

Westfield State College

ANNUAL REPORT

Fiscal Year Ended: June 30, 2007



Westfield State College

Annual Report (audited)

Fiscal Year 2007
(July 1, 2006 – June 30, 2007)

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Westfield State College

(A Component Unit of the Commonwealth of Massachusetts)

ANNUAL REPORT

Years Ended June 30, 2007 and 2006

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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 statement 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, 2007 and 2006 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 \$5,489,172 and \$5,093,322 as of June 30, 2007 and 2006, respectively, and increase in net assets of \$395,850 and \$294,532 for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Westfield State College Foundation, Inc., is based 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. 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 and the other auditors 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.



September 25, 2007

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, 2007, with comparative information for the years ended June 30, 2006 and 2005. For financial reporting purposes, Westfield State College’s reporting entity consists of Westfield State College (the College) and its discretely presented 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 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 4,500 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers 23 academic undergraduate majors in both the traditional arts and sciences and in professional fields, including nearly 60 concentrations of study and many options for academic minors. There are also 25 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 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 the College to promote the general education of the people within the constituency served by the College.

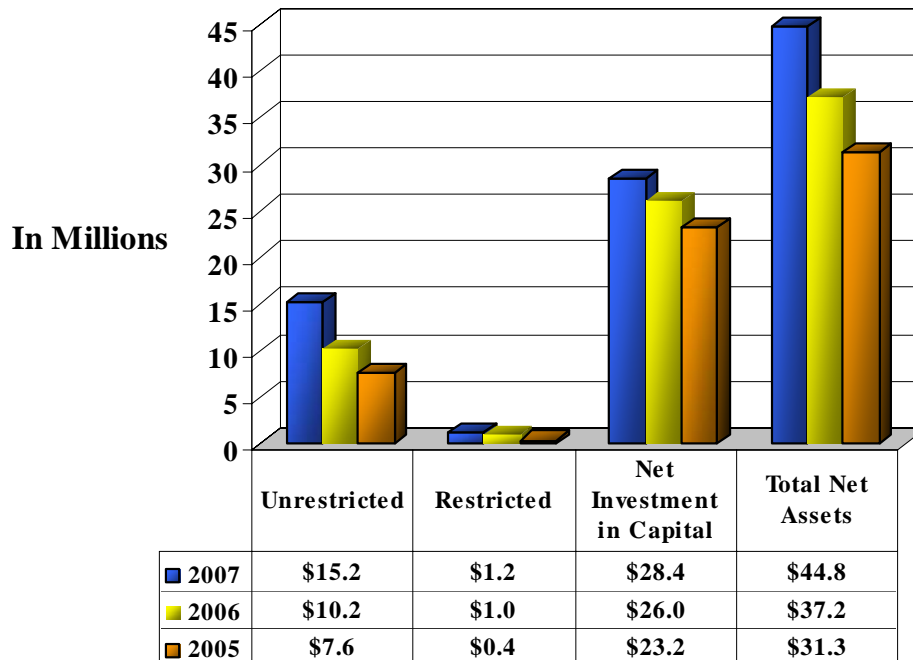
Listed below are the definitions of each entity that may be presented in this discussion and analysis.

Westfield State College	
Overall financial activities of Westfield State College and its component unit, the Foundation	
Primary Institution (the College)	Component Unit (the Foundation)
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, 2007, 2006 and 2005 are shown below:

Comparison of Net Assets-Primary Institution



- The College's financial position improved significantly during the fiscal year ended June 30, 2007, with a \$7.6 million or 20.4% increase in total net assets. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased to \$44.8 million from \$37.2 million in 2006. The College's financial position also improved significantly during the fiscal year ended June 30, 2006, with a \$5.9 million or 18.9% increase in total net assets, which increased to \$37.2 million from \$31.3 million in 2005.
- Expenses incurred during fiscal year 2007 totaled \$70.5 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$78.1 million resulting in an increase in net assets of \$7.6 million. Expenses incurred during fiscal year 2006 totaled \$64.9 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$70.8 million resulting in an increase in net assets of \$5.9 million as compared to an increase of \$.7 million for the year ended June 30, 2005.
- The increase in net assets during the fiscal year ended June 30, 2007 is attributable to the acquisition of major capital assets, along with the fact that significant increases in revenue during fiscal year ended June 30, 2007 more than offset increases in expense. The increase in net assets during the fiscal year ended June 30, 2006 is attributable to the acquisition of capital assets including the Synthetic field replacement project in the amount of \$2.5 million (in progress at June 30, 2006) and increases in revenue favorably offsetting the increase in expense.

