

 **Westfield**  
*State College*

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# ANNUAL REPORT

Fiscal Year Ended: June 30, 2004

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**WESTFIELD  
STATE  
COLLEGE**

**ANNUAL REPORT**  
**(Audited)**

**Fiscal Year 2004**  
**(July 1, 2003 - June 30, 2004)**

**FINANCE ADMINISTRATION**

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*Vice President, Administration and Finance*

**Lisa M. Freeman, B.S.B.A.**  
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**Mark Solomon, B.A.**  
*Director of Student Accounts*

**Westfield State College**  
**(A Component Unit of the Commonwealth of Massachusetts)**  
**Management's Discussion and Analysis**

**Introduction**

This section of the Westfield State College annual financial report presents management's discussion and analysis of the financial activities of Westfield State College for the fiscal year ended June 30, 2004, with comparative information for the year ended June 30, 2003 and 2002. For financial reporting purposes, Westfield State College's reporting entity consists of Westfield State College (the College) and its component unit, Westfield State College Foundation, Inc. (the Foundation). Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the transmittal letter, the basic financial statements, and the footnotes to the basic financial statements. The transmittal letter, the financial statements, footnotes and this discussion are the responsibility of management.

Westfield State College is a comprehensive public institution of higher learning with approximately 4,300 FTE day and evening students combined. The College offers 23 academic undergraduate majors in both the traditional arts and sciences and in professional fields, including nearly 60 concentrations of study and four additional academic minors. There are also 23 distinct graduate degree programs offered by the Division of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State College to providing quality educational programs.

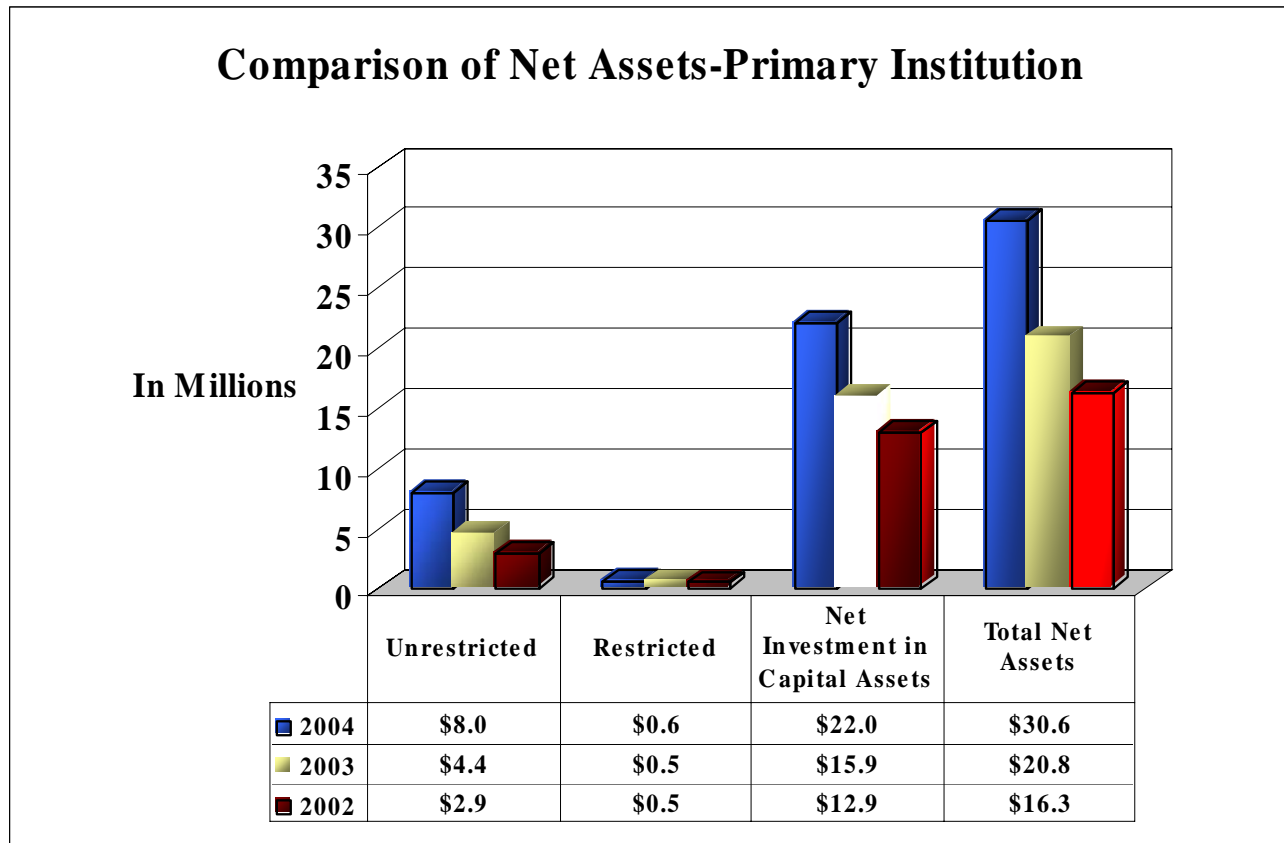
Westfield State College Foundation, Inc. is a not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes related to Westfield State College, including such activities as soliciting or receiving tangible property, rendering financial aid, promoting and supporting educational and other legal activities, and participating in any and all activities designed and carried on by the College to promote the general education of the people within the constituency served by the College.

Listed below are the definitions of each entity that may be represented in this discussion and analysis.

<b>Westfield State College</b>	
Overall financial activities of Westfield State College and its component unit, the Foundation	
<b>Primary Institution (the College)</b>	<b>Component Unit (the Foundation)</b>
Financial activities of Westfield State College	Financial activities of Westfield State College Foundation, Inc.

## Primary Institution Financial Highlights

Graphically displayed, the comparative net asset increases by category for the fiscal years ended June 30, 2004, 2003 and 2002 are shown below:



- The College's financial position continued to improve during the fiscal year ended June 30, 2004, with a \$9.8 million or 47.3% increase in total net assets. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased to \$30.6 million from \$20.8 million in 2003 and \$16.3 million in 2002.
- Expenses incurred during fiscal year 2004 totaled \$53.2 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$63.0 million resulting in an increase in net assets of \$9.8 million as compared to an increase of \$4.5 million for the year ended June 30, 2003 and an increase of \$2.1 million for the year ended June 30, 2002.
- The increase in net assets during the fiscal year ended June 30, 2004 is attributable to many factors including the acquisition of capital assets associated with the new academic/athletic facility, specifically the cost of the building provided by a state appropriation in the amount of approximately \$7.8 million and the acquisition of a new student parking lot in the amount of \$1.1 million.

## **Overview of the Financial Statements**

Westfield State College's financial report includes three financial statements: the *Statement of Net Assets*, the *Statement of Revenues, Expenditures and Changes in Net Assets* and the *Statement of Cash Flows*. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The statements are designed to present all the activities of Westfield State College and consolidate the activities into one total.

### **The Financial Statements:**

*The Statement of Net Assets* presents the financial position of Westfield State College at the end of the fiscal year and includes all assets and liabilities of Westfield State College. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of Westfield State College, while the change in net assets serves as a useful indicator of whether the financial position is improving or deteriorating.

