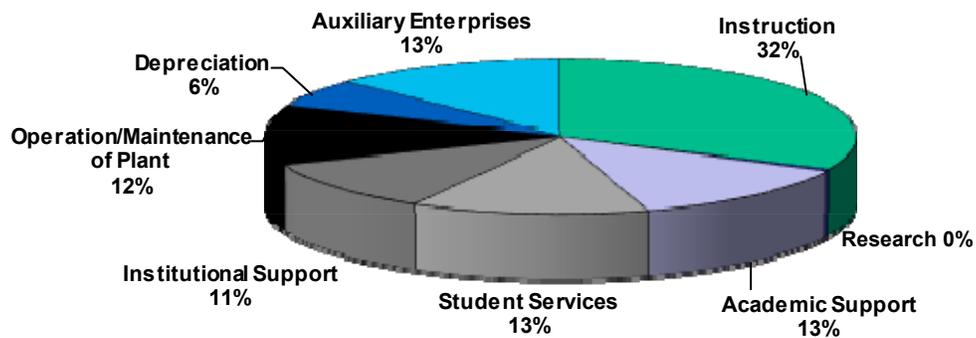
Fiscal Year 2018 Revenues



State appropriations, along with student tuition and fees, are the primary sources of funding for the University. Fiscal Year 2018 net state appropriation support as a percent of total revenues (including fringe benefits support) was 37% while tuition and fees revenues represented 35% of total revenues and other revenue (including Auxiliary Enterprises) represented 28% of total revenues.

Expenditures Illustration

A graphic of the University's functional expenditures for FY2018 is as follows:



Expenditures on Instruction and Academic Support made up approximately 45% of total expenditures in FY2018.

Statement of Cash Flows

The statement of cash flows provides information about the University's financial results, by reporting the major sources and uses of cash. A condensed summary of the statement of cash flows for Fiscal Years 2018, 2017 and 2016 is as follows:

Statement of Cash Flows

(In Thousands)

	FY2018	FY2017	FY2016
<i>Cash Flows from Operating Activities</i>			
Cash Received from Operations	\$ 64,259	\$ 63,265	\$ 63,413
Cash Expended for Operations	(86,966)	(85,217)	(81,580)
Net Cash Provided/(Used) by Operating Activities	(22,707)	(21,952)	(18,167)
<i>Cash Flows from Non-Capital Financing Activities</i>			
State Appropriations	28,224	25,417	30,247
Tuition Remitted to the Commonwealth	(386)	(341)	(312)
Gifts and Endowment	899	529	93
Net Cash Provided/(Used) by Non-Capital Financing Activities	28,737	25,605	30,028
<i>Cash Flows from Capital and Related Financing Activities</i>			
State Capital Appropriations	173	4,523	7,459
Perkins Loan Program Net Funds Received	9	13	(50)
Payments for Capital Assets	(2,977)	(3,352)	(3,524)
Interagency Principal Payments	(4,812)	(1,772)	(1,702)
Interest Paid on Interagency Payables	(1,494)	(1,403)	(1,430)
Transfers of Funds to/from State Agencies	(3,147)	200	(10,799)
Net Proceeds of Bank Line of Credit	-	-	(1,153)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(12,248)	(1,791)	(11,199)
<i>Cash flows from Investing Activities</i>			
Purchase/Sale (Net) of Marketable Securities	(2,298)	(1,934)	(3,165)
Earnings on Investments	2,803	2,212	1,362
Loan funds received/(advanced)	-	-	1,153
Net Cash Provided/(Used) by Investing Activities	505	278	(650)
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (5,713)	\$ 2,140	\$ 12

Cash and cash equivalents at the beginning of Fiscal Year 2018 were \$33.3 million and at the end of the fiscal year were \$27.6 million; reflecting a -\$5.7 million decrease. This decrease is largely attributable to use of cash to pay off the remaining principal on the 1998 MHEFA bond as well as payment and transfer of state funds for capital assets.

FACTORS THAT MAY AFFECT THE FUTURE

Framingham State University (FSU) is entering into a transition period where – after a sustained period of substantial enrollment growth – the University has experienced decreases in new and aggregate student enrollment for the past three years. This situation is primarily a result of demographic changes (predominantly the number of Massachusetts high school graduates being produced annually) as well as other external factors such as increased competition for students (e.g., the University of Massachusetts system continues its enrollment growth strategy).

As significant as future enrollment changes impact on University operations will be, so will be the level of future state appropriation support. When state funding increases are not sufficient to keep up with University salary costs, the University has to move personnel to local trust funds and, subsequently, picks up additional fringe benefits costs on these faculty and staff (that is, for every one dollar of salary that gets transferred to local funds, the University is picking up an additional thirty-six cents in benefits costs in addition to the assumed salary costs).

Looking forward, progress in implementation of the new strategic plan will require the prudent use of state support, recognition that increases in net student revenues will likely be minimal, and further diversification of funding including private gifts and grant funding. Further, alternative financing vehicles will be sought as important supplements to traditional state and student revenue streams. These actions, in conjunction with continuing cost containment as well as selective expenditures reduction measures, will enable the University to provide high-quality and affordable programs and services to its constituents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Framingham 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 the Executive Vice President, Framingham State University, 100 State Street, P.O. Box 9101, Framingham, MA 01701-9101.

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

Statements of Net Position
June 30, 2018 and 2017

			Component Unit Framingham State University Foundation, Inc.	
	2018	2017	2018	2017
Assets				
Current assets				
Cash and cash equivalents	\$ 10,793,500	\$ 16,421,922	\$ 796,343	\$ 722,311
Restricted cash and cash equivalents	1,934,454	1,674,586	-	-
Investments in marketable securities	16,477,344	15,097,837	7,721,252	7,083,668
Accounts receivable, net	2,529,818	2,793,284	-	-
Contributions receivable, net	-	-	441,485	63,064
Loans receivable - current portion	2,011	2,778	-	-
Other current assets	624,476	729,505	25,564	15,205
Total current assets	32,361,603	36,719,912	8,984,644	7,884,248
Noncurrent assets				
Restricted cash and cash equivalents	14,883,520	15,228,433	-	-
Endowment investments	-	-	2,261,794	1,772,452
Investment in marketable securities	26,499,096	24,374,633	-	-
Contributions receivable, net	-	-	28,121	48,454
Loans receivable, net of current portion	2,105,117	2,210,548	-	-
Capital assets, net	137,878,836	139,584,598	-	-
Other noncurrent assets	-	-	20,667	-
Total noncurrent assets	181,366,569	181,398,212	2,310,582	1,820,906
Total assets	213,728,172	218,118,124	11,295,226	9,705,154
Deferred outflows of resources				
Deferred outflows for pensions	5,494,852	5,961,111	-	-
Deferred outflows for OPEB	5,572,017	-	-	-
Total deferred outflows of resources	11,066,869	5,961,111	-	-

Framingham State University
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Statements of Net Position
June 30, 2018 and 2017

			Component Unit Framingham State University Foundation, Inc.	
	2018	2017	2018	2017
Liabilities				
Current liabilities				
Interagency payables - current portion	1,579,472	1,914,058	-	-
Accounts payable and accrued liabilities	3,425,024	2,647,866	82,054	103,692
Accrued workers' compensation - current portion	95,126	110,794	-	-
Compensated absences - current portion	3,567,363	3,399,346	-	-
Faculty payroll accrual	3,311,241	3,209,692	-	-
Revenue received in advance	1,992,847	1,867,419	-	-
Deposits	463,993	321,978	-	-
Other current liabilities	1,081,758	619,200	-	-
Total current liabilities	15,516,824	14,090,353	82,054	103,692
Noncurrent liabilities				
Interagency payables, net of current portion	31,061,909	35,679,054	-	-
Accrued workers' compensation, net of current portion	353,583	501,330	-	-
Compensated absences, net of current portion	2,217,325	2,213,030	-	-
Loan payable - federal financial assistance programs	1,903,986	1,894,862	-	-
Net pension liability	14,961,538	14,519,987	-	-
Net OPEB liability	29,100,266	25,834,386	-	-
Total noncurrent liabilities	79,598,607	80,642,649	-	-
Total liabilities	95,115,431	94,733,002	82,054	103,692
Deferred inflows of resources				
Service concession arrangement	2,462,000	-	-	-
Deferred inflows for pensions	992,813	527,421	-	-
Deferred inflows for OPEB	3,415,904	-	-	-
Total deferred inflows of resources	6,870,717	527,421	-	-

Framingham State University
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Statements of Net Position
June 30, 2018 and 2017

	2018	2017	Component Unit Framingham State University Foundation, Inc. <u>2018</u>	2017
Net position				
Net investment in capital assets	107,501,952	104,693,789	-	-
Restricted for				
Non-expendable				
Scholarships and academic purposes	2,158,255	2,088,572	2,261,794	1,772,452
Expendable				
Scholarships	1,969,445	1,834,356	847,749	478,302
Academic purposes	-	-	1,539,576	1,592,544
Research	478,808	440,761	-	-
Loans	372,365	389,160	-	-
Capital projects	-	454,000	-	-
Unrestricted	10,328,068	18,918,174	6,564,053	5,758,164
Total net position	\$ 122,808,893	\$ 128,818,812	\$ 11,213,172	\$ 9,601,462

See Notes to Financial Statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

			Component Unit Framingham State University Foundation, Inc.	
	2018	2017	2018	2017
Operating revenues				
Student tuition and fees	\$ 44,796,259	\$ 43,927,462	\$ -	\$ -
Less: Scholarship allowances	(9,568,815)	(8,532,544)	-	-
Net student tuition and fees	35,227,444	35,394,918	-	-
Federal grants and contracts	7,389,989	6,515,105	-	-
State and local grants and contracts	327,193	1,250,379	-	-
Private grants	313,378	2,116,834	-	-
Sales and services of educational departments	1,243,159	923,237	-	-
Gifts and contributions	-	-	1,070,190	420,989
Auxiliary enterprises				
Residential life	16,001,360	15,630,123	-	-
Other operating revenues	2,417,870	2,193,522	49,918	48,767
Total operating revenues	62,920,393	64,024,118	1,120,108	469,756
Operating expenses				
Educational and general				
Instruction	34,241,502	33,811,638	-	-
Research	112,467	1,732,248	-	-
Academic support	13,869,676	12,835,835	-	-
Student services	13,682,206	13,214,323	-	-
Institutional support	11,690,341	10,555,230	220,435	179,501
Operations and maintenance of plant	12,790,568	12,352,552	-	-
Depreciation	7,327,512	5,892,062	-	-
Scholarships	-	-	628,517	603,231
Auxiliary enterprises				
Residential life	13,866,466	13,601,357	-	-
Total operating expenses	107,580,738	103,995,245	848,952	782,732
Operating income (loss)	(44,660,345)	(39,971,127)	271,156	(312,976)

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

			Component Unit Framingham State University Foundation, Inc.	
	2018	2017	2018	2017
Nonoperating revenues (expenses)				
State appropriations	37,753,236	37,022,123	-	-
Gifts	871,103	323,530	-	-
Investment income, net of investment expense	3,815,056	4,170,089	851,394	909,414
Interest expense on Interagency payables and capital asset related debt	(1,352,733)	(1,103,808)	-	-
	<u>41,086,662</u>	<u>40,411,934</u>	<u>851,394</u>	<u>909,414</u>
Net nonoperating revenues before capital and endowment additions				
	<u>41,086,662</u>	<u>40,411,934</u>	<u>851,394</u>	<u>909,414</u>
Income (loss) before capital and endowment additions	(3,573,683)	440,807	1,122,550	596,438
State capital appropriations	173,013	12,188,695	-	-
Transfers (to)/from state agencies	(3,147,249)	200,000	-	-
Capital grants	538,000	-	-	-
Private gifts for endowment purposes	-	-	489,160	186,649
	<u>(2,436,236)</u>	<u>12,388,695</u>	<u>489,160</u>	<u>186,649</u>
Total capital and endowment additions				
	<u>(2,436,236)</u>	<u>12,388,695</u>	<u>489,160</u>	<u>186,649</u>
Increase (decrease) in net position	(6,009,919)	12,829,502	1,611,710	783,087
Net position - beginning of year, as previously stated	128,818,812	141,823,696	9,601,462	8,818,375
Restatement (See Note 26)	-	(25,834,386)	-	-
	<u>128,818,812</u>	<u>115,989,310</u>	<u>9,601,462</u>	<u>8,818,375</u>
Net position - beginning of year, as restated				
	<u>128,818,812</u>	<u>115,989,310</u>	<u>9,601,462</u>	<u>8,818,375</u>
Net position - end of year	<u>\$ 122,808,893</u>	<u>\$ 128,818,812</u>	<u>\$ 11,213,172</u>	<u>\$ 9,601,462</u>

See Notes to Financial Statements.

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

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Tuition and fees	\$ 34,918,542	\$ 34,744,794
Research grants and contracts	8,334,180	7,288,318
Private grants	282,410	2,428,309
Payments to suppliers	(28,036,819)	(27,347,974)
Payments to utilities	(3,834,308)	(3,883,505)
Payments to employees	(50,728,071)	(49,711,018)
Payments for benefits	(4,102,557)	(4,051,349)
Loans issued to students	(264,405)	(223,678)
Collection of loans to students	370,603	322,244
Auxiliary enterprise receipts		
Residential life	16,001,360	15,630,123
Receipts from sales and services of educational departments	1,235,058	912,066
Room and parking fees	142,015	(16,927)
Other receipts	2,974,520	1,955,908
Net cash used in operating activities	(22,707,472)	(21,952,689)
Cash flows from noncapital financing activities		
State appropriations	28,224,323	25,416,504
Tuition remitted to the Commonwealth of Massachusetts	(385,692)	(341,127)
Gifts from grants for other than capital purposes	898,759	529,064
Net cash provided by noncapital financing activities	28,737,390	25,604,441
Cash flows from capital and related financing activities		
State capital appropriations	173,013	4,522,681
Perkins Loan Program net funds received	9,124	13,177
Payments for capital assets	(2,976,750)	(3,351,867)
Interagency principal payments	(4,812,250)	(1,771,747)
Interest paid on Interagency payables	(1,494,095)	(1,402,947)
Net transfers of funds (to)/from state agencies	(3,147,249)	200,000
Net cash used in capital and related financing activities	(12,248,207)	(1,790,703)
Cash flows from investing activities		
Proceeds from sale of marketable securities	15,120,264	14,393,270
Purchase of marketable securities	(17,418,585)	(16,326,557)
Earnings on investments	2,803,143	2,211,838
Net cash provided by investing activities	504,822	278,551
Net (decrease) increase in cash and cash equivalents	(5,713,467)	2,139,600
Cash and cash equivalents - beginning of year	33,324,941	31,185,341
Cash and cash equivalents - end of year	\$ 27,611,474	\$ 33,324,941