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 15-26 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 28-29 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 remained strong with a combined (College and Foundation) net asset increase of \$8.1 million for the year ended June 30, 2007 as compared to a combined net asset increase of \$6.2 million as of June 30, 2006 and \$1.1 million as of June 30, 2005.

Westfield State College's Condensed Statement of Net Assets As of June 30, 2007, 2006 and 2005

	Primary Institution 2007	Primary Institution 2006	Primary Institution 2005	Component Unit- Foundation 2007	Component Unit- Foundation 2006	Component Unit- Foundation 2005
Current Assets	\$26,505,976	\$19,852,406	\$16,859,684	\$ 427,300	\$ 882,754	\$ 898,733
Non-current Assets						
Capital Assets, net	33,954,913	32,428,857	30,416,080	783,925	439,935	443,707
Other	<u>653,753</u>	<u>672,990</u>	<u>1,294,752</u>	<u>4,972,694</u>	<u>4,057,699</u>	<u>3,764,890</u>
Total Assets	<u>61,114,642</u>	<u>52,954,253</u>	<u>48,570,516</u>	<u>6,183,919</u>	<u>5,380,388</u>	<u>5,107,330</u>
Current Liabilities	8,802,807	7,430,182	7,475,176	294,747	287,066	277,740
Non-current Liabilities	<u>7,491,056</u>	<u>8,364,696</u>	<u>9,805,177</u>	<u>400,000</u>	<u>-</u>	<u>30,800</u>
Total Liabilities	<u>16,293,863</u>	<u>15,794,878</u>	<u>17,280,353</u>	<u>694,747</u>	<u>287,066</u>	<u>308,540</u>
Net Assets						
Invested in Capital Assets, net of related debt	28,372,303	26,021,258	23,227,302	783,925	409,135	351,307
Restricted: Nonexpendable				2,559,872	2,474,076	2,236,085
Restricted: Expendable	1,220,130	955,141	436,322	1,173,387	924,375	991,540
Unrestricted	<u>15,228,346</u>	<u>10,182,976</u>	<u>7,626,539</u>	<u>971,988</u>	<u>1,285,736</u>	<u>1,219,858</u>
Total Net Assets	<u>\$44,820,779</u>	<u>\$37,159,375</u>	<u>\$31,290,163</u>	<u>\$5,489,172</u>	<u>\$5,093,322</u>	<u>\$4,798,790</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 (58% at June 30, 2007 and 63% at June 30, 2006), these capital assets are used to provide services to students, faculty and administration; consequently, these assets are not available for future spending. The \$2.7 million increase in net assets invested in capital assets as of June 30, 2007 and \$2.9 million increase as of June 30, 2006 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 (5% at June 30, 2007 and 4% at June 30, 2006) 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, 2007 and 6% at June 30, 2006) primarily include Westfield State College's endowment funds. The remaining balance of unrestricted net assets (32% at June 30, 2007 and 27% at June 30, 2006) may be used to meet Westfield State College's ongoing obligations.

A review of Westfield State College's condensed statement of net assets at June 30, 2007, 2006 and 2005 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 its debt, and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