*The Statement of Revenues, Expenditures, and Changes in Net Assets* presents Westfield State College's results of operations and other non-operating revenues. This statement presents information that shows how Westfield State College's net assets changed during the most recent fiscal year.

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

The financial statements can be found on pages 11-14 of this financial report.

### **Notes to the financial statements:**

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-27 of this financial report.

### **Other information:**

In addition to the financial statements and accompanying footnotes, this financial report also contains certain required supplementary information concerning the Westfield State College Building Authority trust fund. This supplementary information can be found on pages 29-30 of this financial report.

## Financial Analysis of Westfield State College as a Whole

As previously noted, net assets may serve over time as a useful indicator of Westfield State College's financial position. For the year ended June 30, 2004, Westfield State College's financial position remained strong with a combined (College and Foundation) net asset increase of \$10.2 million as compared to a combined net asset increase of \$5.0 million as of June 30, 2003 and \$2.4 million as of June 30, 2002.

Westfield State College's Condensed Statement of Net Assets  
As of June 30, 2004, 2003 and 2002

	Primary Institution  2004	Primary Institution  2003	Primary Institution  2002	Component Unit- Foundation 2004	Component Unit- Foundation 2003	Component Unit- Foundation 2002
Current Assets	\$17,347,799	\$15,478,999	\$11,970,352	\$ 771,893	\$ 894,927	\$ 458,671
Non-current Assets						
Capital Assets, net of depreciation	29,101,234	20,979,572	14,957,929	447,479	451,251	455,402
Other	<u>1,293,884</u>	<u>2,575,580</u>	<u>606,302</u>	<u>3,608,424</u>	<u>3,172,740</u>	<u>3,075,795</u>
Total Assets	<u>47,742,917</u>	<u>39,034,151</u>	<u>27,534,583</u>	<u>4,827,796</u>	<u>4,518,918</u>	<u>3,989,868</u>
Current Liabilities	7,749,686	9,278,388	7,278,765	257,726	267,238	256,372
Non-current Liabilities	<u>9,361,747</u>	<u>8,955,044</u>	<u>3,918,783</u>	<u>92,400</u>	<u>154,000</u>	<u>202,200</u>
Total Liabilities	<u>17,111,433</u>	<u>18,233,432</u>	<u>11,197,548</u>	<u>350,126</u>	<u>421,238</u>	<u>458,572</u>
Net Assets						
Invested in Capital Assets, net of Related debt	21,959,659	15,930,016	12,909,179	293,479	235,651	178,202
Restricted for: Nonexpendable	-	-	2,471	1,954,340	1,672,364	1,493,818
Restricted for: Expendable	597,875	465,913	540,915	761,660	1,087,600	766,854
Unrestricted	<u>8,073,950</u>	<u>4,404,790</u>	<u>2,884,470</u>	<u>1,468,191</u>	<u>1,102,065</u>	<u>1,092,422</u>
Total Net Assets	<u>\$30,631,484</u>	<u>\$20,800,719</u>	<u>\$16,337,035</u>	<u>\$4,477,670</u>	<u>\$4,097,680</u>	<u>\$3,531,296</u>

Net assets invested in capital assets, net of related debt, represents Westfield State College's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. By far the largest portion of Westfield State College's net assets (63%), these capital assets are used to provide services to students, faculty and administration; consequently, these assets are not available for future spending. The \$6.1 million increase in net assets invested in capital assets as of June 30, 2004 and \$3.1 million increase as of June 30, 2003 reflects Westfield State College's continued development and renewal of its capital assets in accordance with its long-range plan.

An additional portion of Westfield State College's net assets, restricted expendable (4%) represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. Restricted nonexpendable net assets (6%) primarily include Westfield State College's endowment funds. The remaining balance of unrestricted net assets (27%) may be used to meet Westfield State College's ongoing obligations.

A review of Westfield State College's statement of net assets at June 30, 2004, 2003 and 2002 shows that Westfield State College continues to build upon its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, management of its endowment, conservative utilization of debt and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

As of June 30, 2004, 2003 and 2002 all of Westfield State College's net asset categories have positive balances.

Westfield State College's Condensed Statement of Revenues, Expenditures  
And Changes in Net Assets  
As of June 30, 2004, 2003 and 2002

	Primary Institution  2004	Primary Institution  2003	Primary Institution  2002	Component Unit- Foundation  2004	Component Unit- Foundation  2003	Component Unit- Foundation  2002
Operating Revenue						
Tuition and fees	\$21,071,559	\$18,357,166	\$15,055,185	-	-	-
Less: Student Financial Aid	(2,349,644)	(2,408,609)	(2,103,692)	-	-	-
Federal, state and private grants and Contracts	4,460,013	4,712,596	4,525,555	-	-	-
Auxiliary operations	10,323,956	9,584,199	9,007,814	-	-	-
Other sources	<u>511,061</u>	<u>429,884</u>	<u>372,152</u>	<u>\$ 119,394</u>	<u>\$ 52,054</u>	<u>\$ 36,729</u>
Total Operating revenue	34,016,945	30,675,236	26,857,014	119,394	52,054	36,729
Less: Operating expenses	<u>53,211,861</u>	<u>47,957,114</u>	<u>48,202,017</u>	<u>344,043</u>	<u>391,175</u>	<u>546,424</u>
Net operating loss	<u>(19,194,916)</u>	<u>(17,281,878)</u>	<u>(21,345,003)</u>	<u>(224,649)</u>	<u>(339,121)</u>	<u>(509,695)</u>
Non-operating Revenue						
State appropriation, net	19,921,340	21,287,448	23,023,781	-	-	-
Private gifts and grants	-	-	-	242,231	573,094	793,896
Net investment income	232,500	443,376	329,481	499,500	128,508	(141,052)
Interest on capital asset-related debt	<u>(88,400)</u>	<u>(83,566)</u>	<u>(112,332)</u>	<u>(9,703)</u>	<u>(12,504)</u>	<u>(7,403)</u>
Total non-operating revenue	<u>20,065,440</u>	<u>21,647,258</u>	<u>23,240,930</u>	<u>732,028</u>	<u>689,098</u>	<u>645,441</u>
Income before other revenues, expenses, gains or losses	870,524	4,365,380	1,895,927	507,379	349,977	135,746
Related entity transfers	296,865	(37,861)	(25,000)	(296,865)	37,861	25,000
Additions to permanent endowment	-	-	-	169,476	178,546	86,264
State capital appropriations	<u>8,663,376</u>	<u>136,165</u>	<u>276,213</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	9,830,765	4,463,684	2,147,140	379,990	566,384	247,010
Net Assets-beginning of year	<u>20,800,719</u>	<u>16,337,035</u>	<u>14,189,895</u>	<u>4,097,680</u>	<u>3,531,296</u>	<u>3,284,286</u>
Net Assets-end of year	<u>\$30,631,484</u>	<u>\$20,800,719</u>	<u>\$16,337,035</u>	<u>\$4,477,670</u>	<u>\$4,097,680</u>	<u>\$3,531,296</u>

Westfield State College's Condensed Statement of Cash Flows  
As of June 30, 2004, 2003 and 2002

