



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

**JUNE 30, 2010**



**AN EDUCATION LEADER AND INNOVATOR SINCE 1838**



# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Financial Statements and Management's Discussion and Analysis

June 30, 2010 and 2009

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**Report of Independent Auditors**

To the Trustees of Westfield State College:

In our opinion, based on our audits and the reports of other auditors, the accompanying statements of net assets and the related statements of revenues, expenditures and changes in net assets, and of cash flows present fairly, in all material respects, the financial position of Westfield State College (the "College") and Westfield State College Foundation, Inc. (the "Foundation"), its discretely presented component unit, at June 30, 2010 and 2009 and its revenues, expenditures and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Westfield State College Foundation, Inc., a related tax-exempt organization, which statements reflect total net assets of \$3,942,195 and \$3,947,038 as of June 30, 2010 and 2009, respectively, and decrease in net assets of \$4,843 and \$1,436,948 for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Westfield State College Foundation, Inc. is based solely on the reports of the other auditors.

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

The Management's Discussion and Analysis on pages 1 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*PricewaterhouseCoopers LLP*

October 12, 2010



# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited)

### 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, 2010, with comparative information for the years ended June 30, 2009 and 2008. For financial reporting purposes, Westfield State College's reporting entity consists of Westfield State College and its discretely presented component unit, Westfield State College Foundation, Inc.. Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the basic financial statements and notes thereto. The financial statements, footnotes and this discussion are the responsibility of management.

Westfield State College is a comprehensive public institution of higher learning with approximately 5,150 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers 31 undergraduate majors in both the traditional arts and sciences and in professional fields with over 60 options for discipline-specific or interdisciplinary minors and concentrations. There are also 35 graduate-level degree and certificate programs offered by the Division of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State 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 for the benefit of 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 Westfield State College to promote the general education of the people within the constituency served by Westfield State College.

Listed below are the definitions of each entity that may be presented 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> Financial activities of Westfield State College	<b>Component Unit (the "Foundation")</b> Financial activities of Westfield State College Foundation, Inc.

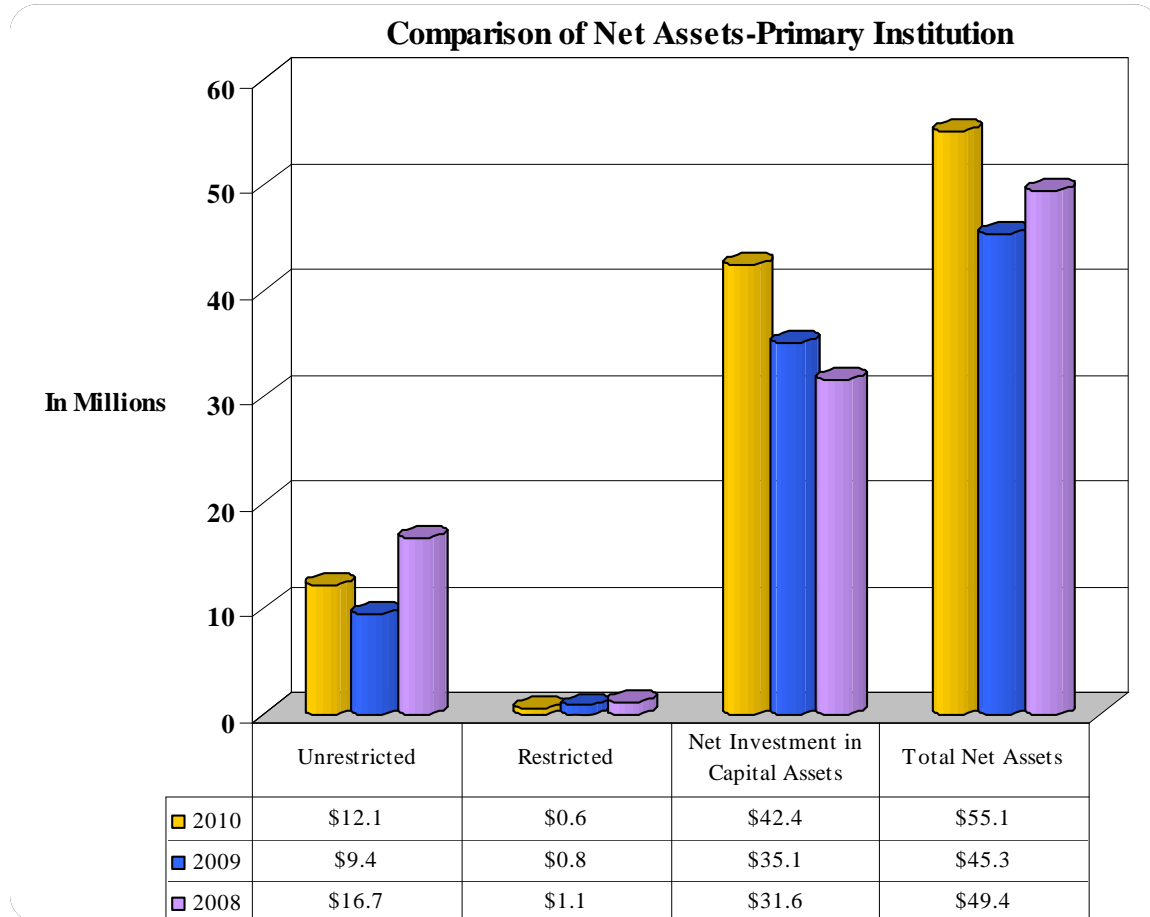
# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited)

### Primary Institution Financial Highlights

Graphically displayed, the comparative net asset increases by category for the fiscal years ended June 30, 2010, 2009 and 2008 are shown below:



- The College's financial position improved significantly during the fiscal year ended June 30, 2010, with a \$9.8 million or 21.6% increase in total net assets. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased to \$55.1 million from \$45.3 million in 2009. The College's financial position declined slightly during the fiscal year ended June 30, 2009, with a \$4.1 million or 8.3% decrease in total net assets, (to \$45.3 million from \$49.4 million in 2008).
- Expenses incurred during fiscal year 2010 totaled \$86.2 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$96.0 million resulting in an increase in net assets of \$9.8 million. Expenses incurred during fiscal year 2009 totaled \$84.9 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$80.8 million resulting in a decrease in net assets of \$4.1 million as compared to an increase of \$4.6 million for the year ended June 30, 2008.
- The increase in total net assets during the fiscal year ended June 30, 2010 was attributable primarily to the recognition of state capital appropriation revenue in the amount of \$8.3 million for the major building renovations to Ely Hall which were completed during the fiscal year. The decrease in net assets during the fiscal year ended June 30, 2009 was attributable to the fact that significant increases in expenses were not offset by increases in revenues. Decreases in revenues during the fiscal year 2009 included both state and state capital appropriations and investment income. Of significance was a mid-year rescission in the state appropriation of \$1,293,506. Because this represented a reduction in revenue designated to compensate faculty and staff, additional costs for fringe benefits not funded by the State increased expenditures by \$333,854. In effect, the fiscal year 2009 budget reduction had a total negative impact totaling \$1,627,360. In order to maintain quality and access, this shortfall was covered by a draw down of unrestricted reserves.



# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited)

### 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 position 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 categories 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. Westfield State College's financial position increased during the year with a combined (College and Foundation) net asset increase of \$9.8 million for the year ended June 30, 2010 as compared to a combined net asset decrease of \$5.5 million for the year ended June 30, 2009 and a \$4.6 million increase for the year ended June 30, 2008.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited)