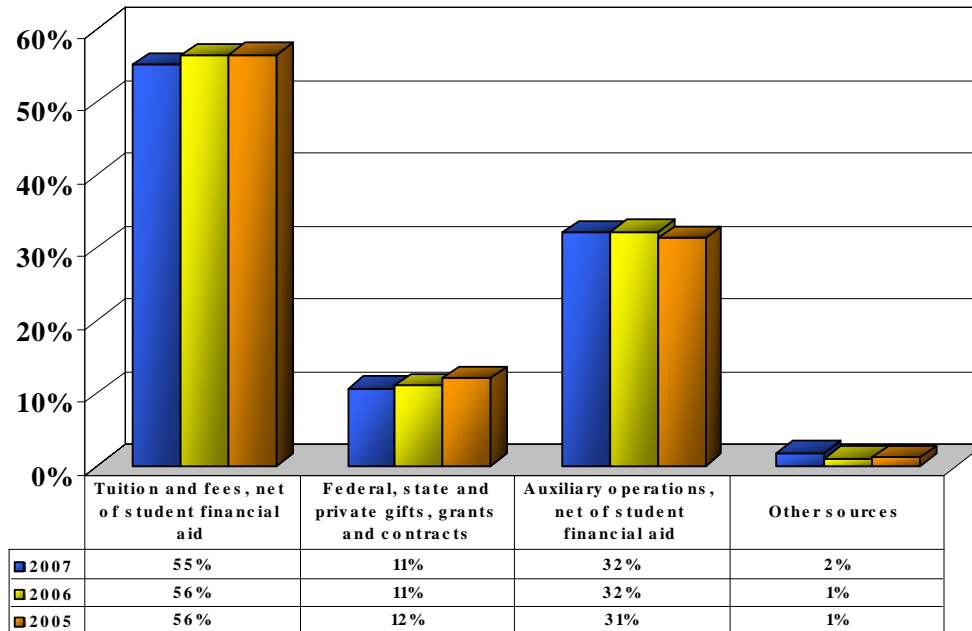
As of June 30, 2007, 2006 and 2005 all of Westfield State College's net asset categories have positive balances.

**Westfield State College's Condensed Statement of Revenues, Expenditures
And Changes in Net Assets
For the years ended June 30, 2007, 2006 and 2005**

	Primary Institution	Primary Institution	Primary Institution	Component Unit- Foundation	Component Unit- Foundation	Component Unit- Foundation
	2007	2006	2005	2007	2006	2005
Operating revenues:						
Tuition and fees	\$28,935,525	\$27,478,005	\$22,150,697			
Less: student financial aid	(2,508,571)	(2,365,666)	(2,230,657)			
Federal, state and private grants						
Auxiliary operations, net	15,647,980	14,374,644	11,228,199			
Other sources	<u>867,728</u>	<u>505,606</u>	<u>429,632</u>	\$ 30,450	\$ 37,984	\$ 41,468
Total operating revenues	48,022,207	44,623,302	35,902,509	30,450	37,984	41,468
Less: operating expenses	<u>70,320,393</u>	<u>64,749,051</u>	<u>57,689,512</u>	<u>587,492</u>	<u>412,721</u>	<u>321,164</u>
Operating loss	<u>(22,298,186)</u>	<u>(20,125,749)</u>	<u>(21,787,003)</u>	<u>(557,042)</u>	<u>(374,737)</u>	<u>(279,696)</u>
Non-operating revenue (expense):						
State appropriation, net	26,924,580	24,284,645	21,889,792			
Private gifts and grants				359,583	248,064	125,135
Net investment income	1,373,777	886,116	457,741	696,958	387,331	402,290
Interest on capital asset-related debt	<u>(225,294)</u>	<u>(171,264)</u>	<u>(174,765)</u>	<u>(33,918)</u>	<u>(8,653)</u>	<u>(5,629)</u>
Total non-operating revenue	<u>28,073,063</u>	<u>24,999,497</u>	<u>22,172,768</u>	<u>1,022,623</u>	<u>626,742</u>	<u>521,796</u>
Income before other revenues, Expenses, gains or losses	5,774,877	4,873,748	385,765	465,581	252,005	242,100
Related entity transfers	136,527	195,464	136,827	(136,527)	(195,464)	(136,827)
Additions to permanent endowment				66,796	237,991	290,847
State capital appropriations	<u>1,750,000</u>	<u>800,000</u>	<u>136,087</u>	-	-	-
Increase in net assets	7,661,404	5,869,212	658,679	395,850	294,532	396,120
Net assets-beginning of year	<u>37,159,375</u>	<u>31,290,163</u>	<u>30,631,484</u>	<u>5,093,322</u>	<u>4,798,790</u>	<u>4,402,670</u>
Net assets-end of year	<u>\$44,820,779</u>	<u>\$37,159,375</u>	<u>\$31,290,163</u>	<u>\$5,489,172</u>	<u>\$5,093,322</u>	<u>\$4,798,790</u>

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, 2007, 2006 and 2005.