	Primary Institution  2004	Primary Institution  2003	Primary Institution  2002	Component Unit- Foundation  2004	Component Unit- Foundation  2003	Component Unit- Foundation  2002
Cash received from operating activities	\$41,726,418	\$37,951,340	\$33,855,800	\$119,394	\$ 52,054	\$ 63,186
Cash expended for operating activities	<u>(56,555,990)</u>	<u>(47,708,806)</u>	<u>(48,650,699)</u>	<u>(349,783)</u>	<u>(350,653)</u>	<u>(546,700)</u>
Net cash used by operating activities	(14,829,572)	(9,757,466)	(14,794,899)	(230,389)	(298,599)	(483,514)
Net cash provided by non-capital financing activities	16,101,575	17,520,162	19,248,548	118,893	688,517	257,879
Net cash used by capital and related financing activities	(1,460,999)	(3,047,890)	(2,392,052)	(71,303)	(74,104)	(120,214)
Net cash provided (used) by investing activities	<u>155,528</u>	<u>123,044</u>	<u>73,465</u>	<u>(53,750)</u>	<u>(282,307)</u>	<u>19,397</u>
Net (decrease) increase in cash	(33,468)	4,837,850	2,135,062	(236,549)	33,507	(326,452)
Cash – beginning of year	<u>10,473,072</u>	<u>5,635,222</u>	<u>3,500,160</u>	<u>329,502</u>	<u>295,995</u>	<u>622,447</u>
Cash – end of year	<u>\$10,439,604</u>	<u>\$10,473,072</u>	<u>\$ 5,635,222</u>	<u>\$92,953</u>	<u>\$329,502</u>	<u>\$295,995</u>

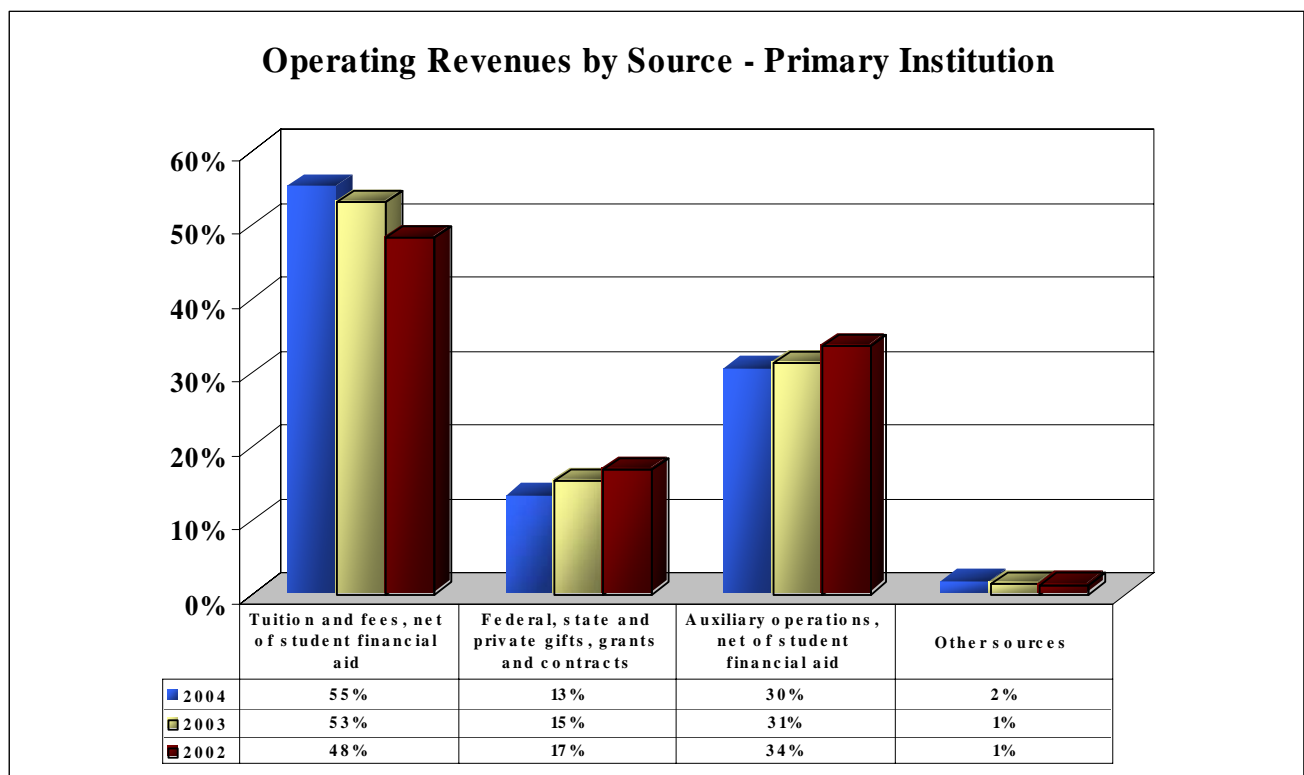
Westfield State College's combined liquidity decreased slightly during the year ended June 30, 2004 with a \$270,017 decrease in cash. The following discussion amplifies the overview of cash flows presented above.

For the year ended June 30, 2004, the College's cash used by operating activities increased approximately \$5.0 million over the prior year. This was due to an increase in cash received of \$3.8 million offset by increases in amounts paid of \$8.8 million. State appropriations decreased by \$1.6 million during the current year, which resulted in the decrease in net cash provided by noncapital financing activities. Cash used by capital and related financing activities decreased approximately \$1.6 million due to various factors including a decrease in purchases of capital assets, an increase in state capital appropriations, higher principal debt and interest payments, and a decrease in proceeds from capital debt. A slight increase in cash provided by investing activities of \$32,484 was also recognized during the fiscal year ended June 30, 2004.

During the year ended June 30, 2003, Westfield State College's combined liquidity improved with a \$4.9 million increase in cash. The following discussion amplifies the overview of cash flows presented above.

For the year ended June 30, 2003, the College's cash used by operating activities decreased approximately \$5.0 million over the prior year. This was due in part to an increase in cash received for tuition and fees of \$2.6 million combined with a decrease in amounts paid to employees of \$1.8 million. State appropriations decreased by \$1.4 million during the current year, which resulted in the decrease in net cash provided by noncapital financing activities. Cash used by capital and related financing activities increased approximately \$656,000 due to various factors including higher principal debt and interest payments, a decrease in state capital appropriations and an increase in purchases of capital assets. More favorable market conditions during the fiscal year ended June 30, 2003 resulted in a slight increase in cash provided by investing activities of approximately \$50,000.

The following is a graphic illustration of operating revenues by source, which were used to fund the College's operating activities for the years ended June 30, 2004, 2003 and 2002.





The College's operating revenues consist primarily of tuition and fee revenue and auxiliary operations. Tuition and fee revenue increased \$2.7 million or 15% during the fiscal year ended June 30, 2004 and increased \$3.3 million or 22% during the fiscal year ended June 30, 2003. The primary factor relating to the change during fiscal year 2004 was an increase in technology fees of \$800 per student. Major factors impacting the increase during fiscal year 2003 include higher than previous year enrollment, an increase in general student fees of \$659 per student (\$.5million) and an increase in technology fees of \$140 per student (\$.5million).