Framingham State University
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Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (44,660,345)	\$ (39,971,127)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	7,327,512	5,892,062
Bad debt expense	290,703	8,222
Fringe benefits paid by the Commonwealth of Massachusetts	10,075,869	9,446,746
Change in net pension liability and deferred inflows and outflows for pensions	1,373,202	1,472,538
Change in net OPEB liability and deferred inflows and outflows for OPEB	1,109,767	-
Changes in assets and liabilities		
Accounts receivable, net	(54,893)	(1,102,615)
Loans to students	106,198	98,566
Other current assets	105,029	(202,720)
Accounts payable and accrued liabilities	777,158	1,591,254
Accrued workers' compensation	(163,415)	93,276
Compensated absences	172,312	221,548
Faculty payroll accrual	101,549	486,695
Revenue received in advance	125,428	(283,026)
Deposits	142,015	(16,927)
Other current liabilities	464,439	312,819
	<u>\$ (22,707,472)</u>	<u>\$ (21,952,689)</u>
Net cash used in operating activities		
Reconciliation of cash and cash equivalent balances		
Current assets		
Cash and cash equivalents	\$ 10,793,500	\$ 16,421,922
Restricted cash and cash equivalents	1,934,454	1,674,586
Noncurrent assets		
Restricted cash and cash equivalents	14,883,520	15,228,433
	<u>\$ 27,611,474</u>	<u>\$ 33,324,941</u>
Total cash and cash equivalents		

Framingham State University
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Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Schedule of noncash investing, capital and financing activities		
Acquisition of capital assets	\$ 5,621,750	\$ 11,269,894
Accounts payable thereon		
Beginning of year	-	10,353
Payments made by DCAMM	-	(7,666,014)
Investment contributions related to service concession arrangement	(2,645,000)	-
Net interest incurred, capitalized in construction in progress	-	(262,366)
	<u>\$ 2,976,750</u>	<u>\$ 3,351,867</u>
Payments for capital assets		
Unrealized gain (loss) on marketable securities	<u>\$ 2,004,396</u>	<u>\$ 1,958,251</u>
Fringe benefits paid by the Commonwealth of Massachusetts	<u>\$ 10,075,869</u>	<u>\$ 9,446,746</u>
Capital grants - amortization of deferred inflows of resources - service concession arrangement	<u>\$ 538,000</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 1 - Summary of significant accounting policies

Organization

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

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

Framingham State University Foundation, Inc. (the "Foundation") is a component unit of Framingham State University. The Foundation is a legally separate tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. It was organized on November 10, 1981, exclusively for the benefit of Framingham State University, to receive and maintain funds to be used for the development, promotion and best interests of the University and its students. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Framingham State University Foundation Supporting Organization, Inc. (the "Foundation Supporting Organization") was organized on October 22, 2012 for the exclusive benefit of the Foundation and all of its educational and charitable activities. The Foundation Supporting Organization is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As of June 30, 2018, the Foundation Supporting Organization has not had any activity. The financial information of the Foundation Supporting Organization is consolidated into the financial statements of the Foundation. The Foundation and Foundation Supporting Organization are collectively referred to hereinafter as the "FSU Foundation".

During the year ended June 30, 2018, the FSU Foundation distributed scholarships in the amount of \$628,517 directly to students of the University, and incurred an additional \$220,435 in support of its mission in other ways. During the year ended June 30, 2017, the FSU Foundation distributed scholarships in the amount of \$603,231 directly to students of the University, and incurred an additional \$179,501 in support of its mission in other ways. Complete financial statements for the FSU Foundation can be obtained from the office of the Executive Vice President, Administration, Finance and Technology, Framingham State University, 100 State Street, P.O. Box 9101, Framingham, MA 01701-9101.

Framingham State University
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Notes to Financial Statements
June 30, 2018 and 2017

Basis of presentation

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

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

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

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

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

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

- Restricted:

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

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

- Unrestricted: All other categories of net position. Unrestricted net position may be designated for specific purposes by action of management or the University's Board of Trustees (the "Trustees").

Framingham State University
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Notes to Financial Statements
June 30, 2018 and 2017

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

Use of estimates

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

Cash and cash equivalents and investments

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

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

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

Dividends, interest and net gains or losses on investments are reported in the statements of revenues, expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

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

At June 30, 2018 and 2017, the University had \$91,123 and \$102,127, respectively, in endowment income available by authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

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Notes to Financial Statements
June 30, 2018 and 2017

Massachusetts General Law, Chapter 15 grants authority to the University's Trustees to administer the general business of the University. Inherent in this authority is the authority to invest funds of the University. Chapter 15 further grants the Trustees the authority to delegate, to the President, any said powers or responsibilities. The Trustees of Framingham State University have delegated the authority to make specific investment decisions to the Finance Committee of the Board of Trustees. Endowment funds are in cash and cash equivalents. The primary cash equivalents are within the MMDT, the external investment pool for political subdivisions of the Commonwealth.

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

FSU Foundation's investments include marketable debt and equity securities which are carried at their readily determinable market values. Realized and unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net position, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method.

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

Accounts receivable

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

Loans receivable and payable

Loans receivable consist, primarily, 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 the Perkins program may be re-loaned after collection. The portion of the Perkins program provided by the federal government is refundable to the federal government upon the ending (liquidation) of the University's participation in the program.

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

Framingham State University
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Notes to Financial Statements
June 30, 2018 and 2017

Capital assets

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

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

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

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

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth at a yearly cost of one dollar.

The University, in accordance with a management and services agreement between the MSCBA and the Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by the 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 revenue assessment amounts for the years ended June 30, 2018 and 2017 were \$11,430,074 and \$11,043,860, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

In accordance with generally accepted accounting principles, the Foundation has elected to not record its art collection as an asset on the statements of net position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept encumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collection.

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Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, each year. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20% of amounts earned by those University employees with 10 or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance (see Note 8).

Student fees

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

Scholarship allowances consist of various forms of student financial assistance, which do not require repayment. Federal scholarships include Federal Supplemental Educational Opportunity Grants, Federal Pell Grants, and Teacher Education Assistance for College and Higher Education Grants ("TEACH Grants"). University scholarships include a wide variety of University and University department funded scholarship programs.

Scholarship allowances for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Federal scholarships	\$ 6,557,040	\$ 5,849,615
University scholarships	2,626,317	2,324,068
University scholarships (residential life)	287,949	288,000
Endowment scholarships	97,509	70,861
Total	\$ 9,568,815	\$ 8,532,544

Revenue received in advance

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

Agency funds

Agency funds consist of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to asset and liability accounts. There were no material balances at June 30, 2018 and 2017.

Bond premiums

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

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Interest expense and capitalization

The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2018 and 2017, total interest costs incurred were accounted for as follows:

	2018	2017
Total interest costs incurred	\$ 1,502,492	\$ 1,482,475
Less: Interest income on unused funds from tax exempt borrowings	(10,278)	(79,011)
Bond premium amortization	(139,481)	(37,290)
	1,352,733	1,366,174
Less: Capitalized portion of net interest earned and incurred	-	(262,366)
Interest expense	\$ 1,352,733	\$ 1,103,808

Pension plan

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

OPEB plan

For purposes of measuring the net post-employment benefits other than pensions ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust Fund and additions to/deductions from the OPEB Trust Fund 's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust Fund. Investments are reported at fair value.

Fringe benefits

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

Tax status

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

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Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Recently adopted accounting pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or "OPEB"). GASB Statement No. 75 requires governments providing defined benefit OPEB plans to recognize their long-term obligation for OPEB benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB Statement No. 75 are effective for financial statements for fiscal years beginning after June 15, 2017 with earlier application encouraged. The University adopted this standard in fiscal year 2018.

In March 2017, the GASB issued GASB Statement No. 85, *Omnibus 2017*. The objective of GASB Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements, including GASB Statement No. 75. The applicable provisions of GASB Statement No. 85 have been adopted in fiscal year 2018 with the University's initial adoption of GASB Statement No. 75.

The impact of implementing GASB Statements No. 75 and 85 on the University's financial statements is further discussed in Notes 21 and 26.

Note 2 - Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2018 and 2017:

	2018		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts *	\$ 7,709,895	\$ 1,795,757	\$ 8,569,700
Massachusetts State Treasurer **	3,066,044	-	2,002,400
Petty cash	17,561	2,100	-
Century Bancorp, Inc.	-	-	18,244
Cash and cash equivalents held by MDFA ***	-	136,597	-
Cash and cash equivalents held by MSCBA ****	-	-	4,293,176
Cash and cash equivalents held by DCAMM *****	-	-	-
Total	\$ 10,793,500	\$ 1,934,454	\$ 14,883,520

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	2017		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts *	\$ 11,068,444	\$ 1,281,822	\$ 7,831,063
Massachusetts State Treasurer **	5,331,929	-	4,254,641
Petty cash	21,549	2,100	-
Century Bancorp, Inc.	-	-	18,208
Cash and cash equivalents held by MDFA***	-	390,664	337,300
Cash and cash equivalents held by MSCBA ****	-	-	2,687,221
Cash and cash equivalents held by DCAMM *****	-	-	100,000
Total	\$ 16,421,922	\$ 1,674,586	\$ 15,228,433

* This amount includes cash and cash equivalents held at MMDT in the amounts of \$6,132,497 and \$14,106,697 at June 30, 2018 and 2017, respectively.

** This amount is held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$4,203,339 and \$8,679,144 at June 30, 2018 and 2017, respectively, for University funds. In addition, the University has recorded cash held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$865,105 and \$907,426 at June 30, 2018 and 2017, respectively, to pay year-end liabilities. The latter balances represent amounts paid from State appropriations subsequent to the fiscal year-end.

*** This amount consists of cash and cash equivalents which are restricted by the Massachusetts Development Finance Agency ("MDFA") for the funding of payments to retire bonds when they mature (see Note 12) and for the funding of the installation of solar photovoltaic panels on the McCarthy Center and Athletic Center. The University does not have access to these funds except by the authorization of MDFA. The MDFA bonds were repaid in full in fiscal year 2018 and the remaining funds held by MDFA will be released to the University in fiscal year 2019.

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

***** This amount includes cash and cash equivalents which are restricted by the Massachusetts' Division of Capital Asset Management and Maintenance ("DCAMM") for the funding of certain construction projects at the University. The University does not have access to these funds except by the authorization of DCAMM.

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

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

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. At June 30, 2018 and 2017, the University had uninsured cash balances totaling approximately \$14,594,300 and \$6,919,000, respectively. As of June 30, 2018 and 2017, the University's uninsured cash balances of \$14,594,300 and \$6,919,000, respectively, are fully collateralized under an agreement with Bank of America.

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

FSU Foundation's cash balances are insured by the FDIC up to \$250,000. At June 30, 2018 and 2017, FSU Foundation's uninsured cash and cash equivalent balances, amounted to approximately \$546,300 and \$473,300, respectively.

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

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

	2018	2017
U.S. Treasury Notes and Government Securities	\$ 4,685,192	\$ 3,383,555
Corporate Debt Securities	1,557,530	1,179,101
Equity Securities	15,983,216	11,679,292
Money Market Funds	558,458	5,525,798
Mutual Funds	7,028,965	5,820,414
Commonfund (pooled investment funds)	13,163,079	11,884,310
	42,976,440	39,472,470
Less insured amounts	500,000	500,000
Total subject to custodial credit risk	\$ 42,476,440	\$ 38,972,470

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Credit risk

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

As of June 30, 2018 and 2017, the fair values of the University's deposits held at the MMDT were \$6,132,497 and \$14,106,697, respectively. At June 30, 2018, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 71% at 30 days or less; 20% at 31-90 days; 9% at 91-180 days; and 0% at 181 days or more. At June 30, 2018, 100% of the MMDT's cash portfolio had a First Tier credit quality rating.

The University's funds held at MDFA are invested in the Short Term Asset Reserve ("STAR") Fund and had fair values of \$136,597 and \$727,964 at June 30, 2018 and 2017, respectively. The STAR Fund invests primarily in U.S. Treasury bills, notes, and other obligations guaranteed by the U.S. government or its agencies or instrumentalities. Additionally, the fund invests in repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper, notes, and both corporate floating rate and corporate fixed-rate securities. The STAR Fund maintains a net asset value ("NAV") of \$1 per share and had a fund credit quality rating of AAAM as of both June 30, 2018 and 2017. At June 30, 2018 and 2017, the STAR Fund's investment securities maintain a weighted average maturity of 31 and 41 days, respectively.

At June 30, 2018, certain of the University's funds are held at MSCBA. Of the total, \$2,751,513 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$1,541,663 is invested in various funds as listed below:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
Fannie Mae Corporation discount note	\$ 160,187	\$ 160,187	\$ -	\$ -	\$ -	N/A
Federal Home Loan Mortgage Corp.						
U.S. Govt. Issues	221,582	221,582	-	-	-	AA+
Federal Farm Credit	194,330	-	194,330	-	-	AA+
Massachusetts ST Bonds	965,564	-	-	-	965,564	AAA
Total	\$ 1,541,663	\$ 381,769	\$ 194,330	\$ -	\$ 965,564	

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At June 30, 2017, certain of the University's funds are held at MSCBA. Of the total, \$1,056,273 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$1,630,948 is invested in various funds as listed below:

Investment type	Fair value	Investment maturities (in years)			Credit rating	
		Less than 1	1-5	6-10		Greater than 10
Fannie Mae Corporation discount note	\$ 249,472	\$ 249,472	\$ -	\$ -	\$ -	N/A
Federal Home Loan Mortgage Corp.						
U.S. Govt. Issues	221,582	-	221,582	-	-	AAA
Federal Farm Credit	194,330	-	-	194,330	-	AA+
Massachusetts ST Bonds	965,564	-	-	-	965,564	AAA
Total	\$ 1,630,948	\$ 249,472	\$ 221,582	\$ 194,330	\$ 965,564	

The University's investments in marketable securities are represented by the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Current				
U.S. Treasury Notes and Government Securities	\$ 93,667	\$ 93,753	\$ 213,594	\$ 214,437
Corporate Debt Securities	151,306	147,555	81,228	82,095
Equity Securities	559,176	826,732	462,716	723,385
Money Market Funds	22,745	22,745	30,479	30,479
Mutual Funds	2,198,028	2,223,480	2,205,871	2,163,131
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	1,052,516	1,082,485	1,019,735	1,076,740
Intermediate Term Fund	2,064,454	1,922,271	2,029,045	1,915,628
Equity Index Fund	5,750,220	10,158,323	5,751,171	8,891,942
Total	\$ 11,892,112	\$ 16,477,344	\$ 11,793,839	\$ 15,097,837
Noncurrent				
U.S. Treasury Notes and Government Securities	\$ 4,747,496	\$ 4,591,439	\$ 3,161,147	\$ 3,169,118
Corporate Debt Securities	1,471,505	1,409,975	1,110,619	1,097,006
Equity Securities	10,059,331	15,156,484	6,827,780	10,955,907
Money Market Funds	535,713	535,713	5,495,319	5,495,319
Mutual Funds	4,310,477	4,805,485	3,170,275	3,657,283
Total	\$ 21,124,522	\$ 26,499,096	\$ 19,765,140	\$ 24,374,633

The University's investment balances as of June 30, 2018 and 2017 include \$26,499,096 and \$24,374,633, respectively, which represent unrestricted net position designated by the Board of Trustees (see Note 16). These amounts consist of an original designated investment of \$13,500,000 (\$0 designated in fiscal years 2018 and 2017), plus accumulated investment income earned thereon.