### *Westfield State College's Condensed Statements of Net Assets As of June 30, 2010, 2009 and 2008*

	Primary Institution			Component Unit-Foundation		
	2010	2009	2008	2010	2009 As Restated	2008
Current Assets	\$ 26,145,662	\$ 23,081,962	\$ 29,187,577	\$ 493,066	\$ 442,078	\$ 430,555
Non-current Assets						
Capital Assets, net	46,151,877	39,093,238	36,310,614	1,116,682	1,125,201	1,133,721
Other	<u>796,892</u>	<u>780,012</u>	<u>803,735</u>	<u>3,283,592</u>	<u>3,328,967</u>	<u>4,761,812</u>
Total Assets	<u>73,094,431</u>	<u>62,955,212</u>	<u>66,301,926</u>	<u>4,893,340</u>	<u>4,896,246</u>	<u>6,326,088</u>
Current Liabilities	10,489,614	9,975,982	10,040,432	951,145	481,208	304,135
Non-current Liabilities	<u>7,483,956</u>	<u>7,702,330</u>	<u>6,876,852</u>	<u>-</u>	<u>468,000</u>	<u>468,000</u>
Total Liabilities	<u>17,973,570</u>	<u>17,678,312</u>	<u>16,917,284</u>	<u>951,145</u>	<u>949,208</u>	<u>772,135</u>
Net Assets						
Invested in Capital Assets, net of related debt	42,357,477	35,074,581	31,574,415	1,116,682	1,125,201	1,133,721
Restricted: Nonexpendable	-	-	-	2,882,165	2,837,946	3,095,493
Restricted: Expendable	624,749	785,962	1,088,896	1,309,798	724,992	1,112,167
Unrestricted	<u>12,138,635</u>	<u>9,416,357</u>	<u>16,721,331</u>	<u>(1,366,450)</u>	<u>(741,101)</u>	<u>212,572</u>
Total Net Assets	<u>\$ 55,120,861</u>	<u>\$ 45,276,900</u>	<u>\$ 49,384,642</u>	<u>\$ 3,942,195</u>	<u>\$ 3,947,038</u>	<u>\$ 5,553,953</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 (74% at June 30, 2010, 73% at June 30, 2009, and 59% at June 30, 2008), are net assets invested in capital assets which are buildings and equipment utilized by students, faculty and administration; consequently, these assets are not available for future spending. The \$7.3 million increase in net assets invested in capital assets as of June 30, 2010 and \$3.5 million increase as of June 30, 2009 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 (3% at June 30, 2010 and 2009, and 4% at June 30, 2008), are restricted expendable which represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. Restricted nonexpendable net assets (5% at June 30, 2010, 6% at June 30, 2009 and 2008) primarily include Westfield State College's endowment funds. The remaining balance of unrestricted net assets (18% at June 30, 2010 and 2009, and 31% at June 30, 2008) may be used to meet Westfield State College's ongoing obligations.

A review of Westfield State College's condensed statements of net assets at June 30, 2010, 2009, and 2008 shows that Westfield State College continues to maintain its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, management of its endowment, conservative utilization of its debt, and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited)

### *Westfield State College's Condensed Statements of Revenues, Expenditures and Changes in Net Assets For the years ended June 30, 2010, 2009 and 2008*

	Primary Institution			Component Unit-Foundation		
	2010	2009	2008	2010	2009 As Restated	2008
<u>Operating Revenues:</u>						
Tuition and fees	\$ 36,558,739	\$ 33,491,105	\$ 30,705,832			
Less: student financial aid	(4,042,000)	(3,081,164)	(2,892,147)			
Federal, state and private grants and contracts	8,100,961	6,401,758	5,768,218			
Auxiliary operations, net	19,293,894	18,018,958	15,475,007			
Other sources	<u>594,304</u>	<u>659,911</u>	<u>548,471</u>	\$ 67,228	\$ 50,774	\$ 33,002
Total operating revenues	60,505,898	55,490,568	49,605,381	67,228	50,774	33,002
Less: operating expenses	<u>86,145,030</u>	<u>84,833,861</u>	<u>76,310,514</u>	<u>1,406,359</u>	<u>1,218,382</u>	<u>837,049</u>
Operating loss	<u>(25,639,132)</u>	<u>(29,343,293)</u>	<u>(26,705,133)</u>	<u>(1,339,131)</u>	<u>(1,167,608)</u>	<u>(804,047)</u>
<u>Non-operating revenue (expense):</u>						
State appropriation, net	21,305,571	24,677,747	28,741,286			
State fiscal stabilization fund (ARRA)	5,117,748					
Private gifts and grants				830,272	957,314	300,911
Net investment income (loss)	392,042	449,203	1,213,014	460,374	(967,646)	46,803
Interest on capital asset-related debt	<u>(10,177)</u>	<u>(73,892)</u>	<u>(169,493)</u>	<u>(11,327)</u>	<u>(18,150)</u>	<u>(35,171)</u>
Total non-operating revenue	<u>26,805,184</u>	<u>25,053,058</u>	<u>29,784,807</u>	<u>1,279,319</u>	<u>(28,482)</u>	<u>312,543</u>
Income (loss) before other revenues, expenses, gains or losses	1,166,052	(4,290,235)	3,079,674	(59,812)	(1,196,090)	(491,504)
Related entity transfers	(10,750)	(16,689)	(1,664)	10,750	16,689	1,664
Additions to permanent endowment	-	-	-	44,219	(257,547)	554,621
State capital appropriations	<u>8,688,659</u>	<u>199,182</u>	<u>1,485,853</u>	-	-	-
Increase (decrease) increase in net assets	<u>9,843,961</u>	<u>(4,107,742)</u>	<u>4,563,863</u>	<u>(4,843)</u>	<u>(1,436,948)</u>	<u>64,781</u>
Net assets-beginning of year, as previously reported	45,276,900	49,384,642	44,820,779	4,117,005	5,553,953	5,489,172
Prior period adjustment	-	-	-	-	(169,967)	-
Net assets- beginning of year, restated	<u>45,276,900</u>	<u>49,384,642</u>	<u>44,820,779</u>	<u>3,947,038</u>	<u>5,383,986</u>	<u>5,489,172</u>
Net assets-end of year	<u>\$ 55,120,861</u>	<u>\$ 45,276,900</u>	<u>\$ 49,384,642</u>	<u>\$ 3,942,195</u>	<u>\$ 3,947,038</u>	<u>\$ 5,553,953</u>

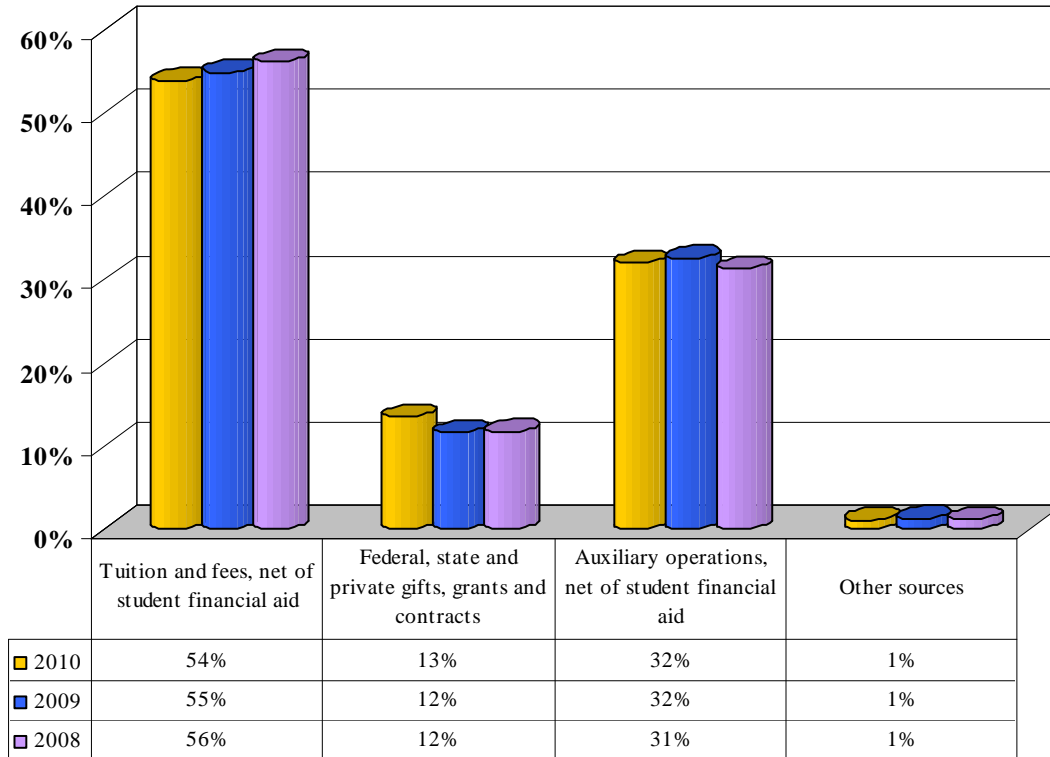
# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

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

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, 2010, 2009 and 2008.

**Operating Revenues by Source - Primary Institution**



The College's operating revenues consist primarily of tuition and fee revenue and auxiliary operations. Tuition and fee revenue increased \$3.1 million or 9% during the fiscal year ended June 30, 2010 and increased \$2.8 million or 9% during the fiscal year ended June 30, 2009. The primary factors relating to the increase during fiscal year 2010 were a combined increase in general, technology and student activity fees of \$501 per student and higher student enrollment. For fiscal year ended June 30, 2009, a combined increase in general, technology and student activity fees of \$306 per student and higher student enrollment contributed to the increase.