Tuition and fees received by the College include the following:

	June 30, 2004	June 30, 2003	June 30, 2002
Tuition	\$7,378,225	\$7,589,997	\$7,354,748
Student Activity Fees:			
General fees	8,722,486	8,581,854	6,044,845
Student fees	702,303	719,317	702,002
Technology fees	4,049,425	1,226,653	729,326
Miscellaneous fees	<u>219,120</u>	<u>239,345</u>	<u>224,264</u>
Total	<u>\$21,071,559</u>	<u>\$18,357,166</u>	<u>\$15,055,185</u>

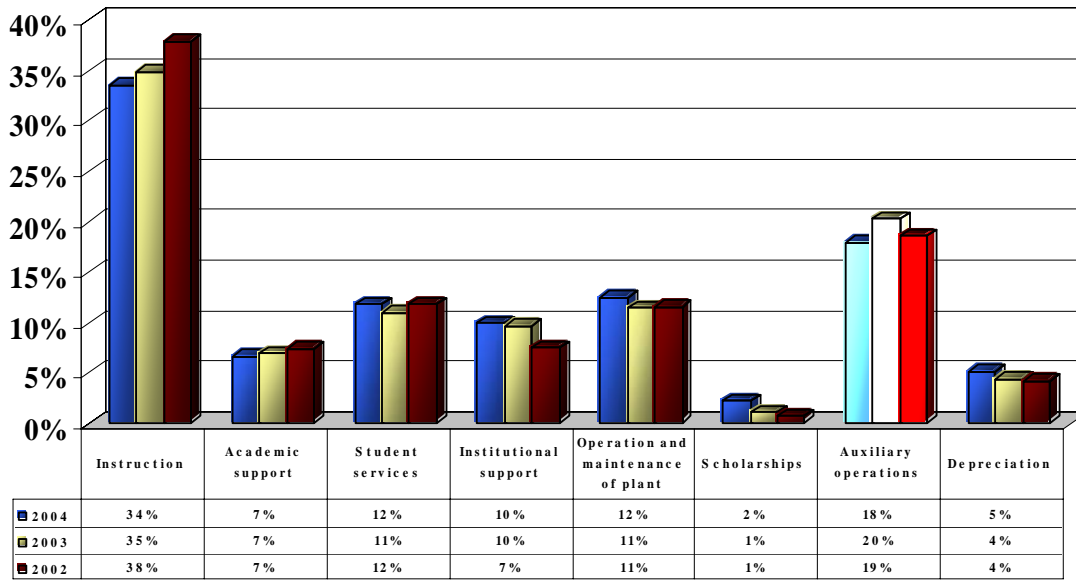
Auxiliary operations include the operation of the College's Building Authority trust fund and its food service. The revenue generated from these operations was \$10,323,956, \$9,584,199, and \$9,007,814 (which is net of scholarship allowances of \$1,265,193, \$1,476,244, and \$1,461,887) for the years ended June 30, 2004, 2003 and 2002, respectively. The increase in revenues of \$739,757 or 7.7% is attributable to the increase in room and board charges combined with a decrease in the scholarship allowance for the year ended June 30, 2004. The increase in revenues of \$576,000 or 6.4% is attributable to the increase in room and board charges for the year ended June 30, 2003.

Major grants and contracts received by Westfield State College for the years ended June 30, 2004, 2003 and 2002 included the following:

- U.S. Department of Education – Student Support Services \$244,858 (2004) \$245,057 (2003) \$256,995 (2002)
- U.S. Department of Education – College Work Study \$368,333 (2004, 2003 and 2002)
- U.S. Department of Education – SEOG \$295,448 (2004, 2003 and 2002)

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2004, 2003 and 2002.

## Operating Expenses by Function - Primary Institution



A summary of the College's expenses by functional classification for the years ended June 30, 2004, 2003 and 2002 is as follows:

	June 30, 2004	June 30, 2003	June 30, 2002
Instruction	\$17,833,735	\$16,708,934	\$18,281,858
Public service	155,053	151,467	159,775
Academic support	3,559,357	3,325,757	3,569,216
Student services	6,292,287	5,279,716	5,700,858
Institutional support	5,280,039	4,649,315	3,599,873
Operation and maintenance of plant	6,625,410	5,496,590	5,534,576
Scholarships and fellowships	1,174,172	531,306	340,775
Auxiliary operations	9,537,402	9,736,618	8,958,755
Loss on disposal of assets	59,280	8,676	21,164
Depreciation	<u>2,695,126</u>	<u>2,068,735</u>	<u>2,035,167</u>
Total	<u>\$53,211,861</u>	<u>\$47,957,114</u>	<u>\$48,202,017</u>

The College's total operating expenses increased significantly during fiscal year ended June 30, 2004 by \$5,254,747 or 11% due to various factors including an increase in salaries and associated fringe benefits resulting from the Commonwealth's decision to fund the outstanding collective bargaining salary and wage increases for two previous fiscal years. However, only a portion of the retroactive salary adjustments have been funded by the Commonwealth to date. The remaining potential liability for the Commonwealth is estimated at approximately \$1.5 million. Other factors impacting the increase are increases in student scholarships, an increase in costs associated with implementing our new computer system, and increased spending related to maintaining and improving campus facilities. During fiscal year ended June 30, 2003 the College's total operating expenses decreased by \$244,903 or .5% due to various factors including a reduction in salaries and associated fringe benefits as a result of the early retirement incentive program effective June 30, 2002 and budget mandated departmental spending decreases. These decreases were offset by expense increases related to higher utility costs, increases in scholarship expense, and increases in auxiliary operations expense.

## Loss from Operations

The following table presents the College's incurred losses from operations and its non-operating revenues for the fiscal years ended June 30, 2004, 2003 and 2002

	June 30, 2004	June 30, 2003	June 30, 2002
Tuition and fees	\$21,071,559	\$18,357,166	\$15,055,185
Other revenue, net of Student Financial Aid	12,945,386	12,318,070	11,801,829
Operating expenses	<u>53,211,861</u>	<u>47,957,114</u>	<u>48,202,017</u>
<b>Operating loss</b>	<b><u>(19,194,916)</u></b>	<b><u>(17,281,878)</u></b>	<b><u>(21,345,003)</u></b>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	19,921,340	21,287,448	23,023,781
Investment Income	232,500	443,376	329,481
Interest on capital asset-related debt	(88,400)	(83,566)	(112,332)
Related entity transfers	296,865	(37,861)	(25,000)
State capital appropriation	<u>8,663,376</u>	<u>136,165</u>	<u>276,213</u>
<b>Non-operating revenues</b>	<b><u>29,025,681</u></b>	<b><u>21,745,562</u></b>	<b><u>23,492,143</u></b>
<b>Increase in net assets</b>	<b><u>\$ 9,830,765</u></b>	<b><u>\$ 4,463,684</u></b>	<b><u>\$ 2,147,140</u></b>

Due to the nature of public higher education, institutions incur a loss from operations. The Commonwealth's Board of Higher Education determines tuition while the College sets fees and other charges. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

The \$7.3 million increase in non-operating revenues during fiscal year 2004 is associated with the recognition of a state capital appropriation in the amount of approximately \$7.8 million for construction expenditures related to the new academic/athletic facility, the Woodward Center, discussed below. The College also received an \$850,000 capital appropriation for the purchase of equipment and furnishings for the Woodward Center. These increases were offset by a decrease in the Commonwealth direct appropriation of \$1.4 million.