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At June 30, 2018, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
U.S. Treasury Notes and Government Securities						
0.125% to 5.450%	\$ 4,685,192	\$ 93,753	\$ 2,050,493	\$ 2,501,768	\$ 39,178	AAA
Corporate Debt Securities						
1.820% to 3.812%	46,336	-	36,338	-	9,998	AAA
Corporate Debt Securities						
3.250%	101,772	-	101,772	-	-	AA
Corporate Debt Securities						
2.100% to 4.950%	30,180	30,180	-	-	-	AA-
Corporate Debt Securities						
1.700% to 3.850%	246,954	-	246,954	-	-	A+
Corporate Debt Securities						
1.700% to 5.250%	100,951	65,875	35,076	-	-	A
Corporate Debt Securities						
2.650% to 3.900%	354,396	-	69,649	284,747	-	A-
Corporate Debt Securities						
2.400% to 5.150%	262,413	-	246,460	15,953	-	BBB+
Corporate Debt Securities						
3.125% to 5.000%	241,056	-	10,102	215,807	15,147	BBB
Corporate Debt Securities						
3.125% to 5.250%	91,700	-	14,864	67,536	9,300	BBB-
Corporate Debt Securities						
2.080% to 6.250%	81,772	51,501	30,271	-	-	NR
Total	\$ 6,242,722	\$ 241,309	\$ 2,841,979	\$ 3,085,811	\$ 73,623	

At June 30, 2017, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
U.S. Treasury Notes and Government Securities						
0.125% to 5.450%	\$ 3,383,555	\$ 214,437	\$ 760,801	\$ 2,408,317	\$ -	AA+
Corporate Debt Securities						
2.00%	15,054	-	15,054	-	-	AAA
Corporate Debt Securities						
1.00%	14,946	14,946	-	-	-	AA+
Corporate Debt Securities						
3.25%	104,739	-	104,739	-	-	AA
Corporate Debt Securities						
2.100% to 4.950%	41,264	-	41,264	-	-	AA-
Corporate Debt Securities						
2.300% to 3.850%	215,144	-	199,604	15,540	-	A+
Corporate Debt Securities						
1.700% to 6.250%	448,510	52,139	142,486	253,885	-	A
Corporate Debt Securities						
2.000% to 3.900%	151,609	15,011	30,513	106,085	-	A-
Corporate Debt Securities						
2.400% to 2.650%	87,298	-	30,111	57,187	-	BBB+
Corporate Debt Securities						
3.25%	100,537	-	-	100,537	-	BBB
Total	\$ 4,562,656	\$ 296,533	\$ 1,324,572	\$ 2,941,551	\$ -	

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Cash equivalents and money market funds include the State Street Institutional U.S. Government Money Market Fund in the aggregate amounts of \$83,657 and \$360,278 at June 30, 2018 and 2017, respectively. The State Street Institutional U.S. Government Money Market Fund invests in U.S. Government securities and securities issued by the Government National Mortgage Association ("GNMA"). The fund seeks maximum current income consistent with the preservation of capital and liquidity, and the maintenance of a stable \$1.00 per share net asset value. At June 30, 2018 and 2017, the fund's investment securities had a weighted average maturity of 22 and 25 days, respectively. The fund had an average credit quality rating of AAAM at both June 30, 2018 and 2017.

Cash equivalents and money market funds include the First American Government Obligation Fund in the aggregate amounts of \$338,809 and \$165,520 at June 30, 2018 and 2017, respectively. The First American Government Obligation Fund invests primarily in U.S. Government securities and repurchase agreements collateralized by such obligations. The fund seeks maximum current income and daily liquidity. At June 30, 2018 and 2017, the fund's investment securities had a weighted average maturity of 20 and 34 days, respectively. The fund had an average credit quality rating of AAAM at both June 30, 2018 and 2017.

Cash equivalents and money market funds include the ICT Treasury Portfolio Institutional Shares in the aggregate amounts of \$135,992 and \$5,000,000 at June 30, 2018 and 2017, respectively. The ICT Treasury Portfolio Institutional Shares invests primarily in U.S. Government securities and repurchase agreements collateralized by such obligations. The fund seeks maximum current income consistent with stability of capital. At June 30, 2018 and 2017, the fund's investment securities had a weighted average maturity of 45 and 18 days, respectively. The fund had an average credit quality rating of AAAM at both June 30, 2018 and 2017.

Mutual funds include \$2,082,666 and \$2,080,804 held at MMDT in the MMDT Short Term Bond Portfolio at June 30 2018 and 2017, respectively. The fund's objective is to generate long-term performance exceeding the Barclays 1-5 Year Government/Credit Bond Index by investing in a diversified portfolio of investment-grade, short-term, fixed-income securities. The duration of the portfolio will approximate the duration of the Barclays 1-5 Year Government/Credit Bond Index. At June 30, 2018 and 2017, the fund's investment securities had a weighted average life of 2.8 and 2.9 years, respectively, and an effective duration of 2.5 and 2.6 years, respectively. The fund had an average credit quality rating of AAA at both June 30, 2018 and 2017.

The Intermediate Term Fund invests in high-quality fixed income securities with maturities generally ranging from 1-3 years. The fund may, however, invest in high-quality fixed income securities with maturities ranging from one day to 30 years. The fund's objective is to exceed the performance of the Merrill Lynch 1-3 Year Treasury Index. At June 30, 2018 and 2017, the fund's investment securities had a weighted average life of 2.6 and 2.4 years, respectively, and an effective duration of 2.1 and 2.0 years, respectively. The fund had an average credit quality rating of AA and AA- as of June 30, 2018 and 2017, respectively.

The Multi-Strategy Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The majority of the fund's assets are invested in traditional core strategies with diversification achieved through exposure to global bonds, inflation-indexed bonds, high yield bonds, private debt and other credit-oriented strategies and relative value/absolute return strategies. The fund's objective is to exceed the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index. At

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June 30, 2018 and 2017, the fund's investment securities had a weighted average life of 6.7 and 7.2 years, respectively, and an effective duration of 4.9 and 4.7 years, respectively. The fund had an average credit quality rating of AA- at both June 30, 2018 and 2017.

The Equity Index Fund invests in equity securities across strategies in proportions that are considered to be optimal for a fully diversified equity portfolio. The fund's objective is to replicate the returns of the S&P 500 Index.

The University incurred investment advisory fees of \$101,361 and \$109,492 for the years ended June 30, 2018 and 2017, respectively, which have been netted against investment income in the statements of revenues, expenses and changes in net position.

FSU Foundation's investment policy is to hold its investments to obtain a ratio of approximately 50-80% equity securities, 20-60% fixed income securities, and 0% to 20% cash and cash equivalents based on market value. The FSU Foundation strives to make appropriations annually out of the various funds to the University in the form of scholarships and work studies at a 5% spending rate based upon the previous year's net asset balances that have funds available for expenditure.

FSU Foundation's investments are included at their fair values and consist of the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair value	Cost	Fair value
U.S. Treasury Notes and Government Securities	\$ 1,282,226	\$ 1,352,324	\$ 1,045,970	\$ 1,044,049
Corporate Debt Securities	703,211	683,011	672,852	668,639
Municipal Debt Securities	51,145	49,686	51,788	51,046
Equity Securities	2,991,133	4,751,615	2,957,393	4,391,295
Money Market Funds	373,307	262,012	320,150	258,899
Mutual Funds	2,467,969	2,884,398	2,049,280	2,442,192
Total	<u>\$ 7,868,991</u>	<u>\$ 9,983,046</u>	<u>\$ 7,097,433</u>	<u>\$ 8,856,120</u>

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

	2018	2017
Current assets		
Investments	\$ 7,721,252	\$ 7,083,668
Noncurrent assets		
Endowment investments	2,261,794	1,772,452
Total	<u>\$ 9,983,046</u>	<u>\$ 8,856,120</u>

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At June 30, 2018, net unrealized gains in FSU Foundation's investment portfolio amounted to \$2,114,055. At June 30, 2017, net unrealized gains in FSU Foundation's investment portfolio amounted to \$1,758,687.

At June 30, 2018, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
U.S. Treasury Notes and Government Securities	\$ 1,352,324	\$ 153,737	\$ 369,877	\$ 816,476	\$ 12,234	AAA
Corporate Debt Securities	683,011	33,576	472,371	172,413	4,651	Varies
Municipal Debt Securities	49,686	5,000	-	33,808	10,878	Varies
Total	\$ 2,085,021	\$ 192,313	\$ 842,248	\$ 1,022,697	\$ 27,763	

At June 30, 2017, the fair value of FSU Foundation's Investments in debt securities by contractual maturities is as follows:

Investment type	Fair value	Investment maturities (in years)				Credit rating
		Less than 1	1-5	6-10	Greater than 10	
U.S. Treasury Notes and Government Securities	\$ 1,044,049	\$ 54,923	\$ 129,386	\$ 843,864	\$ 15,876	AAA
Corporate Debt Securities	668,639	55,835	357,713	245,359	9,732	Varies
Municipal Debt Securities	51,046	11,474	5,030	34,542	-	Varies
Total	\$ 1,763,734	\$ 122,232	\$ 492,129	\$ 1,123,765	\$ 25,608	

Money market funds include the DWS Treasury Portfolio - Institutional Shares Fund and First American Treasury Obligations Fund in the amounts of \$127,218 and \$134,794, respectively, at June 30, 2018. Money market funds include the DWS Treasury Portfolio - Institutional Shares Fund and First American Treasury Obligations Fund in the amounts of \$143,656 and \$115,243, respectively, at June 30, 2017.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and that such changes could materially affect the University's and FSU Foundations' investment account balances.

The University's investments have been categorized based upon the fair value hierarchy in accordance with GASB Statement No. 72 below. The Foundation follows similar guidance in accordance with FASB Accounting Standards Codification ASC 820-10, which prioritizes the inputs to valuation techniques used to measure fair value of investment assets into three levels also.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the University can access at measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for an asset or liability.

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The University's investments at fair value measurement are as follows at June 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
U.S. Treasury Notes and Government Securities	\$ 4,685,192	\$ -	\$ 4,685,192	\$ -
Corporate Debt Securities	1,557,530	-	1,557,530	-
Equity Securities	15,983,216	15,983,216	-	-
Money Market Funds	558,458	558,458	-	-
Mutual Funds	7,028,965	7,028,965	-	-
	<u>29,813,361</u>	<u>\$ 23,570,639</u>	<u>\$ 6,242,722</u>	<u>\$ -</u>
Investments measured at the net asset value ("NAV")				
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	1,082,485			
Intermediate Term Fund	1,922,271			
Equity Index Fund	10,158,323			
	<u>13,163,079</u>			
Total investments measured at the NAV	<u>13,163,079</u>			
Total investments measured at fair value	<u>\$ 42,976,440</u>			

The University's investments at fair value measurement are as follows at June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
U.S. Treasury Notes and Government Securities	\$ 3,383,555	\$ -	\$ 3,383,555	\$ -
Corporate Debt Securities	1,179,101	-	1,179,101	-
Equity Securities	11,679,292	11,679,292	-	-
Money Market Funds	5,525,798	5,525,798	-	-
Mutual Funds	5,820,414	5,820,414	-	-
	<u>27,588,160</u>	<u>\$ 23,025,504</u>	<u>\$ 4,562,656</u>	<u>\$ -</u>
Investments measured at the net asset value ("NAV")				
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	1,076,740			
Intermediate Term Fund	1,915,628			
Equity Index Fund	8,891,942			
	<u>11,884,310</u>			
Total investments measured at the NAV	<u>11,884,310</u>			
Total investments measured at fair value	<u>\$ 39,472,470</u>			

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The University's investments measured at the net asset value ("NAV") are as follows at June 30, 2018:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	\$ 1,082,485	-	Monthly	5 days
Intermediate Term Fund	1,922,271	-	N/A	N/A
Equity Index Fund	<u>10,158,323</u>	-	N/A	N/A
Total investments measured at the NAV	<u>\$ 13,163,079</u>			

The University's investments measured at the net asset value ("NAV") are as follows at June 30, 2017:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Commonfund (pooled investment funds)				
Multi-Strategy Bond Fund	\$ 1,076,740	-	Monthly	5 days
Intermediate Term Fund	1,915,628	-	N/A	N/A
Equity Index Fund	<u>8,891,942</u>	-	N/A	N/A
Total investments measured at the NAV	<u>\$ 11,884,310</u>			

FSU Foundation's investments at fair value measurement are as follows at June 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Notes and Government Securities	\$ 1,352,324	\$ -	\$ 1,352,324	\$ -
Corporate Debt Securities	683,011	-	683,011	-
Municipal Debt Securities	49,686	-	49,686	-
Equity Securities	4,751,615	4,751,615	-	-
Money Market Funds	262,012	262,012	-	-
Mutual Funds	<u>2,884,398</u>	<u>2,884,398</u>	-	-
Total investments measured at fair value	<u>\$ 9,983,046</u>	<u>\$ 7,898,025</u>	<u>\$ 2,085,021</u>	<u>\$ -</u>

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FSU Foundation's investments at fair value measurement are as follows at June 30, 2017:

	Total	Level 1	Level 2	Level 3
U.S. Treasury Notes and Government Securities	\$ 1,044,049	\$ -	\$ 1,044,049	\$ -
Corporate Debt Securities	668,639	-	668,639	-
Municipal Debt Securities	51,046	-	51,046	-
Equity Securities	4,391,295	4,391,295	-	-
Money Market Funds	258,899	258,899	-	-
Mutual Funds	2,442,192	2,442,192	-	-
Total investments measured at fair value	<u>\$ 8,856,120</u>	<u>\$ 7,092,386</u>	<u>\$ 1,763,734</u>	<u>\$ -</u>

Endowment funds

The Foundation maintains donor-restricted permanent endowment funds, in addition to unrestricted and temporarily restricted funds in its investment portfolio. Effective July 1, 2009, the Commonwealth of Massachusetts implemented the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. The Foundation also recognizes that the unpredictable nature of fluctuations in the market value of its investments can result in restricted endowment funds dropping below its original gift value.

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

The Foundation has adopted investment spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and the Barclays Government/Credit Bond Index while assuming a moderate level of investment risk.

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

Changes in donor-restricted endowment net position for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily restricted (restricted expendable)	Permanently restricted (restricted non- expendable)	Total
Endowment net position, June 30, 2016	\$ 5,182,539	\$ 2,047,846	\$ 1,587,990	\$ 8,818,375
Investment return				
Interest and dividends	122,027	41,061	163	163,251
Realized and unrealized gains, net	579,950	166,213	-	746,163
Contributions and royalties	378,951	90,805	186,649	656,405
Released from restrictions	277,429	(275,079)	(2,350)	-
Appropriations for expenditure	(782,732)	-	-	(782,732)
Endowment net position, June 30, 2017	5,758,164	2,070,846	1,772,452	9,601,462
Investment return				
Interest and dividends	128,711	46,557	182	175,450
Realized and unrealized gains, net	495,701	180,243	-	675,944
Contributions and royalties	800,497	370,159	489,160	1,659,816
Released from restrictions	280,480	(280,480)	-	-
Appropriations for expenditure	(899,500)	-	-	(899,500)
Endowment net position, June 30, 2018	<u>\$ 6,564,053</u>	<u>\$ 2,387,325</u>	<u>\$ 2,261,794</u>	<u>\$ 11,213,172</u>

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Note 3 - Accounts receivable

The University's accounts receivable includes the following at June 30, 2018 and 2017:

	2018	2017
Student accounts receivable	\$ 3,238,379	\$ 2,753,250
Grants receivable	211,099	562,478
Parking fines receivable	319,441	308,871
Tuition receivable	2,548	3,380
Commissions receivable	52,168	44,067
Due from Warren Center	175,055	318,551
Due from the Foundation	58,484	86,140
Due from Bay State Reading	41,906	41,765
Miscellaneous other receivables	50,499	3,840
	4,149,579	4,122,342
Less allowance for doubtful accounts	(1,619,761)	(1,329,058)
Total	\$ 2,529,818	\$ 2,793,284

Note 4 - Loans receivable and payable

Loans receivable include the following at June 30, 2018 and 2017:

	2018	2017
Perkins loans receivable	\$ 2,105,117	\$ 2,210,548
Emergency student loans receivable	2,011	2,778
Total	\$ 2,107,128	\$ 2,213,326

The amounts due to the federal government upon liquidation by the University are \$1,903,986 and \$1,894,862 at June 30, 2018 and 2017, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

The federal law authorizing the disbursement of Perkins loans expired on September 30, 2017. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to undergraduate students. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to graduate students who received them prior to October 1, 2016. The University may remit all federal proceeds and loans at any time thereafter to the Department of Education or continue to maintain them for five more years.