Tuition and fees received by the College include the following:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Tuition	\$ 9,175,682	\$ 8,949,168	\$ 8,610,283
Student Activity Fees:			
General fees	18,636,687	16,326,145	15,042,845
Student fees	1,054,394	1,032,915	940,313
Technology fees	7,107,888	6,456,571	5,778,226
Miscellaneous fees	<u>584,088</u>	<u>726,306</u>	<u>334,165</u>
Total	<u>\$ 36,558,739</u>	<u>\$ 33,491,105</u>	<u>\$ 30,705,832</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 \$19,293,894, \$18,018,958, and \$15,475,007, (which are net of scholarship allowances of \$2,477,355, \$1,888,456, and \$1,626,833) for the years ended June 30, 2010, 2009 and 2008, respectively. The increase in revenues for the year ended June 30, 2010 in the amount of \$1,274,936 or 7.1% is primarily attributable to the increase in room (\$1.3 million) and board (\$.9 million) charges offset by the increase in the scholarship allowance of \$.6 million and decreases in other auxiliary revenue of \$.3 million.

# WESTFIELD STATE COLLEGE

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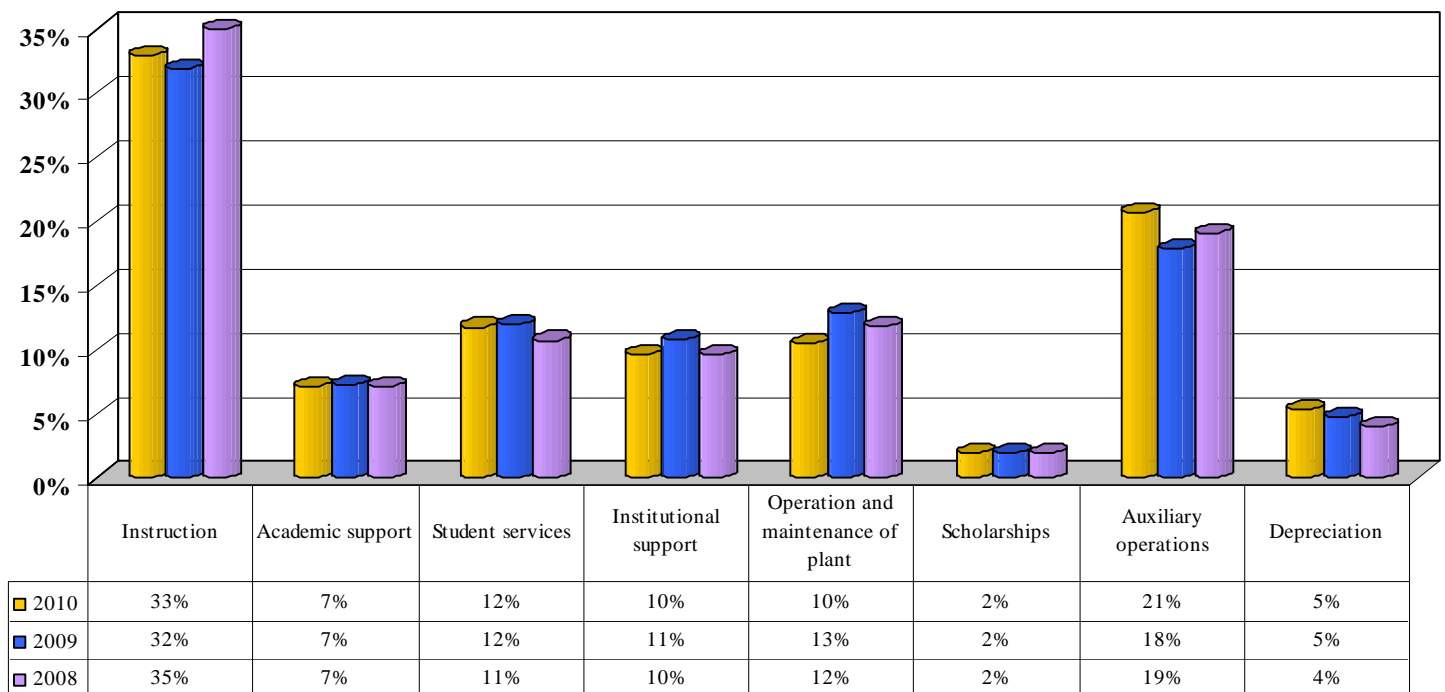
## Management’s Discussion and Analysis - Continued (Unaudited)

Major grants and contracts awarded to Westfield State College for the years ended June 30, 2010, 2009 and 2008 included the following:

- U.S. Department of Education – Student Support Services \$286,094 (in 2010) \$265,444 (in 2009) \$252,203 (in 2008)
- U.S. Department of Education – College Work Study \$368,333 (in 2010, 2009 and 2008)
- U.S. Department of Education – SEOG \$295,448 (in 2010, 2009 and 2008)
- U.S. Department of Justice – Westfield, Massachusetts Law Enforcement Training Program  
\$290,663 (in 2009) \$90,095 (in 2008)
- National Science Foundation – “Discovering the Art of Mathematics” \$149,971 (in 2009)

The following is a graphic illustration of operating expenses by function for the years ended June 30, 2010, 2009, and 2008.

**Operating Expenses by Function - Primary Institution**



A summary of the College’s expenses by functional classification for the years ended June 30, 2010, 2009, and 2008 is as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Instruction	\$ 28,349,232	\$ 27,083,124	\$ 26,708,661
Public service	91,102	240,892	193,235
Academic support	6,180,954	6,147,053	5,462,152
Student services	10,123,349	10,609,113	8,179,755
Institutional support	8,323,181	9,117,915	7,293,373
Operation and maintenance of plant	8,993,950	10,866,553	9,016,648
Scholarships and fellowships	1,679,684	1,618,832	1,445,009
Auxiliary operations	17,861,051	15,141,431	14,546,234
Loss on disposal of assets	8,067	55,476	10,213
Depreciation	4,534,460	3,953,472	3,455,234
Total	<u>\$ 86,145,030</u>	<u>\$ 84,833,861</u>	<u>\$ 76,310,514</u>

The College’s total operating expenses increased slightly during fiscal year ended June 30, 2010 by \$1,311,169 or 1.5% as compared to a 11.2% increase for the fiscal year ended June 30, 2009.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

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

The College's total operating expenses increased during fiscal year ended June 30, 2009 by \$8,523,347 or 11.2% due to an increase in full-time and part-time salaries related to both increases in the number of employees and employee pay increases in the amount of approximately \$5.0 million. Also contributing to the increase are, additional depreciation expense (\$.5 million), international travel program initiatives and faculty and staff professional development travel (\$1.1 million), board payments to our food service provider (\$.9 million), and the annual payment to Massachusetts State College Building Authority (\$.6 million). Offsetting some of the other increases in expenses were decreases in energy costs (\$.7 million) and fringe benefits (\$2.5 million). The decrease in fringe benefit costs resulted from a decrease in fringe percentages from 38.32% during fiscal year ended June 30, 2008 to 24.50% during fiscal year ended June 30, 2009.