## Capital Assets and Debts of Westfield State College

Westfield State College's investment in capital assets, net of accumulated depreciation, as of June 30, 2004, 2003 and 2002 was \$29,548,713, \$21,430,823 and \$15,413,331 respectively. This investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. The capital asset increase of \$8.1 million or 38% during the fiscal year ended June 30, 2004, and increase of \$6.0 million or 39% during the fiscal year ended June 30, 2003 was due to capital additions outpacing depreciation expense. Capital additions during the fiscal year ended June 30, 2004 amounted to \$10,827,767 as compared to \$8,099,054 as of June 30, 2003, and \$2,367,635 as of June 30, 2002. Major additions during 2004 include construction expenses related to the Woodward Center (\$7,800,000), the construction of a new student parking lot (\$1,100,000), construction expenses related to the storage facility for the Woodward Center in progress at June 30, 2004 (\$114,000), the purchase of equipment and furnishings for the Woodward Center (\$572,000), and the purchase of many computers for faculty and staff (\$295,000). Major additions during 2003 include construction expenses related to the academic/athletic facility in progress at June 30, 2003 (\$5,200,000), the roof replacement to the administration building at 333 Western Avenue (\$429,000), the installation of a new e-mail system including hardware and software (\$199,000), the installation of a new telephone system (\$534,000), the installation of the new administrative computing system called Banner, including hardware, software and installation costs (\$604,000), and the purchase of many computers for faculty and staff (\$232,000).

**Westfield State College**  
**(A Component Unit of the Commonwealth of Massachusetts)**  
**Statement of Net Assets**  
**For the Years Ended June 30, 2004 and June 30, 2003**

	2004		2003	
	Primary Institution	Component Unit-Foundation	Primary Institution	Component Unit-Foundation
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 8,701,416	\$ 92,953	\$ 7,758,285	\$ 329,502
Cash held by State Treasurer	1,168,334		717,028	
Short-term investments	5,786,585	460,483	5,709,613	399,392
Accounts receivable, net	423,922	217,237	290,611	164,813
Restricted accounts receivable	54,797		50,935	
Loans receivable	213,028		207,965	
Inventories	366,313		372,171	
Deposits held by State Treasurer	625,082		365,315	
Prepaid expenses	8,322	1,220	7,076	1,220
Total current assets	<u>17,347,799</u>	<u>771,893</u>	<u>15,478,999</u>	<u>894,927</u>
<b>Noncurrent Assets</b>				
Cash held by Trustees	569,854		1,997,759	
Investments		3,228,721		2,736,562
Accounts receivable, net		379,703		436,178
Loans receivable, net	724,030		577,821	
Capital assets, net	29,101,234	447,479	20,979,572	451,251
Total noncurrent assets	<u>30,395,118</u>	<u>4,055,903</u>	<u>23,555,152</u>	<u>3,623,991</u>
Total assets	<u>\$ 47,742,917</u>	<u>\$ 4,827,796</u>	<u>\$ 39,034,151</u>	<u>\$ 4,518,918</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,367,583	\$ 7,465	\$ 2,941,226	\$ 21,448
Accrued liability for employee compensation and benefits	4,259,284		3,861,749	
Accrued employee retirement liability	182,671		124,439	
Deferred tuition and other revenue	904,244		1,405,645	
Due to related entity				
Deposits held	284,854		307,260	
Assets held in custody for others	51,226	188,661	40,000	184,190
Current portion of capital lease obligations	227,284		190,606	
Current portion of bonds payable	178,031		167,101	
Current portion of notes payable	281,430	61,600	221,354	61,600
Other liabilities	13,079		19,008	
Total current liabilities	<u>7,749,686</u>	<u>257,726</u>	<u>9,278,388</u>	<u>267,238</u>
<b>Noncurrent Liabilities</b>				
Accrued liability for employee compensation and benefits	1,225,993		1,367,745	
Accrued employee retirement liability	116,464		124,439	
Grants refundable	994,606		994,606	
Capital lease obligations	835,849		977,149	
Bonds payable	5,313,074		5,491,105	
Notes payable	875,761	92,400		154,000
Total noncurrent liabilities	<u>9,361,747</u>	<u>92,400</u>	<u>8,955,044</u>	<u>154,000</u>
Total liabilities	<u>17,111,433</u>	<u>350,126</u>	<u>18,233,432</u>	<u>421,238</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	21,959,659	293,479	15,930,016	235,651
<b>Restricted for:</b>				
Expendable	597,875	761,660	465,913	1,087,600
Non-expendable		1,954,340		1,672,364
Unrestricted	8,073,950	1,468,191	4,404,790	1,102,065
Total net assets	<u>\$ 30,631,484</u>	<u>\$ 4,477,670</u>	<u>\$ 20,800,719</u>	<u>\$ 4,097,680</u>

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

The completion of the Woodward Center, Westfield State College's new academic/athletic facility took place during fiscal year ended June 30, 2004. This facility will be shared by the Athletic Department and the Movement Science Department. The surrounding community will also have access to the facility. The Commonwealth of Massachusetts and the College shared funding for this project. The Commonwealth appropriated \$9.6 million and the college borrowed \$5.8 million from the Massachusetts Health and Educational Facilities Authority (MHEFA) to partially fund the project. The College's portion will be repaid over a twenty-year period from an existing student fee, which has been budgeted for this project. The receipts from Westfield State College's first fund raising capital campaign may help to reduce this debt. As of June 30, 2004 and 2003 the outstanding debt on the MHEFA borrowing amounted to \$5,491,105, and \$5,658,206, respectively.

### **Economic Factors That Will Affect the Future**

Approximately 35% of the College's operational budget depends on revenue from the state (i.e. the state's allocation to its agencies, of which the college is but one of numerous major state agencies funded). When the state's revenue declines, legislative action has been to reduce the state's allocation to the college. Given the current downturn in state revenues and a state tax rollback voted by the electorate in the last general election, the College will receive the same funding amount from the state in fiscal year 2005 that it received in fiscal year 2004. As a result, campus-wide action was taken reducing departmental budgets, restricting travel and equipment purchases except for technology and classroom equipment, and maintaining some open positions until this fiscal crisis is over. The College increased its annual local fees by \$800 per student during fiscal year 2004 and by \$300 per student in fiscal year 2005. These actions will enable the college to fulfill its overall mission, provide needed scholarship support, maintain deferred maintenance projects, and remain competitive among the public institutions. The academic role of the campus will not be impacted.

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**1. Summary of Significant Accounting Policies:**

***Organization***

The financial statements present the financial position, results of operations, and changes in net assets of the College, a component unit of The Commonwealth of Massachusetts (the "Commonwealth").

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

As described further in Note 8, the accompanying financial statements do not include the College's proportionate share of the assets and liabilities of Massachusetts State College Building Authority (the "Building Authority"), an agency of the Commonwealth, but do reflect the Building Authority Trust Fund activity of the College.

***Basis of Presentation***

The financial statements of Westfield State College (the "College") 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. The College reports its financial statements as a Business Type Activity, as defined by GASB Statement No. 35. Business-type activities are defined as those that are financed in whole or part by fees charged to external parties for goods or services. The College's operating activities in the statement of revenues, expenditures and changes in net assets 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 non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth, net investment income, and interest expense. The effect of inter-fund activity has been eliminated from these financial statements.