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Note 5 - Capital assets

Capital assets activity of the University for the year ended June 30, 2018 is as follows:

	Totals June 30, 2017	Additions	Reclassification* and reductions	Totals June 30, 2018
Capital assets				
<u>Non-depreciable capital assets</u>				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	6,020,924	5,131,690	(6,334,309)	4,818,305
Total non-depreciable assets	9,222,139	5,131,690	(6,334,309)	8,019,520
<u>Depreciable capital assets</u>				
Land improvements	9,602,736	-	345,781	9,948,517
Buildings	112,006,448	-	-	112,006,448
Building improvements	67,539,446	-	5,988,528	73,527,974
Equipment	7,035,273	61,904	-	7,097,177
Library materials	1,965,943	428,156	(372,155)	2,021,944
Total depreciable assets	198,149,846	490,060	5,962,154	204,602,060
Total capital assets	207,371,985	5,621,750	(372,155)	212,621,580
Less: accumulated depreciation				
Land improvements	3,666,136	487,513	-	4,153,649
Buildings	30,948,711	2,182,975	-	33,131,686
Building improvements	28,344,497	3,728,032	-	32,072,529
Equipment	4,828,043	556,837	-	5,384,880
Library materials	-	372,155	(372,155)	-
Total accumulated depreciation	67,787,387	7,327,512	(372,155)	74,742,744
Capital assets, net	<u>\$ 139,584,598</u>	<u>\$ (1,705,762)</u>	<u>\$ -</u>	<u>\$ 137,878,836</u>

* Construction costs incurred for the University's May Hall HVAC Project and other facility improvements were included in construction in progress and subsequently transferred to capital asset additions upon completion during the year ended June 30, 2018.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately \$1,029,000 at June 30, 2018.

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Capital assets activity of the University for the year ended June 30, 2017 is as follows:

	Totals June 30, 2016	Additions	Reclassification* and reductions	Totals June 30, 2017
Capital assets				
Non-depreciable capital assets				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	69,267,891	9,321,481	(72,568,448)	6,020,924
Total non-depreciable assets	<u>72,469,106</u>	<u>9,321,481</u>	<u>(72,568,448)</u>	<u>9,222,139</u>
Depreciable capital assets				
Land improvements	9,602,736	-	-	9,602,736
Buildings	40,851,685	-	71,154,763	112,006,448
Building improvements	66,089,872	35,889	1,413,685	67,539,446
Equipment	5,504,649	1,530,624	-	7,035,273
Library materials	1,944,709	381,900	(360,666)	1,965,943
Total depreciable assets	<u>123,993,651</u>	<u>1,948,413</u>	<u>72,207,782</u>	<u>198,149,846</u>
Total capital assets	<u>196,462,757</u>	<u>11,269,894</u>	<u>(360,666)</u>	<u>207,371,985</u>
Less: accumulated depreciation				
Land improvements	3,186,828	479,308	-	3,666,136
Buildings	29,655,167	1,293,544	-	30,948,711
Building improvements	25,038,212	3,306,285	-	28,344,497
Equipment	4,375,784	452,259	-	4,828,043
Library materials	-	360,666	(360,666)	-
Total accumulated depreciation	<u>62,255,991</u>	<u>5,892,062</u>	<u>(360,666)</u>	<u>67,787,387</u>
Capital assets, net	<u>\$ 134,206,766</u>	<u>\$ 5,377,832</u>	<u>\$ -</u>	<u>\$ 139,584,598</u>

* Construction costs incurred for the University's Hemenway Hall Project and other facility improvements were included in construction in progress and subsequently transferred to capital asset additions upon completion during the year ended June 30, 2017.

During 2017, the University transferred \$200,000 to fund University equity contributions related to other facility improvements, which were funded from a transfer from DCAMM.

The net transfers to/from state agencies amounted to a net transfer out of \$3,147,249 in 2018 and a net transfer in of \$200,000 in 2017.

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During fiscal 2017, the University was awarded a grant in the total amount of \$454,000 from the Massachusetts Life Sciences Center ("MLSC") to be used toward the construction of the Hemenway Hall Science Center. The University received grant proceeds of \$454,000 from the MLSC in August, 2017. The grant proceeds of \$454,000 were used to reimburse the University for expenditures funded by University operations during 2017 on the construction of the Hemenway Hall Science Center. The University recognized grant revenue of \$454,000 in 2017, which is included in state and local grants and contracts in the accompanying 2017 statement of revenues, expenses and changes in net position. As of June 30, 2017, the University has a receivable for this grant in the amount of \$454,000, which is included in accounts receivable, net in the accompanying 2017 statement of net position.

The University has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the University's financial statements for the years ended June 30, 2018 and 2017.

Note 6 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2018 and 2017:

	2018	2017
Accounts payable - trade	\$ 1,158,218	\$ 1,244,945
Salaries and fringe benefits payable	2,266,806	1,402,921
Total	\$ 3,425,024	\$ 2,647,866

During fiscal 2016, the University received State appropriations in the amount of \$2,500,000 to contribute to the acquisition of the Warren Conference Center by the MSCBA. The contribution was ultimately made with bond funding provided by DCAMM in the amount of \$2,500,000. The University reverted the \$2,500,000 of State appropriations back to the Commonwealth during fiscal 2017.

Note 7 - Accrued workers' compensation

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth's self-insured workers' compensation program were conducted as of June 30, 2018 and 2017. Based upon the Commonwealth's analyses, \$448,709 and \$612,124 of accrued workers' compensation has been recorded as a liability at June 30, 2018 and 2017, respectively.

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Note 8 - Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2018 and 2017:

	2018	2017
Vacation time payable	\$ 3,103,716	\$ 3,109,013
Sick time payable	2,680,972	2,503,363
Total	\$ 5,784,688	\$ 5,612,376
Amounts representing obligations due to employees funded through sources other than State appropriations	\$ 1,294,782	1,196,519
Amounts representing obligations for employees funded through State appropriations	4,489,906	4,415,857
Total	\$ 5,784,688	\$ 5,612,376

It is anticipated that the obligation due to employees funded through State appropriations will be discharged through future State appropriations and the balance is expected to be liquidated through trust funds. Had these amounts not been reflected as obligations of the University, the University's unrestricted net position balances would be \$14,817,974 and \$23,334,031 at June 30, 2018 and 2017, respectively (see Note 1, Compensated absences).

Note 9 - Faculty payroll accrual

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Framingham State University pay all faculty over the 12-month period from September through August. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's State appropriation. The total amount due at June 30, 2018 of \$3,311,241 will be paid from the University's fiscal 2019 State appropriations. The total amount due at June 30, 2017 of \$3,209,692 was paid from the University's fiscal 2018 State appropriations.

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Note 10 - Revenue received in advance

Revenue received in advance includes tuition received in advance from students for summer courses commencing after June 30, and grant funds received in advance. Revenue received in advance includes the following at June 30, 2018 and 2017:

	2018	2017
Summer tuition	\$ 1,517,994	\$ 1,627,358
Grants	474,853	240,061
Total	\$ 1,992,847	\$ 1,867,419

Note 11 - Deferred inflows of resources from service concession arrangement

In fiscal 2011, the University entered into a service concession arrangement with Sodexo Operations, LLC ("Sodexo") to manage and operate the University's food services operation at the University's dining services locations as more fully described in the arrangement. The service concession arrangement commenced on July 1, 2010 for a term of five years through June 30, 2015, and was amended twice thereafter to extend the term of the arrangement until June 30, 2017. The deferred inflow of resources in the amount of \$2,342,943 was amortized to revenue on a straight-line basis over the term of the original arrangement through June 30, 2015, at which time it was fully amortized. Sodexo provided a previous investment of \$2,500,000 to the University for improvements to the dining services facility, including the purchase of equipment, during the original arrangement. As of June 30, 2017, the total unamortized amount of the previous investment was \$170,589, which is a liability of the University to Sodexo, and is included in accounts payable and accrued liabilities in the accompanying 2017 statement of net position. Upon execution of the new service concession arrangement with Sodexo in September, 2017, the University repaid the unamortized portion of the previous investment of \$170,589 in full to Sodexo.

In September, 2017, the University entered into a new service concession arrangement with Sodexo, effective July 1, 2017 for a term of five years through June 30, 2022 with an option to extend the arrangement for five additional one-year periods upon mutual agreement of the parties. The new arrangement supersedes the previous arrangement, and has been amended several times thereafter to modify its terms and the additional payments to the University for investments in improvements in or at the University as mutually agreed upon by the properties. Commencing on June 30, 2019, provided that the agreement remains in effect, the arrangement provides for payments to the University totaling \$1,530,000. These payments shall be made to the University by Sodexo in nine installments as follows: \$70,000 in each of fiscal 2019 through fiscal 2024; and \$370,000 in each of fiscal years 2025 through 2027. In addition, Sodexo paid the University a Partnership bonus of \$300,000 in October, 2017 that is to be used at the discretion of the University. Sodexo agreed to pay the University specified percentages of 2.75% to 10% of specified sales receipts from the food services operation and various other contributions totaling \$41,500 per year as more fully described in the arrangement.

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As a part of the new arrangement, Sodexo provided an investment in two installments in the total amount of \$2,880,000 for improvements to the dining services facility, including the purchase of equipment. The University received the first installment of \$500,000 to the University in October, 2017. The University received the second installment of \$2,380,000, which was comprised of \$2,025,000 received in February, 2018, and equipment purchased directly by Sodexo in the amount of \$355,000. Sodexo will amortize the investment over a period defined in the arrangement. All improvements and equipment purchased with the payments received from Sodexo shall remain the property of the University. The arrangement may be terminated by either party at any time, without cause, in accordance with the terms of the arrangement and per the Commonwealth of Massachusetts Standard Terms and Conditions. The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of any payments made to the University by Sodexo. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by Sodexo. The amortization schedules assume that all funds will be received from Sodexo. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

Deferred inflows of resources from the service concession arrangement amounted to \$2,462,000 at June 30, 2018 which consists of the unamortized balances of the service concession arrangement with Sodexo. The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amount of \$538,000 has been recognized in capital grant revenue in the accompanying 2018 statement of revenues, expenses and changes in net position for the year ended June 30, 2018.

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Note 12 - Interagency payables

The University, in association with the Massachusetts State College Building Authority ("MSCBA"), the Massachusetts Development Finance Agency ("MDFA"), and the Commonwealth of Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM"), has entered into financing and construction agreements for various campus projects.

The following table summarizes the University's Interagency payables as of June 30, 2018:

	<u>Issue date</u>	<u>Original amount</u>	<u>Interest rates (%)</u>	<u>Due date</u>	<u>Effective interest rates (%)*</u>	<u>Interagency payable balance</u>	<u>Unamortized bond premiums</u>	<u>Total Interagency payable</u>
MDFA Series J-4	10/16/1998	\$ 6,265,000	Floating	6/15/2023	2.22	\$ -	\$ -	\$ -
MSCBA Series 2003A	03/01/2003	2,275,000	2.00-5.25	5/1/2033	3.97	1,630,000	-	1,630,000
MSCBA Series 2005A	03/01/2005	7,835,000	3.50-5.00	5/1/2026	3.99	3,885,000	-	3,885,000
MSCBA Series 2006A	03/01/2006	1,545,000	3.50-5.00	5/1/2026	4.44	785,000	33,179	818,179
MSCBA Series 2008A	03/01/2008	870,000	3.00-5.00	5/1/2028	4.19	530,000	17,591	547,591
MSCBA Series 2009A	01/01/2009	5,899,009	3.00-5.30	5/1/2029	4.84	3,873,424	46,197	3,919,621
MSCBA Series 2009 Land	10/01/2009	685,000	3.00-5.30	5/1/2029	5.04	455,000	11,400	466,400
MDFA Series 2010A-5	06/01/2010	177,705	3.50	5/1/2027	3.61	94,079	-	94,079
MSCBA Series 2010B	12/01/2010	11,095,000	5.79-6.54	5/1/2035	3.64	11,095,000	-	11,095,000
DCAMM CEIP Funds - Phase I	07/01/2011	373,537	4.50	1/1/2032	4.54	293,560	-	293,560
DCAMM CEIP Funds - Phase I	07/01/2011	3,711,166	4.00	1/1/2027	4.06	2,481,814	-	2,481,814
MSCBA Series 2012C	12/01/2012	4,155,000	2.00-5.00	5/1/2032	3.27	3,370,000	262,858	3,632,858
MSCBA Series 2014A	01/01/2014	3,185,000	2.00-5.00	5/1/2033	4.83	2,770,000	288,374	3,058,374
MSCBA Series 2014C	12/01/2014	680,000	3.00-5.00	5/1/2034	4.92	620,000	98,905	718,905
Total		\$ 48,751,417				\$ 31,882,877	\$ 758,504	\$ 32,641,381

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

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The following table summarizes the University's Interagency payables as of June 30, 2017:

	Issue date	Original amount	Interest rates (%)	Due date	Effective interest rates (%)*	Interagency payable balance	Unamortized bond premiums	Total Interagency payable
M DFA Series J-4	10/16/1998	\$ 6,265,000	Floating	6/15/2023	1.14	\$ 3,350,727	\$ -	\$ 3,350,727
MSCBA Series 2003A	03/01/2003	2,275,000	2.00-5.25	5/1/2033	4.02	1,695,000	-	1,695,000
MSCBA Series 2005A	03/01/2005	7,835,000	3.50-5.00	5/1/2026	3.27	4,285,000	-	4,285,000
MSCBA Series 2006A	03/01/2006	1,545,000	3.50-5.00	5/1/2026	4.37	865,000	57,824	922,824
MSCBA Series 2008A	03/01/2008	870,000	3.00-5.00	5/1/2028	4.69	570,000	19,380	589,380
MSCBA Series 2009A	01/01/2009	5,899,009	3.00-5.30	5/1/2029	4.78	4,139,161	68,297	4,207,458
MSCBA Series 2009 Land	10/01/2009	685,000	3.00-5.30	5/1/2029	5.04	485,000	12,336	497,336
M DFA Series 2010A-5	06/01/2010	177,705	3.50	5/1/2027	3.60	104,532	-	104,532
MSCBA Series 2010B	12/01/2010	11,095,000	5.79-6.54	5/1/2035	3.64	11,095,000	-	11,095,000
DCAMM CEIP Funds - Phase I	07/01/2011	373,537	4.50	1/1/2032	4.53	308,398	-	308,398
DCAMM CEIP Funds - Phase I	07/01/2011	3,711,166	4.00	1/1/2027	3.94	2,707,309	-	2,707,309
MSCBA Series 2012C	12/01/2012	4,155,000	2.00-5.00	5/1/2032	3.30	3,555,000	281,810	3,836,810
MSCBA Series 2014A	01/01/2014	3,185,000	2.00-5.00	5/1/2033	4.93	2,890,000	337,567	3,227,567
MSCBA Series 2014C	12/01/2014	680,000	3.00-5.00	5/1/2034	4.83	645,000	120,771	765,771
Total		\$ 48,751,417				\$ 36,695,127	\$ 897,985	\$ 37,593,112

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

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MDFA Series J-4 bond issuance

On October 16, 1998, the University signed a financing agreement to receive \$6,265,000 from a MDFA (formerly Massachusetts Health and Educational Authority ("MHEFA")) bond issuance to be used for the construction of the University's athletic facility. This obligation was to be repaid solely by the University. Construction of the athletic facility was completed in November 2001. MDFA initially retained \$480,073 of the bond proceeds for a debt service retirement fund.