### *Westfield State College's Condensed Statements of Cash Flows For the years ended June 30, 2010, 2009 and 2008*

	Primary Institution			Component Unit-Foundation		
	2010	2009	2008	2010	2009 As Restated	2008
Cash received from operating activities	\$ 81,879,898	\$ 74,578,362	\$ 63,737,321	\$ 67,228	\$ 50,774	\$ 33,002
Cash expended for operating activities	<u>(96,043,535)</u>	<u>(96,308,665)</u>	<u>(79,194,418)</u>	<u>(1,380,692)</u>	<u>(1,212,944)</u>	<u>(831,586)</u>
Net cash used by operating activities	(14,163,637)	(21,730,303)	(15,457,097)	(1,313,464)	(1,162,170)	(798,584)
Net cash provided by non-capital financing activities	21,008,354	19,720,170	20,479,396	806,969	686,240	539,200
Net cash used by capital and related financing activities	(2,819,254)	(6,089,308)	(4,698,131)	(11,327)	(18,150)	(37,528)
Net cash provided by investing activities	<u>387,293</u>	<u>453,068</u>	<u>1,212,762</u>	<u>502,313</u>	<u>486,662</u>	<u>345,251</u>
Net increase (decrease) in cash	4,412,756	(7,646,373)	1,536,930	(15,509)	(7,418)	48,339
Cash – beginning of year	<u>18,438,213</u>	<u>26,084,586</u>	<u>24,547,656</u>	<u>205,505</u>	<u>212,923</u>	<u>164,584</u>
Cash – end of year	<u>\$ 22,850,969</u>	<u>\$ 18,438,213</u>	<u>\$ 26,084,586</u>	<u>\$ 189,996</u>	<u>\$ 205,505</u>	<u>\$ 212,923</u>

Westfield State College's combined liquidity increased significantly during the year ended June 30, 2010 with a \$4,397,247 increase in cash. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2010, the College's cash used by operating activities decreased approximately \$7.6 million over the prior year. This was due to an increase in cash received of \$7.3 million offset by a decrease in amounts paid of \$.3 million. Net cash provided by non-capital financing activities increased \$1.3 million due to the receipt of State Fiscal Stabilization Funds (ARRA) which offset the decrease in state appropriation. Cash used by capital and related financing activities decreased approximately \$3.3 million due to a decrease in purchases of capital assets of \$2.5 million offset by increases in state capital appropriations of \$.2 million and decreases in principal and interest paid of \$.6 million. The slight decrease in cash provided by investing activities was due to a decrease in interest received.

Westfield State College's combined liquidity decreased considerably during the year ended June 30, 2009 with a \$7,653,791 decrease in cash. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2009, the College's cash used by operating activities increased approximately \$6.3 million over the prior year. This was due to an increase in amounts paid of \$17.1 million offset by increases in cash received of \$10.8 million. Included in both the increase in amounts paid and cash received was a \$5.0 million increase in direct lending receipts and student loan disbursements in the form of Federal Stafford and Parent Plus loans. Net cash provided by non-capital financing activities decreased by \$.8 million due to a decrease in net state appropriation. Cash used by capital and related financing activities increased approximately \$1.4 million mostly due to a decrease in state capital appropriations in the amount of \$1.3 million. The decrease in cash provided by investing activities of \$.7 million was due to a decrease in interest received.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

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

### 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, 2010, 2009 and 2008.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Tuition and fees	\$ 36,558,739	\$ 33,491,105	\$ 30,705,832
Other revenue, net of student financial aid	23,947,159	21,999,463	18,899,549
Operating expenses	<u>86,145,030</u>	<u>84,833,861</u>	<u>76,310,514</u>
<b>Operating loss</b>	<b><u>(25,639,132)</u></b>	<b><u>(29,343,293)</u></b>	<b><u>(26,705,133)</u></b>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	21,305,571	24,677,747	28,741,286
State fiscal stabilization fund (ARRA)	5,117,748		
Investment income	392,042	449,203	1,213,014
Interest on capital asset-related debt	(10,177)	(73,892)	(169,493)
Related entity transfers	(10,750)	(16,689)	(1,664)
State capital appropriation	<u>8,688,659</u>	<u>199,182</u>	<u>1,485,853</u>
<b>Non-operating revenues</b>	<b><u>35,483,093</u></b>	<b><u>25,235,551</u></b>	<b><u>31,268,996</u></b>
<b>Increase (decrease) in net assets</b>	<b><u>\$ 9,843,961</u></b>	<b><u>\$ (4,107,742)</u></b>	<b><u>\$ 4,563,863</u></b>

Due to the nature of accounting for appropriations as non-operating in accordance with GASB principles, the College incurred a loss from operations. The Commonwealth's Department of Higher Education establishes tuition rates 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 \$10.2 million increase in non-operating revenues during fiscal year 2010 is primarily attributable to an increase state capital appropriation of \$8.3 million for major renovations to Ely Hall. The additional \$1.9 million increase was due to an increase in funds received from the State Fiscal Stabilization Fund (ARRA funding) in the amount of \$5.1 million offset by the substantial decrease in direct state appropriation of \$4.0 million, \$.3 million decrease in fringe benefits recognized and a \$1.1 million decrease in tuition remitted to the Commonwealth.

The \$6.0 million decrease in non-operating revenues during fiscal year 2009 is attributable to various decreases in state appropriations including, a decrease in fringe benefits recognized in the amount of \$3.3 million, \$1.1million decrease in direct state appropriation and \$1.3 million decrease in state capital appropriation. Also contributing to the decrease was a \$.8 million loss in investment income offset by a combined decrease in interest expense and tuition remitted to the Commonwealth of \$.5 million.

### Capital Assets and Debt of Westfield State College

Westfield State College's investment in capital assets, net of accumulated depreciation, as of June 30, 2010, 2009 and 2008 were \$47,268,559, \$40,218,439, and \$37,444,335, respectively. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. Capital assets increased by \$7.1 million or 18% during the fiscal year ended June 30, 2010 and \$2.8 million or 7% during the fiscal year ended June 30, 2009. These increases were due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2010 amounted to \$11,601,166 as compared to \$6,791,572 for the year ended June 30, 2009 and \$5,821,148 for the year ended June 30, 2008.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

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

### Capital Assets and Debt of Westfield State College, continued

Major additions during 2010 include the major building improvements to Ely Hall (\$8,492,000), renovations to the pool in Ely Hall (\$381,000), leasehold improvements and furnishings for the modular building (\$343,000), renovations and furnishings for Juniper Park office relocations (\$267,000) and construction in progress (\$468,000) for Parenzo Hall construction of the Banacos Academic Center.

Major additions during 2009 include the purchase of various media and information technology equipment (\$1,340,000), construction in progress for the renovation of the Ely campus Center (\$1,777,000), various building improvements including Dever Auditorium safety upgrades, replacement of the Parenzo Hall roof and air conditioning system, and improvements to Wilson Hall exterior and laboratories (\$1,500,000). Also included in fiscal year end June 30, 2009 additions are major improvements to the Dining Commons, including construction of the on campus Dunkin' Donuts and various equipment purchases paid for by Sodexo as part of an investment to the College (\$1,125,000).



# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Statements of Net Assets

June 30, 2010 and June 30, 2009

	2010		2009	
	Primary Institution	Component Unit-Foundation	Primary Institution	Component Unit-Foundation <u>As Restated</u>
<b>Assets</b>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 22,424,244	\$ 189,996	\$ 18,063,017	\$ 205,505
Cash held by State Treasurer	356,905		305,485	
Short-term investments	54,727	5,541	49,978	2,105
Accounts receivable, net	680,215	287,003	584,136	208,731
Due from State for ARRA funding	801,548			
Restricted accounts receivable	29,069		30,610	
Loans receivable	202,667		200,987	
Inventories	388,368		424,247	
Deposits held by State Treasurer	1,163,149		3,280,770	
Prepaid expenses	44,770	10,526	142,732	25,737
Total current assets	26,145,662	493,066	23,081,962	442,078
<u>Noncurrent Assets</u>				
Cash held by Trustees	69,820		69,711	
Investments		3,283,592		3,328,967
Loans receivable, net	727,072		710,301	
Capital assets, net	46,151,877	1,116,682	39,093,238	1,125,201
Total noncurrent assets	46,948,769	4,400,274	39,873,250	4,454,168
Total assets	\$ 73,094,431	\$ 4,893,340	\$ 62,955,212	\$ 4,896,246
<b>Liabilities</b>				
<u>Current Liabilities</u>				
Accounts payable and accrued liabilities	\$ 2,127,047	\$ 95,437	\$ 2,172,993	\$ 73,569
Accrued liability for employee compensation and benefits	6,283,045		5,871,559	
Accrued employee retirement liability	63,840			
Deferred tuition and other revenue	985,640		965,435	
Deposits held	582,562		552,974	
Line of Credit		468,000		
Assets held in custody for others	177,994	217,741	171,299	237,672
Current portion of capital lease obligations			7,770	
Current portion of bonds payable	229,355		216,400	
Other liabilities	40,131	169,967	17,552	169,967
Total current liabilities	10,489,614	951,145	9,975,982	481,208
<u>Noncurrent Liabilities</u>				
Accrued liability for employee compensation and benefits	1,988,663		1,804,540	
Deferred tuition and other revenue	865,822		1,038,986	
Grants refundable	994,606		994,606	
Line of credit				468,000
Bonds payable	3,634,865		3,864,198	
Total noncurrent liabilities	7,483,956		7,702,330	468,000
Total liabilities	17,973,570	951,145	17,678,312	949,208
<b>Net Assets</b>				
Invested in capital assets, net of related debt	42,357,477	1,116,682	35,074,581	1,125,201
Restricted for:				
Expendable	624,749	1,309,798	785,962	724,992
Non-expendable		2,882,165		2,837,946
Unrestricted	12,138,635	(1,366,450)	9,416,357	(741,101)
Total net assets	55,120,861	3,942,195	45,276,900	3,947,038
Total Liabilities and Net Assets	\$ 73,094,431	\$ 4,893,340	\$ 62,955,212	\$ 4,896,246