***New Accounting Standards***

Effective July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14*. This statement requires that all entities associated with a primary government be evaluated against specific criteria for inclusion in the financial reporting entity. Also effective July 1, 2003, the College adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement updates the custodial risk disclosure requirements of GASB Statement No. 3 and establishes more comprehensive disclosure requirements addressing other common risks of deposits and investments, including concentrations of credit risk and interest rate risk.

The College has elected to adopt the applicable pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

**WESTFIELD STATE COLLEGE**  
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***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 reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Major estimates made include the accrual for employee compensated absences, the accrual for workers' compensation liability, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

***Cash and Short-Term Investments***

Cash and cash equivalents consist of petty cash and demand deposit accounts.

Short-term investments consist of deposits with The Common Fund and are recorded at cost which approximates fair value.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

Investment income is recognized on an accrual basis; interest and dividends are recorded when earned.

***Restricted Gifts***

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

***Grants and Contracts***

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

***Inventories***

The College's inventories consist of plant operation and maintenance supplies and operating supplies, which are valued at the lower of cost (first-in, first-out and replacement cost methods) or market.

***Compensated Absences***

Employees earn the right to be compensated during absences for vacation leave and sick leave. A portion of such unused sick leave is payable in cash upon retirement. The accompanying statement of net assets reflects an accrual for the amount earned and ultimately payable for such benefits.

Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

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***Cash Held by Trustees***

Cash held by trustees as of June 30, 2004 and 2003 consists of unspent bond proceeds of \$20,743 and \$1,431,938, respectively, from the MHEFA (Massachusetts Health and Educational Facilities Authority) tax-exempt revenue bonds and \$549,111 and \$565,821, respectively, in the debt service reserve fund (see Note 12).

***Tuition***

Recorded in the College's financial statements for the years ended June 30, 2004 and 2003 is tuition revenue of \$2,980,223 and \$3,861,789, respectively, received by the College and transmitted to the State Treasurer's Office for deposit to the general fund of the Commonwealth of Massachusetts. The amount of State Appropriations received by the College has been reduced by the corresponding amount.

***State Appropriations***

The College's unrestricted state appropriation is composed of the following at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Direct appropriations	\$18,960,912	\$21,439,649
Add: Fringe benefits for employees on the Commonwealth payroll	3,940,651	3,709,588
Less: Tuition remitted to the Commonwealth	<u>(2,980,223)</u>	<u>(3,861,789)</u>
Total	<u>\$19,921,340</u>	<u>\$21,287,448</u>

***Deferred Tuition and Fees***

Tuition and fee revenue for summer programs, which overlap fiscal years, is deferred and recognized in the fiscal year in which the programs are conducted.

***Fringe Benefits***

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

***Student Fees***

Student tuition, dining and residence 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 expense.



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*Net Assets*

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

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

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

**Restricted-nonexpendable:** Net assets subject to externally imposed conditions that the College must maintain them in perpetuity.

**Unrestricted:** All other categories of net assets. Unrestricted net assets may be designated by the actions of the College's Board of Trustees.

The College has adopted a policy of generally applying restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Foundation Investments and Endowment*

Investments in marketable securities are stated at fair value.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statement of revenues, expenditures and changes in net assets. Any net earnings not expended are included in the net asset categories as follows:

- (i) As increases in restricted-nonexpendable net assets 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 assets if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains; and
- (iii) As increases in unrestricted net assets in all other cases.

The College employs a total return endowment utilization policy that establishes the amount of investment return made available for spending each year. This amount is independent of the actual return for the year, but cannot exceed the total income and accumulated net appreciation of the fund.

The College has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should generally be classified as restricted-expendable.

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***Income Tax Status***

The College is a component unit of the Commonwealth of Massachusetts and is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

The Foundation is exempt from income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code.

**2. Reclassification:**

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

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

**4. Cash and Short-Term Investments:**

The College's cash management investment policy authorizes the College to invest in the Massachusetts Municipal Depository Trust, the Common Fund and Woronoco Savings Bank's overnight sweep investment account.

GASB Statement No. 40 requires government entities to classify cash and investments and indicate the levels of credit risk, custodial risk, foreign currency risk, and interest rate risk assumed by the entity at year end. The College had no foreign currency investments or investments subject to interest rate risk at June 30, 2004.

The carrying amount of the College's bank deposits and deposits in trust depositories was \$15,057,855 and \$15,465,657 as compared to bank balances of \$15,653,651 and \$15,973,503 at June 30, 2004 and 2003, respectively. The differences between the carrying amount and the bank balances were caused by deposits in-transit and outstanding checks. Of such bank balances, \$100,000 is covered by federal deposit insurance, \$5,010,165, and \$3,451,798 is collateralized by the bank's pledge of U.S. government securities, and the remaining \$10,543,486 and \$12,421,705 at June 30, 2004 and 2003, respectively, is uninsured and uncollateralized and therefore subject to custodial risk.

The cost and fair value of cash and short-term investments at June 30 is:

<b>COLLEGE</b>				
	<b><u>2004</u></b>		<b><u>2003</u></b>	
	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>
Cash and cash equivalents:				
MMDT deposits	4,286,543	4,286,543	4,793,301	4,793,301
Bank accounts	4,984,727	4,984,727	4,962,743	4,962,743
Short-term investments:				
Common Fund	<u>5,923,233</u>	<u>5,786,585</u>	<u>5,747,752</u>	<u>5,709,613</u>
	<b><u>\$15,194,503</u></b>	<b><u>\$15,057,855</u></b>	<b><u>\$15,503,796</u></b>	<b><u>\$15,465,657</u></b>

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**4. Cash and Short-Term Investments (continued):**

	<b>FOUNDATION</b>			
	<b><u>2004</u></b>		<b><u>2003</u></b>	
	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>
Cash and cash equivalents:				
Bank accounts	92,953	92,953	329,502	329,502
Short-term investments:				
Woronoco Fund				
Multi-Strategy Equity Fund	1,585,941	2,032,618	1,575,645	1,658,444
Multi-Strategy Bond Fund	804,633	852,778	772,296	811,531
Real Estate Security Fund	323,763	343,325	312,005	266,587
Short-term Fund	<u>460,483</u>	<u>460,483</u>	<u>399,392</u>	<u>399,392</u>
	<b><u>\$3,267,773</u></b>	<b><u>\$3,782,157</u></b>	<b><u>\$3,388,840</u></b>	<b><u>\$3,465,456</u></b>

The carrying amount of the College's deposits held by The State Treasurer is \$625,082 at June 30, 2004 and \$365,315 at June 30, 2003. These deposits are uninsured and are not collateralized.

The funds invested in MMDT and the Common Fund are held in safekeeping accounts in trust depositories in the name of the College and are uninsured.