The University was required to make annual funding payments of principal on this debt each June 15. These payments were made to a restricted cash account held in escrow in the University's name and recorded on the books of the University. These amounts, along with the remaining balance of the debt service retirement fund, are held in an escrow account by MDFA. The annual funding payments were held in this escrow account and made available to reborrow subject to specific conditions of the financing agreement or used to pay down the outstanding debt. Earnings on this total balance were used to offset costs related to the construction of the athletic facility and to defray debt service costs. These debt payments were to be repaid by the University solely from student fees.

Interest on the debt was paid every 35 days at a floating rate of interest subject to market conditions. The interest rate is determined by MDFA conducting a true auction of their debt issuance every 35 days, in which the University's obligation is pooled with other higher education institutions within the Commonwealth who have debt funded through MDFA. The most recent auctioned interest rates in effect at June 30, 2018 and 2017 were 5.943% and 1.936%, respectively. The University was also responsible to pay for program expenses at an annual rate of 1.101% (2018) and 1.172% (2017) of the outstanding principal balance, calculated and payable every 35 days when the rate was auctioned. Under the terms of the debt financing agreement, interest could be converted to a fixed rate with the consent of the bond insurer.

Under the terms of the debt financing agreement, the University was able to again borrow funding payments made by the University through July 1, 2008 and during any subsequent period with the consent of the bond insurer. Any amounts reborrowed must be repaid within a 10-year period or by the debt due date, whichever is earlier. However, any additional borrowings were subject to specific conditions of the financing agreement. At various times, the University utilized this reborrowing option to fund various projects on campus.

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

The University repaid the outstanding balance of the bond debt to MDFA in May, 2018. At June 30, 2018, MDFA is retaining escrow funds totaling \$136,597 related to the bonds, which will be released to the University in fiscal year 2019.

MSCBA Series 2003A bond issuance

On March 1, 2003, the University signed a financing agreement in an original amount of \$2,275,000 from a MSCBA bond issuance. These funds, net of bond issue costs and debt service reserve funds, were used during fiscal year 2004 for improvements to athletic fields and a new parking lot. This obligation will be repaid solely by the University.

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As of June 30, 2018 and 2017, MSCBA held debt service funds in the amount of \$160,187 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2033. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using rates ranging from 2.00% to 5.25% over the term of the debt to maturity. The effective interest rate at June 30, 2018 and 2017, respectively, reflects interest savings as a result of a bond refunding.

MSCBA Series 2005A bond issuance

During March 2005, the University signed a financing agreement to receive \$7,835,000 from a MSCBA bond issuance. These funds, net of bond issue costs, reoffering premiums and debt service reserve funds were used in prior fiscal years for the renovation of the McCarthy Center (the "Project") at the University. This obligation will be repaid solely by the University through University operations.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.50% to 5.00% over the term of the debt to maturity. The effective interest rate at June 30, 2018 and 2017, respectively, reflects interest savings as a result of a bond refunding.

MSCBA Series 2006A bond issuance

During March, 2006, the University signed a financing agreement to receive \$1,545,000 from a MSCBA bond issuance. These funds were used for the renovation of the McCarthy Center (the "Project") at the University. This obligation will be repaid solely by the University through University operations.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of \$108,631 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.50% to 5.00% over the term of the debt to maturity. The effective interest rate at June 30, 2018 and 2017, respectively, reflects interest savings as a result of a bond refunding.

MSCBA Series 2008A bond issuance

During March, 2008, the University signed a financing agreement to receive \$870,000 from a MSCBA bond issuance. These funds were used for the renovation of the McCarthy Center (the "Project") at the University. This obligation will be repaid solely by the University through University operations.

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As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of \$89,285 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2028. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.00% to 5.00% over the term of the debt to maturity.

MSCBA Series 2009A bond issuance

During January 2009, the University signed a financing agreement to receive \$5,899,009 from a MSCBA bond issuance. These funds have been used for a parking facility (the "Project") at the University and for a new roof on O'Connor Hall. This obligation will be repaid solely by the University through University operations.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of \$212,056 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017, as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2029. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.00% to 5.30% over the term of the debt to maturity. The effective interest rate at June 30, 2018 and 2017, respectively, reflects interest savings as a result of a bond refunding.

MSCBA Series 2009A bond issuance

During October 2009, the MSCBA transferred land (the "Project") acquired with bond proceeds and the associated debt in the amount of \$685,000 to the University pursuant to a financing agreement. This obligation will be repaid solely by the University through University operations.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of \$9,526 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2029. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.00% to 5.30% over the term of the debt to maturity. The effective interest rate at June 30, 2018 and 2017, respectively, reflects interest savings as a result of a bond refunding.

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MDFA CREBS bond issuance

During June, 2010, the University signed a financing agreement to receive \$177,705 from a MDFA New Clean Renewable Energy Bonds ("CREBS") issuance. These funds are being used for the installation of solar photovoltaic panels on the Student Center and Athletic Center. This obligation will be repaid solely by the University through University operations.

As of June 30, 2018 and 2017, unexpended debt proceeds held by Century Bancorp, Inc. related to the debt issue and the Project are \$18,244 and \$18,208, respectively, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on the CREBS debt each May 1. The final principal payment is due on May 1, 2027. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule using a 3.50% interest rate over the term of the debt to maturity.

MSCBA Series 2010B bond issuance

During December, 2010, the University signed a financing agreement to receive \$11,095,000 from a MSBCA bond issuance. These funds, net of bond issue costs and a debt service reserve fund, are being used for the renovation of Hemenway Science Center, including the relocation of the Planetarium to O'Connor Hall. This obligation will be repaid solely by the University through University operations.

As of June 30, 2018 and 2017, amounts held by MSCBA related to the debt issuance and the Project are as follows:

	2018	2017
Unexpended debt proceeds	\$ -	\$ 175,273
Debt service reserve fund	965,564	965,564
	\$ 965,564	\$ 1,140,837

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

The University is required to make annual principal payments on this debt each May 1, commencing on May 1, 2023. The final principal payment is due on May 1, 2035. Interest on the debt is payable on May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 5.788% to 6.540% over the term of the debt to maturity. MSCBA is receiving a federal interest subsidy associated with this bond issue and is billing the University for interest net of the subsidy.

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DCAMM Clean Energy Investment Program

In July 2011, the University entered into a Memorandum of Agreement with the Commonwealth of Massachusetts' Division of Capital Asset Management and Maintenance ("DCAMM") to undertake a Comprehensive Energy Performance Contracting Project - Phase 1 (the "Project"). Further, in March 2012, the University entered into a second Memorandum of Agreement with DCAMM related to the same project but known as Phase 2. The second agreement provided for, among other items, an increase in the total project cost and a change in the performance term from 20 years to 5 years. The Project's goal is to upgrade boilers, replace the chiller, lighting, EMS improvements, VAV boxes, and various energy conservation measures.

The total project cost for Phase 1 was \$451,537, including capitalized interest of \$12,551. Phase 1 was funded with Clean Energy Investment Program Funds ("CEIP Funds") in the amount of \$373,537, which are being repaid over 20 years at 4.5% interest and \$78,000 of University operating funds. Annual payments of principal and interest for Phase 1 in the amount of \$28,716 commenced on January 1, 2013. The total project cost for Phase 2 was approximately \$6,650,000. The cost of the Project was funded from CEIP Funds in the amount of \$3,711,166, capital grants of \$2,700,000, energy incentives from the contractor in the amount of \$45,600 and University operating funds of approximately \$193,000. CEIP Funds for Phase 2 are being repaid over 15 years at 4.0% interest. Annual payments of principal and interest for Phase 2 in the amount of \$333,786 commenced in 2013. Additionally, both agreements provide for the University to fund annual maintenance costs to be paid over the first five years of the Project totaling approximately \$100,800 of which approximately \$6,900 relates to Phase 1 and \$93,900 relates to Phase 2. These maintenance costs are expected to be offset by energy savings as a result of the Project.

MSCBA 2012C bond issuance

During December 2012, the University signed financing agreements to receive an aggregate amount of \$4,155,000 from a MSCBA bond issuance (in the separate amounts of \$1,890,000 and \$2,265,000). The \$1,890,000 bond, net of a bond issue premium, bond issue costs, and a debt service reserve fund, is being used for the renovation of the Hemenway Science Center, including the relocation of the Planetarium to O'Connor Hall. The \$2,265,000 bond, net of a bond issue premium, bond issue costs, and a debt service reserve fund, is being used for the expansion of the McCarthy Center. These obligations will be repaid solely by the University through University operations.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds related to the 2012C bond in the amount of \$69,848 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

In accordance with an amended funding agreement among MSCBA, DCAMM and the University, the University transferred \$270,000 to DCAMM in July 2013 in association with the Hemenway Science Center project. As of June 30, 2017, DCAMM held unexpended funds in the amounts of \$100,000, all of which is included in noncurrent restricted cash and cash equivalents in the accompanying 2017 statement of net position. During fiscal year 2018, DCAMM expended the remaining funds.

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The University is required to make annual principal payments on the debt each May 1, commencing on May 1, 2014. The final principal payments are due on May 1, 2032. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 2.00% to 5.00% over the term of the debt to maturity.

MSCBA 2014A bond issuance

During January 2014, the University signed a financing agreement to receive \$3,185,000. These bonds net of a bond issue premium, bond issue costs, and a debt service reserve fund, are being used for the renovation of the University's Maple Street athletic fields and the Salem End Road parking project. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA, whereby MSCBA provided management services to the University for the Project.

As of June 30, 2018 and 2017, amounts held by MSCBA related to the debt issuance and the Project are as follows:

	2018	2017
Unexpended debt proceeds	\$ -	\$ 1,944
Debt service reserve fund	194,330	194,330
	\$ 194,330	\$ 196,274

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

The University is required to make annual principal payments on the debt each May 1, commencing on May 1, 2015. The final principal payment is due on May 1, 2033. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 2.00% to 5.00% over the term of the debt to maturity.

MSCBA 2014C bond issuance

During December 2014, the University signed a financing agreement to receive \$680,000. These bonds net of a bond issue premium, bond issue costs, and a debt service reserve fund, are being used for the renovation of the University's Maple Street athletic fields. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA, whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2018 and 2017, the MSCBA held debt service reserve funds in the amount of \$44,781 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

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The University is required to make annual principal payments on the debt each May 1, commencing on May 1, 2016. The final principal payment is due on May 1, 2034. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.00% to 5.00% over the term of the debt to maturity.

Aggregate principal and interest payments due to maturity consist of the following:

Year ending June 30,	Principal	Amortization of bond premium	Total principal	Estimated interest	Total
2019	\$ 1,523,528	\$ 55,944	\$ 1,579,472	\$ 1,306,493	\$ 2,885,965
2020	1,594,166	55,944	1,650,110	1,253,440	2,903,550
2021	1,651,970	55,944	1,707,914	1,185,668	2,893,582
2022	1,738,717	55,944	1,794,661	1,106,321	2,900,982
2023	2,239,143	55,944	2,295,087	1,031,484	3,326,571
2024 - 2028	13,193,852	270,240	13,464,092	3,551,218	17,015,310
2029 - 2033	8,786,501	203,344	8,989,845	1,157,178	10,147,023
2034 - 2038	1,155,000	5,200	1,160,200	69,703	1,229,903
Total	<u>\$ 31,882,877</u>	<u>\$ 758,504</u>	<u>\$ 32,641,381</u>	<u>\$ 10,661,505</u>	<u>\$ 43,302,886</u>

Other Interagency activity

The oversight of various capital projects on campus is provided by MSCBA. To fund these projects, the University provides equity contributions, by advancing funds to the MSCBA, which are then held by MSCBA until used for the payment of the capital project costs. As of June 30, 2018 and 2017, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$2,438,968 and \$205,796, respectively, all of which is included in noncurrent restricted cash and cash equivalents in the accompanying 2018 and 2017 statements of net position.

As of June 30, 2018 and 2017, construction costs funded during the year by the University's equity contributions and bond issuance funds amounted to \$2,631,892 and \$47,122, respectively.

Project number	Project name	Amount paid in 2018	Amount paid in 2017
FRA0802-17	Chiller Plant	\$ 1,657,835	\$ -
FRA0803-17	Power Plant	234,186	36,162
FRA0819-17	Dining Services	739,871	10,960
Total		<u>\$ 2,631,892</u>	<u>\$ 47,122</u>

Note 13 - Line of credit

On May 1, 2018, the University entered into a unsecured revolving line of credit agreement with MutualOne Bank which permits the University to borrow up to \$150,000 for a term of five years. The line of credit provides for interest at the floating rate of the Wall Street Journal Prime Rate plus 0.25% (25 basis points) for the life of the loan (5.00% at June 30, 2018). Payments of interest only are required on any line of credit balances outstanding. As of June 30, 2018, no amounts have been drawn on the line of credit.