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 \$1.5 million or 5% during the fiscal year ended June 30, 2007 and increased \$5.3 million or 24% during the fiscal year ended June 30, 2006. The primary factor relating to the slight increase during fiscal year 2007 was a combined increase in general and student activity fees of \$293 per student, while the increase during fiscal year 2006 was related to an increase in general fees of \$800 per student. Higher enrollments for both fiscal years also contributed to the increases.

Tuition and fees received by the College include the following:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Tuition	\$8,210,290	\$8,080,058	\$7,231,560
Student Activity Fees:			
General fees	13,745,623	12,678,151	8,787,345
Student fees	914,287	774,322	669,460
Technology fees	5,736,215	5,621,054	5,171,597
Miscellaneous fees	<u>329,110</u>	<u>324,420</u>	<u>290,735</u>
Total	<u>\$28,935,525</u>	<u>\$27,478,005</u>	<u>\$22,150,697</u>

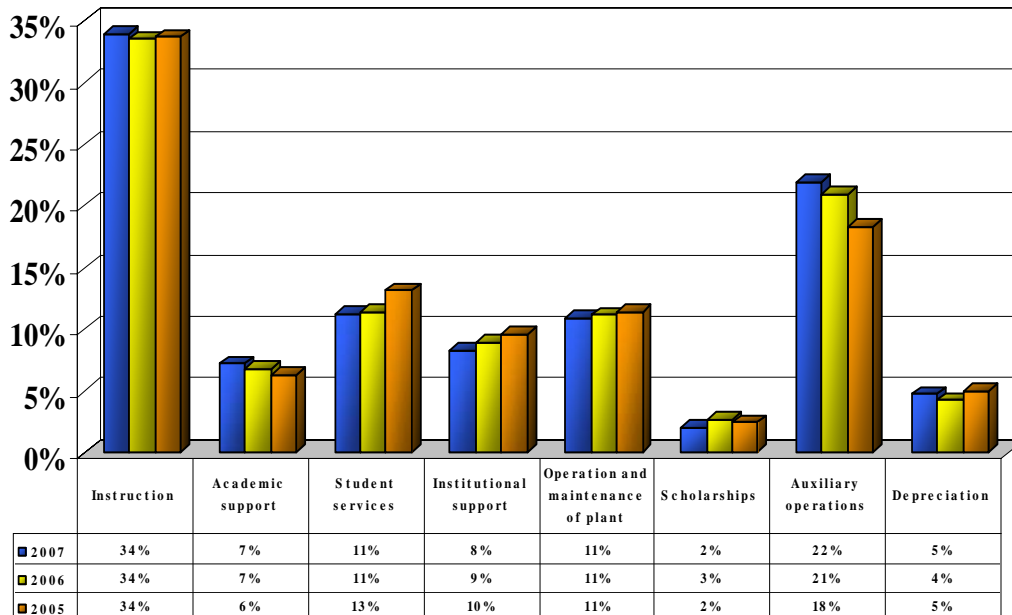
Auxiliary operations include the operation of the College's Building Authority trust fund and its food service. The revenue generated from these operations was \$15,647,980, \$14,374,644 and \$11,228,199 (which is net of scholarship allowances of \$1,473,288, \$1,330,687 and \$1,254,745) for the years ended June 30, 2007, 2006 and 2005, respectively. The increase in revenues for the year ended June 30, 2007 in the amount of \$1,273,336 or 9% is attributable to the increase in room and board charges. The increase in revenues of \$3,146,445 or 28% is attributable to the increase in room and board charges combined with the increase in revenues generated by the new residence hall in the amount of \$2.1 million for the year ended June 30, 2006.

Major grants and contracts received by Westfield State College for the years ended June 30, 2007, 2006 and 2005 included the following:

- U.S. Department of Education – Student Support Services \$252,203 (2007/2006) \$244,858 (2005)
- U.S. Department of Education – College Work Study \$368,333 (2007/2006/2005)
- U.S. Department of Education – SEOG \$295,448 (2007/2006/2005)

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2007, 2006 and 2005.