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

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Statements of Revenues, Expenditures and Changes in Net Assets For the Years Ended June 30, 2010 and June 30, 2009

	2010		2009	
	Primary <u>Institution</u>	Component <u>Unit-Foundation</u>	Primary <u>Institution</u>	Component <u>Unit-Foundation As Restated</u>
<b>Revenues</b>				
<u>Operating Revenues</u>				
Tuition and fees	\$ 36,558,739		\$ 33,491,105	
Less: Student Financial Aid	(4,042,000)		(3,081,164)	
Federal grants and contracts	6,317,964		4,205,297	
State grants and contracts	1,501,464		1,842,700	
Private grants and contracts	281,533		353,761	
Public service	92,518		152,837	
Interest earned on loans to students	33,158		17,958	
Auxiliary operations, net of scholarship allowances of \$2,477,355 in 2010 and \$1,888,456 in 2009	19,293,894		18,018,958	
Other sources	468,628	\$ 67,228	489,116	\$ 50,774
Total operating revenues	<u>60,505,898</u>	<u>67,228</u>	<u>55,490,568</u>	<u>50,774</u>
<b>Expenses</b>				
<u>Operating Expenses</u>				
Instruction	28,349,232		27,083,124	
Public service	91,102		240,892	
Academic support	6,180,954	39,806	6,147,053	50,647
Student services	10,123,349	2,845	10,609,113	3,471
Institutional support	8,323,181	1,218,319	9,117,915	1,066,022
Operation and maintenance of plant	8,993,950		10,866,553	
Scholarships and fellowships	1,679,684	136,870	1,618,832	89,722
Auxiliary operations	17,861,051		15,141,431	
Loss on disposal of assets	8,067		55,476	
Depreciation	4,534,460	8,519	3,953,472	8,520
Total operating expenses	<u>86,145,030</u>	<u>1,406,359</u>	<u>84,833,861</u>	<u>1,218,382</u>
Operating loss	<u>(25,639,132)</u>	<u>(1,339,131)</u>	<u>(29,343,293)</u>	<u>(1,167,608)</u>
<u>Non-operating Revenues (Expenses)</u>				
State appropriation, net	21,305,571		24,677,747	
State Fiscal Stabilization Fund (ARRA)	5,117,748			
Private gifts and grants		830,272		957,314
Net investment income (loss)	392,042	460,374	449,203	(967,646)
Interest on capital asset - related debt	(10,177)	(11,327)	(73,892)	(18,150)
Net non-operating revenues (expenses)	<u>26,805,184</u>	<u>1,279,319</u>	<u>25,053,058</u>	<u>(28,482)</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	1,166,052	(59,812)	(4,290,235)	(1,196,090)
Related entity transfers	(10,750)	10,750	(16,689)	16,689
State capital appropriation	8,688,659		199,182	
Additions (decreases) to permanent endowment		44,219		(257,547)
Increase (decrease) in net assets	<u>9,843,961</u>	<u>(4,843)</u>	<u>(4,107,742)</u>	<u>(1,436,948)</u>
Net Assets - beginning of year, as previously reported	45,276,900	4,117,005	49,384,642	5,553,953
Prior-period adjustment				(169,967)
Net Assets - beginning of year, restated	<u>45,276,900</u>	<u>3,947,038</u>	<u>49,384,642</u>	<u>5,383,986</u>
Net Assets - end of year	<u>\$ 55,120,861</u>	<u>\$ 3,942,195</u>	<u>\$ 45,276,900</u>	<u>\$ 3,947,038</u>

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

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Statements of Cash Flows

**For the Years Ended June 30, 2010 and June 30, 2009**

	<u>2010</u>		<u>2009</u>	
	<u>Primary Institution</u>	<u>Component Unit-Foundation</u>	<u>Primary Institution</u>	<u>Component Unit-Foundation <i>As Restated</i></u>
<b>Cash Flows From Operating Activities</b>				
Tuition and fees	\$ 32,546,432		\$ 30,534,584	
Grants and contracts	8,024,027		6,389,688	
Payments to suppliers	(26,935,096)	\$ (1,243,822)	(29,585,166)	\$ (1,123,222)
Payments to employees	(45,841,826)		(45,882,567)	
Payments to students	(1,679,684)	(136,870)	(1,618,832)	(89,722)
Direct lending receipts	21,386,929		19,039,833	
Direct lending disbursements	(21,386,929)		(19,039,833)	
Loans issued to students	(200,000)		(182,267)	
Collections of loans to students	221,151		160,548	
Other receipts	19,701,359	67,228	18,453,709	50,774
Net cash used by operating activities	<u>(14,163,637)</u>	<u>(1,313,464)</u>	<u>(21,730,303)</u>	<u>(1,162,170)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
State appropriation	16,702,904		19,736,859	
State Fiscal Stabilization Fund (ARRA)	4,316,200			
Private gifts and grants		796,219		669,551
Related entity transfers	(10,750)	10,750	(16,689)	16,689
Net cash provided by non-capital financing activities	<u>21,008,354</u>	<u>806,969</u>	<u>19,720,170</u>	<u>686,240</u>
<b>Cash Flows From Capital And Related Financing Activities</b>				
State capital appropriations	416,644		199,182	
Purchases of capital assets	(3,001,573)		(5,489,384)	
Principal paid on capital leases	(7,770)		(158,325)	
Interest paid on capital leases	(115)		(4,037)	
Principal paid on bonds payable	(216,378)		(204,178)	
Principal paid on notes payable			(362,711)	
Interest paid on bonds payable	(10,062)		(63,934)	
Interest paid on notes payable		(11,327)	(5,921)	(18,150)
Net cash used by capital and related financing activities	<u>(2,819,254)</u>	<u>(11,327)</u>	<u>(6,089,308)</u>	<u>(18,150)</u>
<b>Cash Flows From Investing Activities</b>				
Interest on investments	392,042	92,923	449,203	105,283
Proceeds from sales of investments	(4,749)	500,000	3,865	486,558
Purchase of investments		(90,610)		(105,179)
Net cash provided by investing activities	<u>387,293</u>	<u>502,313</u>	<u>453,068</u>	<u>486,662</u>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	4,412,756	(15,509)	(7,646,373)	(7,418)
Cash and cash equivalents - beginning of year	<u>18,438,213</u>	<u>205,505</u>	<u>26,084,586</u>	<u>212,923</u>
Cash and cash equivalents - end of year	<u>\$ 22,850,969</u>	<u>\$ 189,996</u>	<u>\$ 18,438,213</u>	<u>\$ 205,505</u>

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

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Statements of Cash Flows, continued

For the Years Ended June 30, 2010 and June 30, 2009

	2010		2009	
	Primary Institution	Component Unit-Foundation	Primary Institution	Component Unit-Foundation <u>As Restated</u>
<b>Reconciliation Of Net Operating Loss To Net Cash Used By Operating Activities:</b>				
Operating loss	\$ (25,639,132)	\$ (1,339,131)	\$ (29,343,293)	\$ (1,167,608)
<u>Adjustments to reconcile net operating loss to net cash used by operating activities:</u>				
Depreciation expense	4,534,460	8,519	3,953,472	8,520
Loss on disposal of assets	8,067		55,476	
Fringe benefits provided by the State	4,602,667		4,940,888	
Prior period adjustment				(169,967)
<u>Changes in assets and liabilities:</u>				
Accounts receivable, net	(96,079)		(63,134)	
Inventories	35,879		(42,060)	
Deposits held by State Treasurer	2,117,621		(1,427,680)	
Prepaid expense	97,962	15,211	(7,786)	(10,188)
Restricted accounts receivable	1,541		(335)	
Loans receivable, net	(18,451)		20,095	
Accounts payable and accrued liabilities	(373,524)	21,868	(838,932)	14,917
Accrued liability for employee compensation and benefits	595,609		1,105,244	
Accrued employee retirement liability	63,840			
Deferred tuition and other revenue	(152,959)		(124,092)	
Deposits held	29,588		132,185	
Assets held for others	6,695	(19,931)	(63,546)	(7,811)
Other liabilities	22,579		(26,805)	169,967
Net cash used by operating activities	\$ (14,163,637)	\$ (1,313,464)	\$ (21,730,303)	\$ (1,162,170)
<u>Non-cash transactions:</u>				
Acquisition of building improvement transferred from other state agency	\$ 8,272,015			
Construction in progress included in accounts payable and accrued liabilities	\$ 327,578		\$ 177,188	
Acquisition of fixed assets through investment by Sodexo			\$ 1,125,000	

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

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements June 30, 2010

### 1. Summary of Significant Accounting Policies:

#### *Organization*

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

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. The Foundation is included in the College's financial statements and is reported in a separate column from the College to emphasize that it is a Massachusetts not-for-profit organization legally separate from the College. Because of the significance of its financial relationship with the College, the Foundation 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 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 payments received for education services and payments 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.