**5. Cash Held By The State Treasurer:**

Accounts payable, accrued salaries, wages and withholdings to be funded from state appropriated funds totaled \$1,168,334 at June 30, 2004 and \$717,028 at June 30, 2003. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

**6. Accounts Receivable:**

The composition of the College's accounts receivable at June 30, 2004 and 2003 is summarized as follows:

	<b><u>2004</u></b>	<b><u>2003</u></b>
Student accounts receivable	643,376	567,594
Grants receivable	30,373	33,641
Other receivables	<u>196,715</u>	<u>100,041</u>
Total	<u>870,464</u>	<u>701,276</u>
Less allowance	<u>(446,542)</u>	<u>(410,665)</u>
Total accounts receivable, net	<u><u>423,922</u></u>	<u><u>290,611</u></u>

Loans receivable of \$937,058 at June 30, 2004 and \$785,786 at June 30, 2003 consist primarily of Federal Perkins Loan Program funds:

## WESTFIELD STATE COLLEGE

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### Notes to Financial Statements

June 30, 2004

**6. Accounts Receivable (continued):**

	<u>2004</u>	<u>2003</u>
Perkins loans receivable – current	213,028	207,965
Perkins loans receivable - noncurrent	1,037,624	912,005
Other noncurrent student loan	<u>0</u>	<u>200</u>
Total	1,250,652	1,120,170
Less allowance for doubtful accounts	<u>(313,594)</u>	<u>(334,384)</u>
Total loans receivable, net	<u>937,058</u>	<u>785,786</u>

The composition of the Foundation's accounts receivable at June 30, 2004 and 2003 is summarized as follows:

	<u>2004</u>	<u>2003</u>
Contributions receivable - current	217,237	164,813
Contributions receivable - noncurrent	459,063	531,044
Less discount	<u>(79,360)</u>	<u>(94,866)</u>
Total accounts receivable, net	<u>596,940</u>	<u>600,991</u>

**7. Related Party Transactions:**

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

The Foundation's Chair, Treasurer and other Board members are also members of the Board of Directors and executives of Woronoco Savings Bank, which holds the Foundation's mortgage note payable.

The College's Chairman of the Board of Trustees is also the President and a member of the Board of Directors of Woronoco Savings Bank, which holds the College's equipment note payable.

**8. Massachusetts State College Building Authority:**

The Building Authority was created pursuant to Chapter 703 of the Acts of 1963 by the Commonwealth as a public instrumentality for the general purpose of providing dormitories, dining commons and other facilities primarily for use by students and staff of the nine state colleges of the Commonwealth.

Assets of the Building Authority consist principally of land, buildings, construction in progress, furnishings and equipment. The assets attributable to the College amount to \$24,778,772 (unaudited) at June 30, 2004 and \$17,981,401 (unaudited) at June 30, 2003. Liabilities of the Building Authority consist principally of long-term debt obligations scheduled to mature through 2028 amounting to approximately \$152,486,000 (unaudited) at June 30, 2004 and \$106,148,000 (unaudited) at June 30, 2003 guaranteed by the Commonwealth which includes \$35,645,000 at June 30, 2004 for a new dorm located at Westfield State College and \$3,977,500 at June 30, 2004 for deferred maintenance projects. Because all facilities of the Building Authority are included collectively in its long-term debt obligation, it is not practicable to determine the specific liability attributable to the College except where the Building Authority has separately identified the amount.

The College is obligated, under its contracts for financial assistance, management and services with the Building Authority, to collect rates, rents, fees and other charges with respect to such facilities sufficient to pay principal and interest on the Building Authority's debt obligations based on occupancy rates of the dormitories.

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**8. Massachusetts State College Building Authority (continued):**

The College's proportionate share of principal and interest on the debt obligations for the year ended June 30, 2004 amounted to \$2,563,974 (\$1,281,987, Fall Semester, 2003 and \$1,281,987, Spring Semester 2004). For the year ended June 30, 2003, the College's proportionate share of principal and interest on the debt obligations amounted to \$2,447,706.

**9. Capital Assets:**

Capital assets are stated at cost. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets. The College records a full year of depreciation in the year of acquisition. Land is not depreciated. The following table illustrates the range of useful lives for the College's depreciable assets:

Buildings and building improvements	20-40 years
Land improvements	20 years
Equipment and furnishings	3-10 years
Library books	5 years
Vehicles	5 years

Capital asset activity for the year ended June 30, 2004 is summarized as follows:

	-----COLLEGE-----				
	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance</u>
Capital assets not being depreciated:					
Land	1,223,862	-	-	-	1,223,862
Construction in progress	5,807,105	116,792	-	(5,809,830)	114,067
Total not being depreciated	7,030,967	116,792	-	(5,809,830)	1,337,929
Capital assets being depreciated:					
Buildings and building improvements	31,160,684	7,859,648	-	5,255,132	44,275,464
Land improvements	-	1,141,512	-	9,925	1,151,437
Equipment and furnishings	11,475,760	1,538,915	(1,563,106)	544,773	11,996,342
Library books	6,446,509	45,188	-	-	6,491,697
Vehicles	485,371	174,013	(39,560)	-	619,824
Total being depreciated	49,568,324	10,759,276	(1,602,666)	5,809,830	64,534,764
Less accumulated depreciation:					
Buildings and building improvements	(21,278,847)	(1,027,806)	-	-	(22,306,653)
Land improvements	-	(57,572)	-	-	(57,572)
Equipment and furnishings	(7,960,905)	(1,319,508)	1,503,826	-	(7,776,587)
Library books	(6,025,569)	(207,192)	-	-	(6,232,761)
Vehicles	(354,398)	(83,048)	39,560	-	(397,886)
Total accumulated depreciation	(35,619,719)	(2,695,126)	1,543,386	-	(36,771,459)
Capital assets, net	20,979,572	8,180,942	(59,280)	-	29,101,234

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**9. Capital Assets (continued):**

	-----FOUNDATION-----				
	Beginning				Ending
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>Balance</u>
Capital assets not being depreciated:					
Property held for future development	360,877	-	-	-	360,877
Capital assets being depreciated:					
Land and buildings	131,144	-	-	-	131,144
Furniture and fixtures	34,617	-	-	-	34,617
Office equipment	1,892	-	(1,892)	-	-
Total being depreciated	167,653	-	(1,892)	-	165,761
Less accumulated depreciation:					
Land and Buildings	(40,770)	(3,772)	-	-	(44,542)
Furniture and fixtures	(34,617)	-	-	-	(34,617)
Office equipment	(1,892)	-	1,892	-	-
Total accumulated depreciation	(77,279)	(3,772)	1,892	-	(79,159)
Capital assets, net	451,251	(3,772)	-	-	447,479

**10. Leases:**

The College leases certain office equipment under cancelable operating leases and other equipment under capital leases. The following schedule summarizes future minimum payments under non-cancelable leases at June 30, 2004 and 2003:

	<u>Capital Leases</u>					
	<u>2004</u>			<u>2003</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004				190,605	51,601	242,206
2005	227,284	45,292	272,576	199,731	42,475	242,206
2006	237,940	34,636	272,576	209,293	32,913	242,206
2007	249,096	23,480	272,576	219,313	22,893	242,206
2008	229,813	12,393	242,206	229,813	12,393	242,206
2009	119,000	2,103	121,103	119,000	2,103	121,103
Total	1,063,133	117,904	1,181,037	1,167,755	164,378	1,332,133

**WESTFIELD STATE COLLEGE**  
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**10. Leases (continued):**

Total rent expense under cancelable operating lease agreements was approximately \$138,000 and \$145,000 for the years ended June 30, 2004 and 2003, respectively.

**11. Notes Payable:**

The College had a note payable resulting from the purchase of the Stanhome facility. The note consisted of a 4.8% mortgage, collateralized by all moneys paid or due to the College as and from the Capital Plan Fee, payable in 60 monthly installments of \$28,170, including interest commencing March 1999 through March 2004. The outstanding balance on this note was \$221,354 at June 30, 2003. Total interest expense was \$3,188 in 2004 and \$18,981 in 2003. This note matured during the year ended June 30, 2004.