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Note 14 - Long-term liabilities

Long-term liabilities activity for the year ended June 30, 2018 included the following:

	Totals June 30, 2017	Additions	Reductions	Totals June 30, 2018	
				Ending balance	Current portion
Interagency payables	\$ 37,593,112	\$ -	\$ 4,951,731	\$ 32,641,381	\$ 1,579,472 [A]
Other liabilities					
Compensated absences	5,612,376	3,571,658	3,399,346	5,784,688	3,567,363
Workers' compensation	612,124	-	163,415	448,709	95,126
Loan payable - federal financial assistance	1,894,862	265,200	256,076	1,903,986	-
Net pension liability	14,519,987	441,551	-	14,961,538	-
Net OPEB liability	25,834,386	3,265,880	-	29,100,266	-
Total other liabilities	48,473,735	7,544,289	3,818,837	52,199,187	3,662,489
Long-term obligations	\$ 86,066,847	\$ 7,544,289	\$ 8,770,568	\$ 84,840,568	\$ 5,241,961

Long-term liabilities activity for the year ended June 30, 2017 included the following:

	Totals June 30, 2016	Additions	Reductions	Totals June 30, 2017	
				Ending balance	Current portion
Interagency payables	\$ 39,402,149	\$ -	\$ 1,809,037	\$ 37,593,112	\$ 1,914,058 [A]
Other liabilities					
Compensated absences	5,390,828	3,631,993	3,410,445	5,612,376	3,399,346
Workers' compensation	518,848	202,753	109,477	612,124	110,794
Loan payable - federal financial assistance	1,881,685	224,400	211,223	1,894,862	-
Net pension liability	12,702,384	1,817,603	-	14,519,987	-
Net OPEB liability	-	25,834,386	-	25,834,386	-
Total other liabilities	20,493,745	31,711,135	3,731,145	48,473,735	3,510,140
Long-term obligations	\$ 59,895,894	\$ 31,711,135	\$ 5,540,182	\$ 86,066,847	\$ 5,424,198

[A] - The MDFA debt issuance totaling \$3,350,727 at June 30, 2017, was due in 2023. Required annual funding payments were due each June 15 and were held in escrow by the University's trustee and made available to reborrow subject to specific conditions of the financing agreement or used to pay down the outstanding debt (see Note 12). During May 2018, the University repaid the remaining principal balance in full. Funding payments held by the trustee at June 30, 2018 and 2017 are included in restricted cash and cash equivalents - current.

The MSCBA debt issuances, including unamortized premiums, totaling \$29,771,928 and \$31,122,146 at June 30, 2018 and 2017, respectively, are due in various years (see Note 12). Required annual principal payments are due each May 1.

The MDFA debt issuance in the amounts of \$94,079 and \$104,532 at June 30, 2018 and 2017, respectively, is due in 2027. Required annual principal payments are due each May 1.

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The DCAMM CEIP debt issuances in the total amount of \$2,775,374 and \$3,015,707 at June 30, 2018 and 2017, respectively, are due in 2032 (see Note 12). Required annual principal payments are expected to be paid each January 1.

Note 15 - Operating lease commitments

Pursuant to a management and service agreement (the "Agreement") between the University and MSCBA, the University is leasing a parcel of land from MSCBA for student parking and is obligated to make payments for the portion of a debt issuance attributable to the cost of the land. Lease payments are payable May 1 and November 1 each year and continue through May 1, 2019. Rent expense during 2018 and 2017, related to this lease amounted to \$242,396 and \$243,975, respectively. The University received \$162,885 and \$154,295 in parking fees from students during 2018 and 2017, respectively, to offset these lease payments.

According to the terms of the Agreement, the University is required to pay annually their portion of fees and expenses attributable to the management and administration of the bond issuance as well as applicable insurance and maintenance costs of the land. The University designated approximately \$63,000 as a pledge for payment under this financial arrangement. A portion of the fees earned by the University from student parking charges is designated for the sole purpose of being applied to the lease payments as they become due. In addition, annual State appropriations or other spending authorizations in the Commonwealth's annual operating budget available on behalf of the University are additionally pledged to secure payment.

The estimated future lease payments under this lease amounts to \$240,000 for the year ended June 30, 2019.

On July 2, 2012, the Commonwealth of Massachusetts, acting by and through its Division of Capital Asset Management and Maintenance ("DCAMM") on behalf of the University, entered into a lease agreement with the Town of Framingham for new office space located in Framingham, Massachusetts. The leased space is approximately 6,600 square feet. The lease provided for a one-time payment of \$200,000 for the initial three-year term of the lease agreement. The \$200,000 payment was paid in October 2012 and the University occupied the building on August 30, 2012. The lease was for an initial term of three years and expired on the third anniversary of the Date of Occupancy. The original lease allowed for an extension for a term not to exceed five years in the aggregate pursuant to mutually agreed upon provisions by the landlord and the University. The Town of Framingham sold the property to the Danforth Museum Corporation. On September 1, 2015, the lease was extended with the Danforth Museum Corporation effective September 15, 2015 for a term of three years, expiring in September 2018, pursuant to mutually agreed upon provisions by the landlord and the University. The lease provided for a minimum annual base rent of \$72,000 for the initial year of the lease agreement and increases to \$74,520 for year two and \$77,128 for year three of the lease agreement.

On December 22, 2017, the Danforth Museum Corporation sold the property to MSCBA as part of an agreement to create the Danforth Art Center at Framingham State University (see Note 25). In connection with the sale of the property, the lease with the Danforth Museum Corporation was terminated.

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Note 16 - Net position

Unrestricted net position is comprised of net assets that are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net position are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Net position designated as unrestricted were \$17,737,287 and \$9,642,565 at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, of the total designated unrestricted net position, \$26,499,096 and \$24,374,633, respectively, were designated by a vote of the Trustees during fiscal 2006 as a quasi-endowment and the remainder have been designated by action of management for the purposes described above (see Note 2). Undesignated unrestricted net position (deficiency) were \$(7,409,219) and \$9,275,609 at June 30, 2018 and 2017, respectively.

The University's net investment in capital assets consists of the following at June 30, 2018 and 2017:

	2018	2017
Non-depreciable capital assets	\$ 8,019,520	\$ 9,222,139
Depreciable capital assets	129,859,316	130,362,459
Total capital assets, net	137,878,836	139,584,598
Long-term debt related to capital assets		
Interagency payables	(31,061,909)	(35,679,054)
Current debt related to capital assets		
Interagency payables	(1,579,472)	(1,914,058)
Other		
Unspent proceeds on debt related to capital assets	-	195,425
Debt service reserve	1,873,927	2,079,710
Debt used to pay bond issuance costs	390,570	427,168
Total investment in capital assets	\$ 107,501,952	\$ 104,693,789

Note 17 - Net position restricted by enabling legislation

Framingham State University Foundation, Inc.'s statements of net position as of June 30, 2018 and 2017 reflect a restricted net position of \$4,649,119 and \$3,843,298, respectively. Of these amounts, \$870,233 in both fiscal years 2018 and 2017 are restricted by enabling legislation for the State Matching Funds Program.

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Note 18 - Operating expenses

The University's operating expenses for the years ended June 30, 2018 and 2017, on a natural classification basis, are comprised of the following:

	2018	2017
Salaries		
Faculty	\$ 22,776,533	\$ 23,338,782
Exempt wages	20,525,145	18,937,820
Non-exempt wages	8,294,557	8,363,929
Benefits	16,767,562	15,312,031
Utilities	3,834,308	3,883,505
Supplies and other services	28,055,121	28,267,116
Depreciation	7,327,512	5,892,062
Total operating expenses	\$ 107,580,738	\$ 103,995,245

The University's operating expenses for the years ended June 30, 2018 and 2017, presented in accordance with the Commonwealth's expenditure classification plan, are comprised of the following:

	2018	2017
Education and general		
Regular employee compensation	\$ 39,242,998	\$ 38,433,337
Regular employee related expenses	447,226	436,783
Special employee/contract services	9,803,622	9,799,874
Pension and insurance	16,285,164	14,863,719
Administrative expenses	5,611,791	3,930,187
Facility operating supplies and related expenses	749,342	2,388,079
Energy and space rental	3,834,308	3,883,505
Consultant services	1,505,392	1,382,528
Operational services	466,455	1,135,741
Equipment purchases	922,855	438,961
Equipment lease and maintenance	186,266	633,691
Purchased client services and programs	370,147	465,859
Building improvements	1,289,187	1,176,769
Debt payment	237,521	182,866
Loans and special payments	1,585,519	2,038,828
Information technology	3,848,967	3,311,099
Depreciation	7,327,512	5,892,062
Total education and general expenses	\$ 93,714,272	\$ 90,393,888

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Note 19 - State controlled accounts

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled, and reported by the Commonwealth through non-University line items in the Commonwealth's budget. Under generally accepted accounting principles, such transactions must be recorded in the financial statements of the University. These transactions include payments by the Commonwealth for the employer's share of funding the Massachusetts State Employees' Retirement System (see Note 20) and for the employer's share of health care premiums.

The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2018, 2017 and 2016 were as follows (see State appropriations under Note 22):

	2018	2017	2016
Commonwealth's retirement system contribution	\$ 3,699,688	\$ 3,042,698	\$ 2,867,370
Employer's share of health care premiums	6,376,181	6,404,048	5,175,052

Note 20 - Retirement plan

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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

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

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

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

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

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate established by the State. The total amount of current funding by the State related to the University's employees during 2018, 2017 and 2016 was \$3,699,688, \$3,042,698, and \$2,867,370, respectively. The total amount of current funding by the University related to the University's employees compensated by a trust fund or other source during 2018, 2017 and 2016 was \$1,115,600, \$912,072, and \$756,143, respectively. Annual covered payroll was approximately 73%, 74% and 78% of annual total payroll for the University in 2018, 2017 and 2016, respectively.

At June 30, 2018 and 2017, the University reported a liability of \$14,961,538 and \$14,519,987, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2017 and January 1, 2016, respectively, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2018, the University's proportion was 0.1167% which was an increase of 0.0114% from its proportion measured as of June 30, 2017. At June 30, 2017, the University's proportion was 0.1053% which was a decrease of 0.0063% from its proportion measured as of June 30, 2016.

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For the years ended June 30, 2018 and 2017, the University recognized pension expense of \$5,839,324 and \$5,190,435, respectively, which is comprised of the following:

	<u>2018</u>	<u>2017</u>
Contractually required expense - State	\$ 3,350,522	\$ 2,805,825
Contractually required expense - University	1,115,600	912,072
Actuarially calculated expense	<u>1,373,202</u>	<u>1,472,538</u>
 Total	 <u>\$ 5,839,324</u>	 <u>\$ 5,190,435</u>

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 1,559,787	\$ -
Net difference between projected and actual earnings on pension plan investments	-	178,267
Differences between expected and actual experience	578,474	407,066
Changes in proportion due to internal allocation	2,189,747	402,147
Changes in proportion from Commonwealth	51,244	5,333
University contributions subsequent to the measurement date	<u>1,115,600</u>	<u>-</u>
 Total	 <u>\$ 5,494,852</u>	 <u>\$ 992,813</u>

\$1,115,600 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ 1,079,440
2020	2,026,699
2021	879,748
2022	(575,993)
2023	<u>(23,455)</u>
 Total	 <u>\$ 3,386,439</u>

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At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 1,610,170	\$ -
Net difference between projected and actual earnings on pension plan investments	974,700	-
Differences between expected and actual experience	689,661	-
Changes in proportion due to internal allocation	1,742,160	520,426
Changes in proportion from Commonwealth University contributions subsequent to the measurement date	32,348	6,995
	912,072	-
Total	\$ 5,961,111	\$ 527,421

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year (3.0% cost of living increase per year for the year ended June 30, 2016).
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
3. Chapter 79 of the Acts of 2014 established an early retirement incentive ("ERI") program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during fiscal year 2017. As a result, the total pension liability of MSERS increased by approximately \$10 million as of June 30, 2017.
4. Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan ("ORP") to transfer to the Massachusetts State Employee's Retirement System ("MSERS") and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately \$400 million as of June 30, 2016.
5. Mortality rates were as follows:
 - (i) Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward one year for females (RP-2000 Employees Table projected generationally with Scale BB and a base year of 2009 (gender distinct) for the year ended June 30, 2016).

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- (ii) Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward one year for females (RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2009 (gender distinct) for the year ended June 30, 2016).
- (iii) Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) (unchanged from the year ended June 30, 2016).

These changes resulted in an increase of approximately \$304 million in the total pension liability as of June 30, 2017.

1. Experience studies were performed as follows:

- (i) Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset class	Target allocation		Long-term expected real rate of return	
	2017	2016	2017	2016
Global equity	40.00%	40.00%	5.00%	6.90%
Portfolio completion strategies	13.00%	4.00%	3.60%	3.60%
Core fixed income	12.00%	13.00%	1.10%	1.60%
Private equity	11.00%	10.00%	6.60%	8.70%
Value added fixed income	10.00%	10.00%	3.80%	4.80%
Real estate	10.00%	10.00%	3.60%	4.60%
Timber/natural resources	4.00%	4.00%	3.20%	5.40%
Hedge funds	0.00%	9.00%	3.60%	4.00%
Total	100.00%	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2017 and 2016 was 7.5% for both years. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the University's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.5%, for both the measurement years ended June 30, 2017 and 2016, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

<u>Measurement year ended</u>	<u>1% decrease</u>	<u>Discount rate</u>	<u>1% increase</u>
June 30, 2017	\$ 20,376,992	\$ 14,961,538	\$ 10,599,260
June 30, 2016	18,921,793	14,519,987	10,789,286

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

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

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

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

Post-employment other than pensions

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth. 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 are comparable to contributions required from employees.

The Commonwealth administers a single employer defined Postemployment Benefits Other Than Pensions ("OPEB") Plan. Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The State Retirement Benefits Trust Fund ("SRBT") is set up solely to pay for OPEB benefits and the cost to administer those benefits. Management of the SRBT is vested with a board of trustees, which consists of seven members. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report. The financial position and results of operations of the plan are incorporated in the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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During the fiscal years ended on June 30, 2018 and 2017, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Employer and employee contribution rates are set in Massachusetts General Law. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2017 and 2016 and as of the valuation date (January 1, 2017), Commonwealth participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status.

At June 30, 2018 and 2017, the University reported a liability of \$29,100,266 and \$25,834,386, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of January 1, 2017 and the Commonwealth's total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2018, the University's proportion was 0.1664%, which was an increase of 0.0301% from its proportion measured as of June 30, 2017.

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2018, 2017 and 2016 were \$8,734,263, \$9,078,022 and \$7,241,406, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program. The total amount of current funding by the Commonwealth related to the OPEB portion of fringe benefits for the University's employees during 2018, 2017 and 2016 was \$2,536,743, \$2,253,585 and \$1,996,535, respectively. The total amount of funding by the University related to the OPEB portion of fringe benefits for the University's employees compensated from a trust fund or other source during 2018, 2017, and 2016 was \$844,642, \$732,558, and \$579,426, respectively.

For the year ended June 30, 2018, the University recognized OPEB expense of \$5,223,710, which is comprised of the following:

Contractually required expense - State	\$ 2,536,743
Contractually required expense - University	844,642
Actuarially calculated expense	<u>1,842,325</u>
Total	<u><u>\$ 5,223,710</u></u>

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At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ -	\$ 3,295,905
Net differences between projected and actual investment earnings on OPEB plan investments	-	53,092
Difference between expected and actual experience	-	66,907
Changes in proportion due to internal allocation	4,666,471	-
Changes in proportion from Commonwealth	60,904	-
University contributions subsequent to the measurement date	844,642	-
Total	\$ 5,572,017	\$ 3,415,904

The \$844,642 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the University's requirement to contribute to the Plan will be recognized in expense as follows:

Year ending June 30,	
2019	\$ 274,635
2020	274,635
2021	274,635
2022	274,635
2023	212,931
Total	\$ 1,311,471

The total OPEB liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled back to June 30, 2016. The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

1. The following annual healthcare cost trend rates: (1) 8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for medical, (2) 5.0% for EGWP and (3) 5.0% for administration costs.
2. The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

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3. Participation rates:

- (i) 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.
- (ii) All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- (iii) 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- (iv) Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement age	
	Under 65	Age 65 +
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

Investment assets of the Plan are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return	
		2017	2016
Global Equity	40.00%	5.00%	6.90%
Portfolio Completion Strategies	13.00%	3.60%	3.60%
Core Fixed Income	12.00%	1.10%	1.60%
Private Equity	11.00%	6.60%	8.70%
Value Added Fixed Income	10.00%	3.80%	4.80%
Real Estate	10.00%	3.60%	4.60%
Timber/Natural Resources	4.00%	3.20%	5.40%
Hedge Funds	0.00%	3.60%	4.00%
Total	100.00%		

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The discount rates used to measure the OPEB liability as of June 30, 2017 and 2016 were 3.63% and 2.88%, respectively. These rates were based on a blend of the Bond Buyer Index rates of 3.58% and 2.85%, respectively, as of the measurement dates June 30, 2017 and 2016 and the expected rates of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017 and 2016.