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.

The Foundation is a private non-profit organization that reports under Financial Accounting Standards Board ("FASB") standards applicable to Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences, however, in some cases line items have been reclassified or renamed to conform with GASB presentation.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### *Use of Estimates*

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

### *Cash and Short-Term Investments*

Cash and cash equivalents consist of petty cash and demand deposit accounts with a maturity date of three months or less when purchased.

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

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 the federal and state government and other private agencies under grants and contracts. The costs, both direct and indirect, charged to these grants and contracts are subject to audit by the granting agency. The 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. Accrued vacation is the amount earned by all eligible employees through June 30, 2010 and 2009. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2010 and 2009. Upon retirement, these employees are entitled to receive payment for this accrued balance. The accompanying statements of net assets reflect 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.

### *Cash Held by Trustees*

Cash held by trustees as of June 30, 2010 and 2009 consists of unspent bond proceeds of \$31,151 and \$28,905 respectively, from the Massachusetts Health and Educational Facilities Authority, ("MHEFA") tax-exempt revenue bonds and \$38,669 and \$40,806 respectively, in the debt service reserve fund (see Note 13).

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### *Tuition*

Recorded in the College's financial statements for the years ended June 30, 2010 and 2009 is tuition revenue of \$1,240,434 and \$2,259,718 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 comprised of the following for the year ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Direct appropriation	\$ 17,943,338	\$ 21,996,577
Add: Fringe benefits for employees on the Commonwealth payroll	4,602,667	4,940,888
Less: Tuition remitted to the Commonwealth	<u>(1,240,434)</u>	<u>(2,259,718)</u>
Total	<u>\$ 21,305,571</u>	<u>\$ 24,677,747</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.

### *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 require the College to 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 first applying restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### *Foundation Investments and Endowment*

Investments in marketable securities are stated at fair value at their quoted market price.

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 statements of net assets and revenues, expenditures, and changes in net assets.

Dividends, interest and net gains or losses on endowment investments 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 Foundation 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.

### *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. 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*.

### **3. Cash and Investments:**

The College's cash management investment policy authorizes the College to invest in the Massachusetts Municipal Depository Trust ("MMDT") and the Common Fund.

The College classifies its cash and investments and indicates the levels of credit risk, custodial risk, foreign currency risk, and interest rate risk assumed by the College at year end. The College had no foreign currency investments or investments subject to interest rate risk at June 30, 2010.

The College entered into a repurchase agreement for \$5,000,000 with one of their financial institutions in March 2009. The College has purchased an interest in specific securities that are issued by the United States Government; which are used as collateral. The fair value of the securities at June 30, 2010 and 2009 was approximately \$5,158,000 and \$7,220,000, respectively. The College will earn interest on their cash investment at prime rate minus 75 basis points.



# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### 3. Cash and Investments. Continued:

The carrying amount of the College's bank deposits and deposits in trust depositories are \$22,548,791 and \$18,182,706 as compared to bank balances of \$23,009,677 and \$18,945,695 at June 30, 2010 and 2009, respectively. The differences between the carrying amount and the bank balances were caused by deposits in-transit and outstanding checks. Bank balances as of June 30, 2010 and 2009 in the amount of \$17,669,534 and \$13,737,885, respectively, at Peoples Bank and Berkshire Bank are insured by the Depositors Insurance Fund and are therefore not subject to custodial risk.

The cost and fair value of cash and investments, excluding cash held by the State Treasurer, at June 30 is:

	COLLEGE			
	2010		2009	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents:				
MMDT deposits	\$ 57,487	\$ 57,487	\$ 57,236	\$ 57,236
Bank accounts	22,436,577	22,436,577	18,075,492	18,075,492
Short-term investments:				
Common Fund	59,352	54,727	58,370	49,978
	<u>\$ 22,553,416</u>	<u>\$ 22,548,791</u>	<u>\$ 18,191,098</u>	<u>\$ 18,182,706</u>
	FOUNDATION			
	2010		2009	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents:				
Bank accounts	\$ 189,996	\$ 189,996	\$ 205,505	\$ 205,505
Short-term investments:				
Short-term Fund	7,203	5,541	7,999	2,105
Investments:				
Stock Market Index Fund	2,434,054	1,868,608	2,650,228	1,823,587
Bond Market Index Fund	1,068,814	1,111,406	1,028,146	1,015,835
International Stock Market Index Fund	582,920	303,578	821,903	489,545
	<u>\$ 4,282,987</u>	<u>\$ 3,479,129</u>	<u>\$ 4,713,781</u>	<u>\$ 3,536,577</u>

The fair value of the Foundation's investments at June 30, 2010 and 2009 are measured on a recurring basis using quoted prices in active markets for identical assets (level 1).

The carrying amount of the College's deposits held by the State Treasurer is \$1,163,149 at June 30, 2010 and \$3,280,770 at June 30, 2009. 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. Common Fund short-term investments are not subject to interest rate risk. Investments in MMDT have a weighted average maturity of approximately 31 days, and therefore are not subject to significant interest rate risk.

### 4. Cash Held By The State Treasurer:

Accounts payable, accrued salaries, wages and withholdings to be funded from state appropriated funds totaled \$356,905 at June 30, 2010 and \$305,485 at June 30, 2009. 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.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### 5. Accounts Receivable:

The composition of the College's accounts receivable at June 30, 2010 and 2009 is summarized as follows:

	<u>2010</u>	<u>2009</u>
Student accounts receivable	\$ 916,312	\$ 873,633
Grants receivable	294,380	217,446
Other receivables	<u>157,176</u>	<u>141,960</u>
Total	<u>1,367,868</u>	<u>1,233,039</u>
Less allowance	<u>(687,653)</u>	<u>(648,903)</u>
Total accounts receivable, net	<u>\$ 680,215</u>	<u>\$ 584,136</u>

### 6. Loans Receivable and Payable:

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The Federal government provides the majority of the funds to support this program. Loan payments received from students made under this program may be re-loaned after collection.

The portion of the Perkins program provided by the Federal government is refundable to the Federal government upon the termination of the College's participation in the program. The amount recorded as grants refundable at June 30, 2010 and 2009 is \$994,606.

Loans receivable include the following at June 30:

	<u>2010</u>	<u>2009</u>
Perkins loans receivable – current	\$ 202,667	\$ 200,987
Perkins loans receivable - noncurrent	<u>1,111,736</u>	<u>1,142,414</u>
Total	1,314,403	1,343,401
Less allowance for doubtful accounts	<u>(384,664)</u>	<u>(432,113)</u>
Total loans receivable, net	<u>\$ 929,739</u>	<u>\$ 911,288</u>

### 7. Related Party Transactions:

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

Certain Foundation Board members are also members of the Board of Directors and executives of Berkshire Bank, which holds the line of credit described in Note 11, and Westfield Bank, where the Foundation has its checking account. Berkshire Bank is related to an insurance company that provides coverage for certain Foundation property. The premium for this coverage was \$1,860 and \$1,853 for the years ended June 30, 2010 and 2009, respectively. Another board member is employed by another insurance company that provides coverage for certain Foundation property. The premium for this coverage was \$22,620 for each of the years ended June 30, 2010 and 2009.