In May 2003, the College entered into a five-year, 3.25% loan agreement for \$2,000,000 with Woronoco Savings Bank to be used for the purchase of an administrative computer system. There was \$1,157,191 and \$0 balance outstanding on this loan at June 30, 2004 and 2003, respectively.

The Foundation has a 5% note payable to a bank, due in 2006, that is payable in semi-annual payments of interest on the unpaid balance plus level principal payments of \$37,500. The note is collateralized by a power-of-sale first mortgage on the land located at 880 Russell Road Westfield, Massachusetts. The outstanding balance on this note was \$154,000 at June 30, 2004 and \$215,600 at June 30, 2003.

Future principal and interest payments are as follows:

**Notes Payable-College**

	<u>2004</u>			<u>2003</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004				221,354	4,003	225,357
2005	281,430	33,910	315,340			
2006	290,845	24,495	315,339			
2007	300,575	14,764	315,339			
2008	284,341	4,719	289,061			
Total	<u>1,157,191</u>	<u>77,888</u>	<u>1,235,079</u>	<u>221,354</u>	<u>4,003</u>	<u>225,357</u>

**Notes Payable-Foundation**

	<u>2004</u>			<u>2003</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004				61,600	10,147	71,747
2005	61,600	7,011	68,611	61,600	7,011	68,611
2006	61,600	3,897	65,497	61,600	3,897	65,497
2007	30,800	783	31,583	30,800	783	31,583
Total	<u>154,000</u>	<u>11,691</u>	<u>165,691</u>	<u>215,600</u>	<u>21,838</u>	<u>237,438</u>

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**12. Bonds Payable:**

In August 2002, the College, through MHEFA (Massachusetts Health and Educational Facilities Authority), issued \$5,816,000 of MHEFA's tax-exempt revenue bonds. The bond principal is repayable in varying annual installments with the last installment due and payable on June 15, 2022. The bonds incur variable interest, payable monthly, at a rate determined by Flagship Bank and Trust Company. The interest rate on the bonds averaged 1.03% and 1.31% and interest expense was \$55,251 and \$67,458 for the years ended June 30, 2004 and 2003, respectively. Interest income earned on unspent bond proceeds was \$6,950 and \$66,708 for the years ended June 30, 2004 and 2003, respectively. At June 30, 2004, \$5,491,105 was outstanding on the bonds and at June 30, 2003, \$5,658,206 was outstanding on the bonds.

The College has a \$5,887,704 letter of credit agreement with Fleet Bank. The agreement is to be used to support the above-mentioned MHEFA revenue bonds. Under the terms of the agreement, the College has pledged its right to receive continuing education tuition and fees, general fees, technical fees and miscellaneous fees as collateral to Fleet Bank. The agreement also places certain limits on the College with regard to incurring additional debt and requires the College to maintain a minimum amount of unrestricted cash and cash equivalents, and to maintain a debt service ratio and debt service reserve fund. Fees paid under the terms of the agreement were \$44,234 and \$33,345 at June 30, 2004 and 2003, respectively.

Future principal payments and estimated interest payments on outstanding bonds as of June 30, 2004 and 2003 are as follows:

	<u>2004</u>			<u>2003</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004				167,101	86,812	253,913
2005	178,031	84,511	262,542	78,031	84,511	262,542
2006	188,689	82,060	270,749	188,689	82,060	270,749
2007	199,985	79,461	279,446	199,985	79,461	279,446
2008	211,148	76,707	287,855	211,148	76,707	287,855
2009	224,596	73,800	298,396	224,596	73,800	298,396
2010 and thereafter	4,488,656	598,197	5,086,853	4,488,656	598,197	5,086,853
<b>Total</b>	<b>5,491,105</b>	<b>994,736</b>	<b>6,485,841</b>	<b>5,658,206</b>	<b>1,081,548</b>	<b>6,739,754</b>

**13. Leases and Long-term Liabilities:**

Long-term liabilities at June 30, 2004 consist of:

	----- <b>FOUNDATION</b> -----				
	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>
Leases and notes payable:					
Notes payable	215,600	-	(61,600)	154,000	61,600



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**13. Leases and Long-term Liabilities (continued):**

	-----COLLEGE-----				
	Beginning			Ending	Current
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>
Leases, notes, and bonds payable:					
Lease obligations	1,167,755	114,695	(219,317)	1,063,133	227,284
Notes payable	221,354	1,350,559	(414,722)	1,157,191	281,430
Bonds payable	5,658,206	-	(167,101)	5,491,105	178,031
Total leases, notes and bonds payable	7,047,315	1,465,254	(801,140)	7,711,429	686,745
Other long-term liabilities:					
Compensated absences	2,468,804	-	(12,678)	2,456,126	1,681,002
Employee retirement liability	248,878	174,696	(124,439)	299,135	182,671
Workers' compensation	526,293	26,242	-	552,535	101,666
Grants refundable	994,606	-	-	994,606	-
Total long-term liabilities	4,238,581	200,938	(137,117)	4,302,402	1,965,339
Total long-term liabilities	11,285,896	1,666,192	(938,257)	12,013,831	2,652,084

**14. Fringe Benefits:**

The College's portion of fringe benefit costs for trust and grant funded employees (health insurance, pension benefits and administrative costs) was approximately \$847,000 and \$555,000 for the years ended June 30, 2004 and 2003, respectively. The Commonwealth's portion of fringe benefits paid by the Commonwealth on behalf of certain state funded employees of the College was approximately \$3,941,000 and 3,710,000 for the years ended June 30, 2004 and 2003, respectively and have been reflected in the accompanying financial statements.

Under a directive from the Commonwealth, the College has recorded a liability for workers' compensation claims outstanding of \$552,535 and \$526,293 as of June 30, 2004 and 2003, respectively. Such amount has been included under the caption "Accrued liability for employee compensation and benefits, and accounts payable and accrued liabilities" in the accompanying statement of net assets. The undiscounted amount represents the College's estimate of the ultimate liability for medical and indemnity costs on outstanding claims. Worker's compensation costs assessed by the Commonwealth were approximately \$162,000 and \$146,000 for the years ended June 30, 2004 and 2003, respectively.

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**15. Retirement Plan:**

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of employees who participate in the State Employees' Retirement System (SERS). SERS, a single employer defined benefit public employee retirement system, is administered by the Commonwealth and covers substantially all non-student employees. The College makes contributions on behalf of the employees through a fringe benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately \$101,000 for the year ended June 30, 2004 and \$76,000 for year ended June 30, 2003. The annuity portion of the SERS is funded by employees who contribute a percentage of their regular compensation. Annual covered payroll approximated 89.3% and 82.9% of annual total payroll for the College for 2004 and 2003, respectively.

**16. Commitments and Contingencies:**

**Litigation**

The College is a defendant in several lawsuits; however, College management is of the opinion that the ultimate outcome of all litigation will not have a material adverse effect on its statement of net assets, statement of revenues, expenditures and changes in net assets, or its cash flows.

The College had outstanding contractual commitments of \$0 and \$935,000 at June 30, 2004 and 2003, respectively, related to the implementation of a new administrative computing system.