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

<u>Measurement year ended</u>	<u>1% decrease</u>	<u>Discount rate</u>	<u>1% increase</u>
June 30, 2017 (a)	\$ 34,544,343	\$ 29,100,266	\$ 24,771,800
June 30, 2016 (b)	30,883,210	25,834,386	21,842,210

(a) The discount rates as of June 30, 2017 are as follows: 3.63% (current); 2.63% (1% decrease) and 4.63% (1% increase).

(b) The discount rates as of June 30, 2016 are as follows: 2.88% (current); 1.88% (1% decrease) and 3.88% (1% increase).

The following presents the University's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rate as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Measurement year ended</u>	<u>1% decrease (b)</u>	<u>Healthcare cost trend rates (a)</u>	<u>1% increase (c)</u>
June 30, 2017	\$ 24,076,769	\$ 29,100,266	\$ 35,710,884
June 30, 2016	21,372,286	25,834,386	31,746,873

(a) The current healthcare cost trend rates are as follows: 9.0% (June 30, 2017) and 8.5% (June 30, 2016) for medical and 5.0% for both fiscal years 2017 and 2016 Employer Group Waiver Plan and administration costs.

(b) The healthcare cost trend rates after a 1% decrease are as follows: 8.0% (June 30, 2017) and 7.5% (June 30, 2016) for medical and 4.0% for both fiscal years 2017 and 2016 Employer Group Waiver Plan and administration costs.

(c) The healthcare cost trend rates after a 1% increase are as follows: 10.0% (June 30, 2017) and 9.5% (June 30, 2016) for medical and 6.0% for both fiscal years 2017 and 2016 Employer Group Waiver Plan and administration costs.

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Detailed information about the OPEB plan's changes in net OPEB liability, fiduciary net position, and employees covered by benefit terms separately identified by a) Inactive employees currently receiving benefit payments, b) Inactive employees entitled to but not yet receiving benefit payments, and c) Active employees is available in the Commonwealth's financial statements.

Note 22 - 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") using the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. The amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

State appropriations

The University's State appropriations are comprised of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Gross State appropriations	\$ 28,236,072	\$ 32,439,185
Add: Fringe benefits for benefited employees on the Commonwealth payroll	10,075,869	9,446,746
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(385,692)	(341,127)
Net State appropriations	\$ 37,926,249	\$ 41,544,804

\$37,753,236 and \$37,022,123 represent appropriations for maintenance and payroll during 2018 and 2017, respectively. \$173,013 and \$4,522,681 represent appropriations for capital improvements during 2018 and 2017, respectively. This amount is presented separately in the accompanying statements of revenues, expenses and changes in net position.

Day school tuition receipts and transfers have been recorded in an agency fund and had no material balance outstanding at June 30, 2018 and 2017.

Note 23 - Risk management, 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. In addition, the University maintains commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The separate insurance policies maintained by the University consist of Educator's Legal Liability, commercial crime, general liability, automobile liability, excess liability, and a foreign package policy. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded policy coverages in any of the past three years.

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

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

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

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

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

The University has various capital projects that are currently in progress as of the date of the financial statements. These projects will be paid from funds appropriated and under the control of the DCAMM. The projects consist of renovations and improvements and have been recorded in the respective accounts.

As of June 30, 2018, the collective bargaining agreements between the Board of Higher Education and two Employee Unions which impact the University have expired. New agreements have not yet been negotiated by the parties. Once the parties reach new agreements, the agreements are subject to approval by the Massachusetts Legislature and ratification by the Governor of the Commonwealth of Massachusetts. Accordingly, management cannot determine at this time, the impact, if any, that the results of the negotiations will have on the University's financial statements.

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Note 24 - Pledge agreements

In fiscal year 2012, the Independent Association of Framingham State Alumni ("Alumni Association") made a conditional promise to give (pledge) a total amount of \$500,000 to either the Foundation and/or the University over a seven-year period beginning July 1, 2011 through June 30, 2018. The condition to be met, amounts, and timing of annual gifts pursuant to the pledge agreement are more fully described in a Memorandum of Understanding ("MOU") among the Alumni Association, Foundation and University. The gifts shall be restricted-use gifts with the restricted use specified by the Alumni Association in writing at the time each gift payment is made pursuant to the MOU. During the years ended June 30, 2018 and June 30, 2017, the University received \$41,621 and \$93,739, respectively, in accordance with this agreement.

In March, 2018, a donor made a conditional promise to give (pledge) a total amount of approximately \$2,435,360 to the University through the Foundation over a 12-year period beginning July 1, 2019 through June 30, 2031. The purpose of the gift will be used to create the Mancuso Scholarship Fund within the Foundation, which will fund scholarships at the University. The conditions to be met, amounts, and timing of annual gifts pursuant to the pledge agreement are more fully described in a Memorandum of Understanding ("MOU") among the donor, Foundation and University. The gifts shall be restricted-use gifts with the restricted use specified by the donor in the MOU and the Scholarships shall be governed by the terms of a separate agreement between the donor and the University. During the year ended June 30, 2018, the University did not receive any contributions in accordance with this agreement.

Note 25 - Danforth Art Center

On September 25, 2017, the University, the Foundation and the Danforth Museum Corporation entered into a Founding Agreement, as amended on October 13, 2017, to create the Danforth Art Center at Framingham State University (the "Art Center"). Under the terms of the agreement, the Foundation acquired the Danforth art collection in the form of a contribution. In exchange, the Foundation, together with the University, have assumed responsibility for the collection, including but not limited to its care, maintenance, storage, protection, preservation, display, management, cataloging, and insurance. The Collection includes approximately 3,000 paintings, sculptures, prints, multimedia, and other works of art. The Danforth Museum building was acquired by MSCBA, and is currently undergoing a renovation which is anticipated to be completed in January 2019, at which time the Art Center will begin operations. MSCBA intends to enter into a formal management agreement for the University's initial use of the building for the Art Center after current construction is completed. The University will use the building as a space for art classes, space for museum galleries for display of the art collection or special exhibitions, and space for administrative and support offices for the Art Center.

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Notes to Financial Statements
June 30, 2018 and 2017

Note 26 - Correction of an error and change in accounting principle

In fiscal year 2018, the University adopted Governmental Accounting Standards Board Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, by recognizing a net OPEB liability of \$29,763,265 as of July 1, 2016, which amount was provided to the University by the State, for the effect of retroactively applying the new standard. Subsequent to having issued its financial statements on November 14, 2018, the University was informed by the State of an error in the net OPEB liability allocated to the University. To correct this error, the University has reduced the amount recognized as of July 1, 2016 in connection with initially adopting GASB 75 by \$3,928,879 to \$25,834,386. Information was not available to recognize the impact on deferred inflows and outflows as of July 1, 2016 of initial adoption.

The error in the net OPEB liability allocated by the State to the University also resulted in misstatements in the University's net OPEB liability as of June 30, 2018 and 2017 as had been originally reported. Accordingly, the University has restated its financial statements to correct these errors as shown in the tables below:

	2018 (as previously reported on November 14, 2018)	2018 (as restated)	<u>Effect of change</u>
Statement of Net Position:			
Deferred outflows - OPEB	\$ 6,290,953	\$ 5,572,017	\$ (718,936)
Net OPEB liability	32,912,333	29,100,266	(3,812,067)
Deferred inflows - OPEB	4,380,713	3,415,904	(964,809)
Unrestricted net position	6,270,128	10,328,068	4,057,940
Total net position	118,750,953	122,808,893	4,057,940
Statement of Revenues, Expenses and Changes in Net Position:			
Institutional support	11,819,402	11,690,341	(129,061)
Increase (decrease) in net position	(6,138,980)	(6,009,919)	129,061

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Notes to Financial Statements
June 30, 2018 and 2017

	2017 (as previously reported on November 14, 2018)	2017 (as restated)	<u>Effect of change</u>
Statement of Net Position:			
Net OPEB liability	\$ 29,763,265	\$ 25,834,386	\$ (3,928,879)
Unrestricted net position	14,989,295	18,918,174	3,928,879
Total net position	124,889,933	128,818,812	3,928,879

Supplementary Information

Framingham State University
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**Schedule of the University's Proportionate Share of the Net Pension Liability
and Schedule of University Contributions
June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
University's proportion of the net pension liability (asset)	0.1167%	0.1053%	0.1116%	0.0835%	0.0800%
University's proportionate share of the net pension liability (asset)	\$ 14,961,538	\$ 14,519,987	\$ 12,702,384	\$ 6,196,704	\$ 7,112,594
University's covered payroll	\$ 37,912,752	\$ 37,366,419	\$ 35,597,813	\$ 33,398,731	\$ 31,176,819
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.46%	38.86%	35.68%	18.55%	22.81%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	63.48%	67.87%	76.32%	70.31%

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

Schedule of University Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,756,235	\$ 3,954,770	\$ 3,623,513	\$ 3,710,142	\$ 2,679,992
Contributions in relation to the contractually required contribution	<u>(4,756,235)</u>	<u>(3,954,770)</u>	<u>(3,623,513)</u>	<u>(3,710,142)</u>	<u>(2,679,992)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
University's covered payroll	\$ 37,912,752	\$ 37,366,419	\$ 35,597,813	\$ 33,398,731	\$ 31,176,819
Contributions as a percentage of covered payroll	12.55%	10.58%	10.18%	11.11%	8.60%

See Independent Auditor's Report on Page 3 and Notes to Required Supplementary Information.

Framingham State University
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Notes to Required Supplementary Pension Information
June 30, 2018

Note 1 - Changes in Pension Plan benefit terms and assumptions

FY 2017 Changes in Actuarial Assumptions

Changes in benefit terms

Chapter 79 of the Acts of 2014 established an early retirement incentive ("ERI") program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to the automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during fiscal year 2017. As a result, the total pension liability of MSERS increased by approximately \$10 million as of June 30, 2017.

Changes in assumptions

The mortality assumptions changed as follows:

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward one year for females from RP-2000 Employees table projected generationally with scale BB and a base year of 2009 (gender distinct).
- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward one year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Disabled members - is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct), and is unchanged from the prior valuation.

FY 2016 Changes in Actuarial Assumptions

Changes in benefit terms

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan ("ORP") to transfer to the Massachusetts State Employee's Retirement System ("MSERS") and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately \$400 million as of June 30, 2016.

Note 2 - Other information

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

Framingham State University
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**Schedule of the University's Proportionate Share of the Net OPEB Liability
and Schedule of University Contributions
June 30, 2018**

	2018	2017
University's proportion of the net OPEB liability (asset)	0.1664%	0.1363%
University's proportionate share of the total OPEB liability (asset)	\$ 30,758,621	\$ 27,014,648
Less: University's proportionate share of Plan fiduciary net position	1,658,355	1,180,262
University's proportionate share of the net OPEB liability (asset)	\$ 29,100,266	\$ 25,834,386
University's covered payroll	\$ 37,912,752	\$ 37,366,419
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	76.76%	69.14%
Plan fiduciary net position as a percentage of the total OPEB liability	5.39%	4.37%

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

	2018	2017
Contractually required contribution	\$ 3,381,385	\$ 2,986,143
Contributions in relation to the contractually required contribution	(3,381,385)	(2,986,143)
Contribution deficiency (excess)	\$ -	\$ -
University's covered payroll	\$ 37,912,752	\$ 37,366,419
Contributions as a percentage of covered payroll	8.92%	7.99%

See Independent Auditor's Report on Page 3 and Notes to Required Supplementary Information.

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Notes to Required Supplementary OPEB Information
June 30, 2018

Note 1 - Changes in OPEB plan benefit terms and assumptions

There are no changes in plan benefit terms and assumptions since the actuarial valuation as of January 1, 2017 is the initial actuarial valuation performed for the plan.

Note 2 - Other information

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

Detained information about the OPEB plan's changes in net OPEB liability and changes in the plan's fiduciary net position are not available to the University and, accordingly, are not presented in the schedule. This information is available in the Commonwealth of Massachusetts' financial statements.

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Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2018

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2018 are as follows:

Statements of Net Position

	Residence Hall Fund	Residence Hall Damage Fund
Assets		
Cash	\$ 4,099,425	\$ 434,789
Accounts receivable	202,768	38,442
	4,302,193	473,231
Total assets	4,302,193	473,231
Liabilities		
Accounts payable	15,249	-
Salaries and fringe benefits	74,462	-
Compensated absences	304,767	-
Deposits	294,152	-
	688,630	-
Total liabilities	688,630	-
Net position	\$ 3,613,563	\$ 473,231

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Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2018

The University's Residence Hall Fund and Residence Hall Damage Fund Statements of Revenues, Expenses and Changes in Net Position (presented in accordance with the Commonwealth of Massachusetts' Expenditure Classification plan) for the year ended June 30, 2018 are as follows:

	Residence Hall Fund	Residence Hall Damage Fund
Revenue		
Student tuition and fees	\$ 15,655,868	\$ 93,566
Less: Scholarship allowances	(287,949)	-
	15,367,919	93,566
Net student tuition and fees	15,367,919	93,566
Interest	10,699	-
Commissions	57,738	-
Rentals	86,305	-
Auxiliary services fees and other revenue	90,565	-
	15,613,226	93,566
Total revenues	15,613,226	93,566
Transfer in (external)	8,100	-
Expenses		
Regular employee compensation	1,376,729	-
Regular employee related expenses	6,202	-
Special employee/contract services	1,172,913	-
Pension and insurance	482,413	-
Administrative expenses	267,788	-
Facility operating supplies and related expenses	150,723	-
Consultant services	2,476	-
Operational services	19,234	-
Equipment purchases	28,409	-
Equipment lease - purchase, lease, rent, repair	198,661	-
Purchased client service and programs	3,274	-
Buildings improvements	173,595	21,048
Information technology	29,387	10,183
Loans and special payments	9,943,631	-
	13,855,435	31,231
Total expenses	13,855,435	31,231

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Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2018

	Residence Hall Fund	Residence Hall Damage Fund
Transfer out (external)		
Electricity	1,568,320	-
Laundry and cleaning	70,000	-
Health services reimbursement	50,000	-
General expenses	70,328	
Total transfer out (external)	1,758,648	-
Increase (decrease) in net position	7,243	62,335
Net position - beginning of year	3,606,320	410,896
Net position - end of year	\$ 3,613,563	\$ 473,231

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

See Independent Auditor's Report on Page 3.