The Executive Director of the Foundation was the president of the Board of Directors of another non-profit organization that received \$1,000 and \$1,055 in sponsorships and donations from the Foundation during the years ended June 30, 2010 and 2009, respectively.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### 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 \$66,565,949 (unaudited) at June 30, 2010 and \$62,734,361 (unaudited) at June 30, 2009. Liabilities of the Building Authority consist principally of long-term debt obligations scheduled to mature through 2043 amounting to approximately \$143,583,000 (unaudited) at June 30, 2010 and \$144,370,000 (unaudited) at June 30, 2009 which are guaranteed by the Commonwealth and which includes \$35,265,000 (unaudited) for a new dorm located at Westfield State College and \$21,305,000 (unaudited) for deferred maintenance projects. Because the facilities of the Building Authority are funded collectively from its long-term debt obligations, it is not practicable to determine the specific liability attributable to the College. No liability has been recorded at June 30, 2010 or 2009.

The College is obligated, under its contracts for financial assistance, management and services with the Building Authority, to collect 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.

The College's proportionate share of principal and interest on the debt obligations for the year ended June 30, 2010 amounted to \$6,264,556 (\$2,812,504 Fall Semester 2009 and \$3,452,052 Spring Semester 2010). For the year ended June 30, 2009, the College's proportionate share of principal and interest on the debt obligations amounted to \$5,552,861.

### 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, 2010 is summarized as follows:

	FOUNDATION				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Property held for future development	\$ 776,280	\$ -	\$ -	\$ -	\$ 776,280
Capital assets being depreciated:					
Land and buildings	417,860	-	-	-	417,860
Furniture and fixtures	34,617	-	-	-	34,617
Total being depreciated	452,477	-	-	-	452,477
Less accumulated depreciation:					
Land and Buildings	(68,939)	(8,519)	-	-	(77,458)
Furniture and fixtures	(34,617)	-	-	-	(34,617)
Total accumulated depreciation	(103,556)	(8,519)	-	-	(112,075)
Capital assets, net	\$ 1,125,201	\$ (8,519)	\$ -	\$ -	\$ 1,116,682

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

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

	<b>COLLEGE</b>				
	Beginning				Ending
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u>
Capital assets not being depreciated:					
Land	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction in progress	3,504,216	601,037	-	(3,237,993)	867,260
Total not being depreciated	4,728,078	601,037	-	(3,237,993)	2,091,122
Capital assets being depreciated:					
Buildings and building improvements	53,242,536	9,551,725	-	3,129,410	65,923,671
Land improvements	1,829,339	85,316	-	-	1,914,655
Leasehold improvements	-	237,868	-	33,215	271,083
Equipment and furnishings	20,029,829	1,041,519	(512,105)	75,368	20,634,611
Library books	6,878,693	83,701	-	-	6,962,394
Vehicles	895,231	-	(32,205)	-	863,026
Total being depreciated	82,875,628	11,000,129	(544,310)	3,237,993	96,569,440
Less accumulated depreciation:					
Buildings and building improvements	(28,526,421)	(2,090,752)	-	-	(30,617,173)
Land improvements	(431,024)	(96,776)	-	-	(527,800)
Leasehold improvements	-	(54,217)	-	-	(54,217)
Equipment and furnishings	(12,069,640)	(2,172,581)	504,038	-	(13,738,183)
Library books	(6,734,226)	(74,925)	-	-	(6,809,151)
Vehicles	(749,157)	(45,209)	32,205	-	(762,161)
Total accumulated depreciation	(48,510,468)	(4,534,460)	536,243	-	(52,508,685)
Capital assets, net	\$ 39,093,238	\$ 7,066,706	\$ (8,067)	\$ -	\$ 46,151,877

Capital asset activity for the year ended June 30, 2009 is summarized as follows:

	<b>FOUNDATION</b>				
	Beginning				Ending
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u>
Capital assets not being depreciated:					
Property held for future development	\$ 776,280	\$ -	\$ -	\$ -	\$ 776,280
Capital assets being depreciated:					
Land and buildings	417,860	-	-	-	417,860
Furniture and fixtures	34,617	-	-	-	34,617
Total being depreciated	452,477	-	-	-	452,477
Less accumulated depreciation:					
Land and Buildings	(60,419)	(8,520)	-	-	(68,939)
Furniture and fixtures	(34,617)	-	-	-	(34,617)
Total accumulated depreciation	(95,036)	(8,520)	-	-	(103,556)
Capital assets, net	\$ 1,133,721	\$ (8,520)	\$ -	\$ -	\$ 1,125,201

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

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

	COLLEGE				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction in progress	2,704,646	2,029,611	-	(1,230,041)	3,504,216
Total not being depreciated	3,928,508	2,029,611	-	(1,230,041)	4,728,078
Capital assets being depreciated:					
Buildings and building improvements	50,192,912	2,333,366	-	716,258	53,242,536
Land improvements	1,596,408	232,931	-	-	1,829,339
Equipment and furnishings	18,731,418	2,075,450	(1,290,822)	513,783	20,029,829
Library books	6,806,120	72,573	-	-	6,878,693
Vehicles	869,690	47,641	(22,100)	-	895,231
Total being depreciated	78,196,548	4,761,961	(1,312,922)	1,230,041	82,875,628
Less accumulated depreciation:					
Buildings and building improvements	(27,071,965)	(1,454,456)	-	-	(28,526,421)
Land improvements	(338,513)	(92,511)	-	-	(431,024)
Equipment and furnishings	(11,037,356)	(2,267,630)	1,235,346	-	(12,069,640)
Library books	(6,656,825)	(77,401)	-	-	(6,734,226)
Vehicles	(709,783)	(61,474)	22,100	-	(749,157)
Total accumulated depreciation	(45,814,442)	(3,953,472)	1,257,446	-	(48,510,468)
Capital assets, net	\$ 36,310,614	\$ 2,838,100	\$ (55,476)	\$ -	\$ 39,093,238

**10. Leases:**

The College leases certain office equipment under non-cancelable operating leases and other equipment under capital leases. Total rent expense under non-cancelable operating lease agreements are approximately \$743,000 and \$273,000 for the years ended June 30, 2010 and 2009, respectively.

**11. Line of Credit:**

The Foundation has a \$1,000,000 line of credit with a bank, secured by certain investments. The balance outstanding on the line of credit was \$468,000 at June 30, 2010 and 2009. The terms of the line of credit were modified in May 2010 to create a minimum interest rate of 3.50% for the interest-only payments that are paid monthly at a variable rate and require a quarterly principal payment of \$4,800 that commences July 2010. At June 30, 2010 and 2009 the rate was 3.50% and 2.32%, respectively. The line of credit is subject to an annual review by the bank. The first annual review will occur November 2010, and the line of credit will expire on that date if not extended or renewed by the bank, in its discretion.

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### 12. Pollution Remediation:

In 2009, the College adopted GASB Statement No. 49 ("GASB 49"), *Accounting and Financial Reporting for Pollution Remediation Obligations*. The College has accrued a liability of approximately \$285,000 at June 30, 2010 and \$450,000 at June 30, 2009 related to an underground oil spill that is currently being remediated. The estimated liability is based on current operating costs associated with the engineering and design of the remediation, installation and removal, and overall monitoring. The College expects the cleanup and remediation to continue for one year and the annual monitoring and evaluation to continue for approximately 8 years.

### 13. Bonds Payable:

In August 2002, the College, through MHEFA, 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 Peoples United Bank. For the years ended June 30, 2010 and 2009 the interest rate on the bonds averaged .32% and 1.63%, respectively, and interest expense was \$10,248 and \$65,212, respectively. Interest income earned on unspent bond proceeds was \$186 and \$1,278 for the years ended June 30, 2010 and 2009, respectively. At June 30, 2010 and 2009, \$3,864,220 and \$4,080,598 was outstanding on the bonds, respectively.

The College has a \$4,130,908 letter of credit agreement with Bank of America. 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 Bank of America. 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. The College was not in compliance with their debt service ratio covenant as of June 30, 2009. Bank of America subsequently waived the debt service ratio covenant as of June 30, 2009. Fees paid under the terms of the agreement were \$24,348 at June 30, 2010 and \$34,030 at June 30, 2009.

Future principal payments and estimated interest payments on outstanding bonds as of June 30, 2010 are as follows:

	<u>Bonds Payable – College</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 229,355	\$ 12,280	\$ 241,635
2012	242,488	11,552	254,040
2013	257,600	10,781	268,381
2014	273,020	9,962	282,982
2015	289,365	9,095	298,460
2016 and thereafter	2,572,392	34,600	2,606,992
Total	\$ 3,864,220	\$ 88,270	\$ 3,952,490

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### 14. Leases and Long-term Liabilities:

Long-term liabilities at June 30, 2010 consist of:

	<b>COLLEGE</b>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Leases, notes, and bonds payable:					
Lease obligations	\$ 7,770	\$ -	\$ (7,770)	\$ -	\$ -
Bonds payable	4,080,598	-	(216,378)	3,864,220	229,355
Total leases and bonds payable	4,088,368	-	(224,148)	3,864,220	229,355
Other long-term liabilities:					
Compensated absences	3,705,576	15,852	-	3,721,428	2,487,787
Workers' compensation	800,314	117,526	-	917,840	162,818
Deferred tuition and other revenue	1,212,151	-	(173,164)	1,038,987	173,165
Grants refundable	994,606	-	-	994,606	-
	6,712,647	133,378	(173,164)	6,672,861	2,823,770
Total long-term liabilities	\$ 10,801,015	\$ 133,378	\$ (397,312)	\$ 10,537,081	\$ 3,053,125

Long-term liabilities at June 30, 2009 consisted of:

	<b>FOUNDATION</b>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Line of Credit	\$ 468,000	\$ -	\$ -	\$ 468,000	-

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### 14. Leases and Long-term Liabilities (continued):

	COLLEGE				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Leases, notes, and bonds payable:					
Lease obligations	\$ 166,095	\$ -	\$ (158,325)	\$ 7,770	\$ 7,770
Notes payable	362,711	-	(362,711)	-	-
Bonds payable	4,284,776	-	(204,178)	4,080,598	216,400
Total leases, notes and bonds payable	<u>4,813,582</u>	<u>-</u>	<u>(725,214)</u>	<u>4,088,368</u>	<u>224,170</u>
Other long-term liabilities:					
Compensated absences	3,191,426	514,150	-	3,705,576	2,536,485
Workers' compensation	673,646	126,668	-	800,314	164,865
Deferred tuition and other revenue	260,315	1,125,000	(173,164)	1,212,151	173,165
Grants refundable	994,606	-	-	994,606	-
	<u>5,119,993</u>	<u>1,765,818</u>	<u>(173,164)</u>	<u>6,712,647</u>	<u>2,874,515</u>
Total long-term liabilities	<u>\$ 9,933,575</u>	<u>\$ 1,765,818</u>	<u>\$ (898,378)</u>	<u>\$ 10,801,015</u>	<u>\$ 3,098,685</u>

### 15. Fringe Benefits:

The College's portion of fringe benefit costs for certain (those classified as "trust" and "grant" funded) employees (health insurance, pension benefits and administrative costs) was approximately \$4,325,000 and \$2,944,000 for the years ended June 30, 2010 and 2009, respectively. The Commonwealth's portion of fringe benefits paid by the Commonwealth on behalf of certain state funded employees of the College was approximately \$4,603,000 and \$4,941,000 for the years ended June 30, 2010 and 2009, respectively and has been recorded in the accompanying financial statements.

Under a directive from the Commonwealth, the College has recorded a liability for workers' compensation claims outstanding of \$917,840 and \$800,314 as of June 30, 2010 and 2009, respectively. Such amounts have been included under the captions "Accrued liability for employee compensation and benefits", and "accounts payable and accrued liabilities" in the accompanying statements of net assets. The undiscounted amount represents the Commonwealth's estimate of the ultimate liability for medical and indemnity costs on outstanding claims attributable to the College. Worker's compensation costs assessed by the Commonwealth were approximately \$300,000 and \$368,000 for the years ended June 30, 2010 and 2009, respectively.

### 16. Retirement Plan:

The Commonwealth 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 \$971,000 for year ended June 30, 2010 and \$858,000 for year ended June 30, 2009. The annuity portion of the SERS is funded by employees who contribute a percentage of their regular compensation. Annual covered payroll approximated 87.7% of annual total payroll for the College for 2010 and 2009. The Commonwealth issues a publicly available financial report that includes financial statements and required supplementary disclosures for the SERS. The report may be obtained by accessing the Comptroller of the Commonwealth's website at the following address: <http://www.mass.gov>.



# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Notes to Financial Statements – Continued June 30, 2010

### **17. Fringe Benefits for Current Employees and Post Employment Benefit Obligations:**

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 College. Substantially all of the College's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Commonwealth's Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC administers a plan not administered as a trust or an equivalent arrangement. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are returned to the Commonwealth's General Fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

During fiscal year 2008, the College adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"). This accounting pronouncement potentially requires the College to record a liability for post retirement benefit obligations other than pensions. At June 30, 2010 and 2009, the College has not accrued a liability as the Commonwealth is legally responsible for the liability in accordance with GASB 45.

The Commonwealth has communicated to the College that it should not record a liability associated with the Commonwealth fringe benefit programs and health care and life insurance benefits for retired employees.

As of June 30, 2010 and 2009, the College had paid for all amounts charged to it through the Commonwealth's fringe benefit recovery program. For the Commonwealth's liability and disclosures associated with GASB 45 please see the Comptroller of the Commonwealth's website at the following address: <http://www.mass.gov>.

### **18. Prior-Period Adjustment:**

The Foundation had not previously recorded a liability to the City of Westfield, Massachusetts, for real estate taxes and interest charged on the real estate taxes that have been accrued on its Washington Street property that is listed in Capital assets, net on the Statements of Net Assets. A prior-period adjustment has been recorded that established a liability and reduced unrestricted net assets by \$169,967.

### **19. 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.

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**Report of Independent Auditors on Accompanying Information**

To the Trustees of Westfield State College:

The report on our audits of the basic financial statements of Westfield State College as of June 30, 2010 and 2009 and for the years then ended, which references the work of other auditors, appears on page i of this document. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on pages 29 through 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

October 12, 2010

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Supplementary Information Building Authority Trust Fund Statements of Net Assets June 30, 2010 and June 30, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 3,908,286	\$ 2,041,623
Accounts receivable, net	18,351	11,684
Deposits held by State Treasurer	165,134	669,353
Commission receivable	1,069	361
Total current assets	<u>4,092,840</u>	<u>2,723,021</u>
Total assets	<u>\$ 4,092,840</u>	<u>\$ 2,723,021</u>
<b>LIABILITIES</b>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	183,023	148,441
Accrued employee compensation and benefits	283,143	261,645
Deposits held	557,715	515,005
Other liabilities	453	1,646
Total current liabilities	<u>1,024,334</u>	<u>926,737</u>
<u>Noncurrent Liabilities</u>		
Accrued liability for employee compensation and benefits	37,411	33,180
Total noncurrent liabilities	<u>37,411</u>	<u>33,180</u>
Total liabilities	<u>1,061,745</u>	<u>959,917</u>
<b>NET ASSETS</b>		
Unrestricted	<u>3,031,095</u>	<u>1,763,104</u>
Total net assets	<u>3,031,095</u>	<u>1,763,104</u>
Total Liabilities and Net Assets	<u>\$ 4,092,840</u>	<u>\$ 2,723,021</u>

# WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

## Supplementary Information Building Authority Trust Fund Statements of Revenues, Expenditures and Changes in Net Assets For the Years Ended June 30, 2010 and June 30, 2009

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
<u>Operating Revenues</u>		
Room rent	\$ 12,775,629	\$ 11,490,140
Commissions-vending	33,857	47,454
Commissions-laundry	63,849	63,259
College support	200,000	200,000
Infrastructure fees	260,850	258,800
Deposits forfeited	69,990	83,997
Other sources	118,499	113,395
Total operating revenues	<u>13,522,674</u>	<u>12,257,045</u>
<b>Expenses</b>		
<u>Operating Expenses</u>		
Employee compensation	1,963,693	1,918,372
Employee related expenses	10,912	14,657
Special employees	509,760	445,882
Pension and insurance	561,122	490,631
Administrative expenses	56,168	34,999
Facility operations supplies	256,625	189,500
Energy costs	1,463,571	1,203,367
Consultant services	18,165	42,696
Operational services	498,388	216,191
Equipment purchase	142,937	47,987
Equipment lease, rental and maintenance	17,615	27,268
Student travel	1,078	126
Scholarships	240,000	192,000
Repairs and maintenance	250,093	121,845
Annual payment to the Massachusetts State College Building Authority	6,264,556	5,552,861
Total operating expenses	<u>12,254,683</u>	<u>10,498,382</u>
Increase in net assets	1,267,991	1,758,663
Net Assets - beginning of year	<u>1,763,104</u>	<u>4,441</u>
Net Assets - end of year	<u>\$ 3,031,095</u>	<u>\$ 1,763,104</u>



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