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Supplemental Statistical Information (Unaudited)

Schedule of Net Position by Category

	2013 (2)	2014 (2)	2015	2016	2017 (4)	2018
Net investment in capital assets	\$ 41,448,701	\$ 52,034,054	\$ 84,138,157	\$ 97,567,357	\$ 104,693,789	\$ 107,501,952
Restricted-expendable	3,805,464	3,905,599	2,516,075	2,562,269	3,118,277	2,820,618
Restricted-nonexpendable	1,925,721	1,970,057	1,996,750	2,045,582	2,088,572	2,158,255
Unrestricted	31,978,129	36,838,098	37,341,806	39,648,488	18,918,174	10,328,068
Total net position	\$ 79,158,015	\$ 94,747,808	\$ 125,992,788	\$ 141,823,696	\$ 128,818,812	\$ 122,808,893

Sources and Uses of Funds

	2013 (2)	2014 (2)	2015	2016	2017	2018
Source of Revenue						
Student charges (net of scholarships) (3)	\$ 33,283,040	\$ 33,486,009	\$ 33,644,723	\$ 34,315,628	\$ 35,394,918	\$ 35,227,444
Grants and contracts	6,706,251	7,480,144	9,933,830	12,284,096	9,882,318	8,030,560
Auxiliary enterprises	13,106,652	13,739,521	14,208,692	14,706,516	15,630,123	16,001,360
Other operating revenue	2,224,319	2,087,533	1,689,136	2,038,867	3,116,759	3,661,029
Total operating revenue	55,320,262	56,793,207	59,476,381	63,345,107	64,024,118	62,920,393
State support	27,584,390	30,676,068	32,664,050	35,477,537	37,022,123	37,753,236
Other non-operating revenue	4,296,226	12,202,066	36,483,195	21,925,262	16,882,314	5,397,172
Total non-operating revenue	31,880,616	42,878,134	69,147,245	57,402,799	53,904,437	43,150,408
Total revenue	\$ 87,200,878	\$ 99,671,341	\$ 128,623,626	\$ 120,747,906	\$ 117,928,555	\$ 106,070,801

Functional Expense

Instruction	\$ 26,225,721	\$ 27,347,169	\$ 29,049,792	\$ 31,336,705	\$ 33,811,638	\$ 34,241,502
Research	18,537	90,386	1,508,571	1,630,714	1,732,248	112,467
Academic support	9,343,322	9,974,585	9,998,548	11,852,251	12,835,835	13,869,676
Student services	9,516,596	10,513,003	11,158,061	11,911,904	13,214,323	13,682,206
Institutional support	7,828,181	7,858,572	9,009,850	10,815,126	10,555,230	11,690,341
Operations and maintenance of plant	11,149,462	11,087,924	11,167,239	11,440,601	12,352,552	12,790,568
Scholarships (3)	-	-	-	-	-	-
Sub-total	64,081,819	66,871,639	71,892,061	78,987,301	84,501,826	86,386,760
Auxiliary enterprises	10,982,802	11,907,599	12,099,652	10,395,641	13,601,357	13,866,466
Total operating expense	75,064,621	78,779,238	83,991,713	89,382,942	98,103,183	100,253,226
Other non-operating expense	778,700	1,315,343	2,072,255	10,798,765	32,830,256	11,827,494
Total non-operating expense	778,700	1,315,343	2,072,255	10,798,765	32,830,256	11,827,494
Total expense	\$ 75,843,321	\$ 80,094,581	\$ 86,063,968	\$ 100,181,707	\$ 130,933,439	\$ 112,080,720

(1) These schedules do not include the component unit, Framingham State University Foundation, Inc.; total operating expense does not include depreciation.

(2) FY13 & FY14 have been restated based upon the new IPEDS allocation methodology deployed for FYE15.

(3) In FY18, endowment scholarship expenses were reclassified and included in the Net Student Charges Revenue line; FY13 - FY17 amounts have been restated above but will not agree with the published financial statements for these years.

(4) FY17 has been restated to reflect the incorporation of GASB 75 post-employment benefits (OPEB)

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Supplemental Statistical Information (Unaudited)

Schedule of Capital Asset Information

	2012	2013	2014	2015	2016	2017	2018
Land (acreage) (1)(7)	51.28	51.28	53.00	54.00	143.18	143.18	145.16
Buildings (square feet)							
100 Instruction /classroom (6)	49,482	49,482	49,482	49,482	49,482	53,467	53,467
200 Labs (4)(7)	69,875	69,875	69,875	69,875	124,875	124,875	132,875
300 Administrative (6)	83,857	83,857	83,857	94,325	94,325	119,262	119,262
400 Study facilities (6)	54,565	54,565	54,565	54,565	54,565	58,862	58,862
52x Athletic	49,709	49,709	49,709	53,449	53,449	53,449	53,449
5xx Other Special Use (1)(6)(7)	8,852	8,852	31,706	31,706	114,106	122,506	138,506
600 General Use (6)	56,311	56,311	56,311	56,311	56,311	76,023	76,023
700 Support facilities (2) (6)	138,165	138,165	138,165	138,165	154,425	156,785	156,785
000 Unclassified	-	-	-	-			
Unassigned/unassignable (6)	154,688	154,688	154,688	154,688	154,688	164,397	164,397
Total Square Feet	665,504	665,504	688,358	702,566	856,226	929,626	953,626
Residence Halls (3) (5)	469,645	469,645	539,045	539,045	545,795	562,728	562,728
Rental space	-	6,613	6,613	6,613	6,613	-	-
	2012	2013	2014	2015	2016	2017	2018
Dormitories - # of residents (1)	1,946	1,946	1,940	1,890	1,876	1,875	1,838

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

(1) FY16 Added the Warren Conference Center

(2) FY16 Added 2 Perini Buildings

(3) Residence Hall # of residents is based upon the average of the Spring and Fall occupancy the calendar year, e.g. 2017 = Spring 2017 + Fall 2017.

(4) FY16 Added Hemenway Labs

(5) FY17 Add West Hall/move O'Connor

(6) FY17 Add O'Connor

(7) FY18 Add Maynard Building, 14 Vernon Street

See Independent Auditor's Report on Page 3.

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Supplemental Statistical Information (Unaudited)

Schedule of Tuition and Mandatory Fees

	Academic Year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
<i>Resident Undergraduate</i>											
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	5,171	5,570	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	
<i>Total</i>	\$ 6,141	\$ 6,540	\$ 7,065	\$ 7,580	\$ 8,080	\$ 8,080	\$ 8,320	\$ 8,700	\$ 9,340	\$ 9,920	
<i>Non Resident Undergraduate</i>											
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	
Mandatory Fees	5,171	5,570	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	
<i>Total</i>	\$ 12,221	\$ 12,620	\$ 13,145	\$ 13,660	\$ 14,160	\$ 14,160	\$ 14,400	\$ 14,780	\$ 15,420	\$ 16,000	
<i>Resident Graduate</i>											
Tuition	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	\$ 1,675	
Mandatory Fees	5,171	5,570	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	
<i>Total</i>	\$ 6,846	\$ 7,245	\$ 7,770	\$ 8,285	\$ 8,785	\$ 8,785	\$ 9,025	\$ 9,405	\$ 10,045	\$ 10,625	

Note: Tuition and fee amounts are for a full-time student per academic year. These amounts exclude residence hall room and board.

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Supplemental Statistical Information (Unaudited)

Admissions-Freshman (1)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Applications	4,620	4,108	4,542	6,254	6,985	6,902	6,665	6,189	7,525	7,438
Applications accepted	2,999	2,744	3,016	3,668	3,733	3,903	4,110	4,239	4,866	4,946
Accepted as a percentage of applications	65%	67%	66%	59%	53%	57%	62%	68%	65%	66%
Students enrolled (2)	991	1,147	1,237	1,442	1,407	1,341	1,338	1,358	1,242	1,289
Enrolled as a percentage of accepted	33%	42%	41%	39%	38%	34%	33%	32%	26%	26%

(1) Includes all undergraduate admissions including transfer students.

(2) Includes only students who were accepted and enrolled. Enrolled alone would include students who were not accepted but enrolled as non-degree seeking students.

Enrollment	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Full-time equivalent	4,237	4,213	4,288	4,710	4,909	4,942	4,996	4,881	4,732	4,537
Unduplicated credit headcount	6,086	5,989	5,953	6,415	6,506	6,429	6,499	6,398	5,977	5,691
Percent undergraduate (3)	65%	64%	65%	67%	69%	71%	71%	70%	73%	73%
Percent graduate	35%	36%	35%	33%	31%	29%	29%	30%	27%	27%

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

Student Population Demographics (4)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Percentage of men	30%	28%	30%	31%	32%	32%	32%	33%	35%	35%
Percentage of women	70%	72%	70%	69%	68%	68%	68%	67%	65%	65%
Percentage of African-American	4%	4%	5%	6%	6%	6%	6%	7%	8%	9%
Percentage of White	88%	89%	86%	84%	82%	83%	82%	77%	74%	71%
Percentage of Latino	4%	4%	5%	6%	8%	8%	9%	10%	10%	12%
Percentage of Other (5)	4%	3%	4%	4%	4%	3%	3%	7%	8%	8%
< 20	18%	19%	20%	22%	21%	21%	20%	24%	25%	24%
20 to 30	51%	51%	51%	50%	53%	54%	55%	51%	52%	53%
31 to 40	13%	12%	13%	12%	12%	11%	12%	12%	11%	11%
41 & Over	18%	18%	16%	16%	14%	14%	14%	13%	12%	12%

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

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

Degrees Granted	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Bachelor's	662	722	728	703	735	795	908	968	1,012	914
Master's	410	545	430	546	426	538	414	496	453	469

See Independent Auditor's Report on Page 3.

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

Supplemental Statistical Information (Unaudited)

Schedule of Employment

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Faculty - Primary Instruction ^{/1/2}	264	250	257	261	312	318	366	529	530	536
Part-time	99	81	96	97	136	136	174	143	140	143
Part-time CE Instructors								182	185	187
Full-time	165	169	161	164	176	182	192	204	205	206
Staff and Administrators	296	287	276	293	310	315	314	322	334	340
Part-time	6	5	7	7	9	9	10	8	8	9
Full-time	290	282	269	286	301	306	304	314	326	331
Total Employees	560	537	533	554	622	633	680	851	864	876
Part-time	105	86	103	104	145	145	184	333	333	339
Full-time	455	451	430	450	477	488	496	518	531	537

/1 Includes Instruction, Research and Public Service

/2 As of 2015, Part time Faculty also include all Continuing Education part time instructors

Note: This schedule reflects personnel as of November 1 and includes employees paid from both state appropriation and local trust funds.

**Supplementary Information and Reports
Required by the Uniform Guidance**

Independent Auditor's Report on Supplementary Information
Required by the Uniform Guidance

To the Board of Trustees
Framingham State University

We have audited the financial statements of the business-type activities and the discretely presented component unit of Framingham State University (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Framingham State University's basic financial statements, and our report thereon dated November 14, 2018, which included emphasis of matter paragraphs and which appear on page 4, expressed an unmodified opinion on those financial statements. That opinion made reference to the use of the report of other auditors who audited the discretely presented component unit, Framingham State University Foundation, Inc. Our audit was conducted for the purpose of forming opinions on the 2018 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the 2018 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 financial statements or to the 2018 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2018 financial statements as a whole.



Boston, Massachusetts
November 14, 2018

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	University Internal Fund Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Pass-Through Massachusetts Department of Education				
Professional Standards for School Nutrition Employees (Professional Standards Training Grant) - Subaward F1511L4703	10.547	G01058	\$ -	\$ 81,006
Professional Standards for School Nutrition Employees (Team Nutrition Training Grants) - Subaward F1515N3503	10.547	G01059	-	35,833
Subtotal Professional Standards for School Nutrition Employees			-	116,839
State Administrative Expenses for Child Nutrition (SAE School Lunch) - Subaward F1615N2533/ F1717N2533	10.560	G01061/G01071	-	524,386
Subtotal Pass-Through Programs			-	641,225
Total U.S. Department of Agriculture			-	641,225
National Aeronautics and Space Administration				
Pass-Through Smithsonian Astrophysical Observatory Science (Integrated Astrophysics STEM Learning & Literacy Program) - Subaward SV6-86013	43.001	G01515	-	12,231
Subtotal Pass-Through Programs			-	12,231
Total National Aeronautics and Space Administration			-	12,231
National Science Foundation				
Pass-Through Education Development Center, Inc. Education and Human Resources (Massachusetts Exploring Computer Science Partnership) - Subaward CNS-133930	47.076	G01512	-	18,104
Pass-Through Harvard College Education and Human Resources (Collaborative Research) - Subaward 136013-5101130	47.076	G01516	-	6,638
Subtotal Pass-Through Programs			-	24,742
Total National Science Foundation			-	24,742
Subtotal Pass-Through Programs			-	678,198

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	University Internal Fund Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
Direct Programs				
English Language Acquisition State Grants (PROPELL: Producing Reading and Oral Proficiency in English Language Learners)	84.365Z	G01517	-	155,428
<u>Student Financial Assistance Cluster</u>				
Federal Supplemental Educational Opportunity Grants	84.007	S03003	-	132,616
Federal Work-Study Program	84.033	S03004	-	92,928
Federal Perkins Loan Program	84.038	L01002	-	2,190,523
Federal Pell Grant Program	84.063	S03000	-	6,424,424
Federal Direct Student Loans	84.268	Y05001	-	21,317,959
Total Student Financial Assistance Cluster			-	30,158,450
Subtotal Direct Programs			-	30,313,878
Total U.S. Department of Education			-	30,313,878
Total Federal Expenditures			\$ -	\$ 30,992,076

See Independent Auditor's Report on Supplementary Information Required by the Uniform Guidance on Page 94 and Notes to Schedule of Expenditures of Federal Awards.

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

Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA" or "Schedule") includes the federal award activity of Framingham State University (the "University"), under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Framingham State University has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Matching costs

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

Note 4 - Relationship to federal financial reports

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

Note 5 - Federal Direct Student Loans ("FDL")

The Schedule includes FDL ("CFDA 84.268") which are made directly by the U.S. Department of Education to individual students.

Note 6 - Federal Perkins Loan Program

The Federal Perkins Loan Program ("CFDA 84.038") is administered by Framingham State University. Fiscal year 2018 activity included loan funds disbursed of \$265,200. The outstanding liability to the federal government under this loan program at June 30, 2018 totaled \$1,903,986.

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Framingham State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Framingham State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 14, 2018, except for Note 26 to the financial statements which is dated March 14, 2019, which included emphasis of matter paragraphs as indicated on page 4. Our report includes a reference to other auditors who audited the financial statements of Framingham State University Foundation, Inc., as described in our report on Framingham State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Boston, Massachusetts
March 14, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Framingham State University

Report on Compliance for Each Major Federal Program

We have audited Framingham State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Framingham State University's major federal programs for the year ended June 30, 2018. Framingham State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Framingham State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Framingham State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Framingham State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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



Boston, Massachusetts
November 14, 2018

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of auditor's results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Framingham State University were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Framingham State University, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for Framingham State University expresses an unmodified opinion on Framingham State University's major federal programs.
6. There were no audit findings relating to the major federal award programs for Framingham State University that are required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.
7. The programs tested as major programs were:

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

8. The threshold for distinguishing between Type A and B programs for Framingham State University was \$750,000.
9. Framingham State University was determined to be a low-risk auditee.

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. Findings - audit of financial statements

None

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

None

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