Operating Expenses by Function - Primary Institution



A summary of the College's expenses by functional classification for the years ended June 30, 2007, 2006 and 2005 is as follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Instruction	\$23,838,920	\$21,725,867	\$19,435,548
Public service	173,030	179,404	108,968
Academic support	5,078,378	4,403,833	3,611,210
Student services	7,933,822	7,359,495	7,578,934
Institutional support	5,840,751	5,819,213	5,513,539
Operation and maintenance of plant	7,664,631	7,221,295	6,596,400
Scholarships and fellowships	1,446,981	1,748,327	1,410,766
Auxiliary operations	15,002,986	13,544,795	10,537,406
Loss on disposal of assets	45,448	18,921	9,497
Depreciation	<u>3,295,446</u>	<u>2,727,901</u>	<u>2,887,244</u>
Total	<u>\$70,320,393</u>	<u>\$64,749,051</u>	<u>\$57,689,512</u>

The College's total operating expenses increased during fiscal year ended June 30, 2007 by \$5,571,342 or 8.6% primarily due to an increase in salaries resulting from the payment of retroactive salary and wage increases from a prior fiscal year combined with collective bargaining pay increases paid during the fiscal year ended June 30, 2007. Another major factor impacting the increase is the increase in fringe benefit costs resulting from an increase in fringe percentages from 27% during fiscal year ended June 30, 2006 to 31.28% during fiscal year ended June 30, 2007.

Also contributing to the increase were information technology costs and increases in part-time faculty expense.

During fiscal year ended June 30, 2006, the College's total operating expenses increased by \$7,059,539 or 12.2% primarily due to an increase in salaries resulting from the payment of retroactive salary and wage increases from a prior fiscal year combined with collective bargaining pay increases paid during the fiscal year. Other factors impacting the increase are increases in student scholarships, an increase in energy costs and an increase in the annual payment to the Massachusetts State College Building Authority for the debt on the new residence hall.

Westfield State College's Condensed Statement of Cash Flows
For the years ended June 30, 2007, 2006 and 2005

	Primary Institution 2007	Primary Institution 2006	Primary Institution 2005	Component Unit- Foundation 2007	Component Unit- Foundation 2006	Component Unit- Foundation 2005
Cash received from operating activities	\$61,117,895	\$56,214,873	\$45,818,517	\$30,450	\$37,984	\$41,468
Cash expended for operating activities	<u>(72,448,706)</u>	<u>(68,411,394)</u>	<u>(59,523,522)</u>	<u>(549,509)</u>	<u>(364,951)</u>	<u>(302,823)</u>
Net cash used by operating Activities	(11,330,811)	(12,196,521)	(13,705,005)	(519,059)	(326,967)	(261,355)
Net cash provided by non-capital financing activities	20,546,937	19,007,340	17,114,304	513,243	144,749	579,027
Net cash used by capital and related financing activities	(4,179,397)	(5,415,729)	(4,183,694)	(12,480)	(70,253)	(67,229)
Net cash provided (used) by investing activities	<u>1,371,005</u>	<u>6,796,550</u>	<u>283,073</u>	<u>36,174</u>	<u>123,699</u>	<u>(67,918)</u>
Net increase (decrease) in cash	6,407,734	8,191,640	(491,322)	(17,878)	(128,772)	182,525
Cash – beginning of year	<u>18,139,922</u>	<u>9,948,282</u>	<u>10,439,604</u>	<u>146,706</u>	<u>275,478</u>	<u>92,953</u>
Cash – end of year	<u>\$24,547,656</u>	<u>\$18,139,922</u>	<u>\$9,948,282</u>	<u>\$164,584</u>	<u>\$146,706</u>	<u>\$275,478</u>

Westfield State College's combined liquidity increased during the year ended June 30, 2007 with a \$6,425,612 increase in cash. The following discussion amplifies the overview of cash flows presented above.

For the year ended June 30, 2007, the College's cash used by operating activities decreased approximately \$900,000 over the prior year. This was due to an increase in cash received of \$4.9 million offset by increases in amounts paid of \$4.0 million. State appropriations increased by \$1.6 million during the current year, which resulted in the increase in net cash provided by noncapital financing activities. Cash used by capital and related financing activities decreased approximately \$1.2 million due to an increase in purchases of capital assets offset by an increase in state capital appropriations and a decrease in principal and interest paid. The decrease in cash provided by investing activities of \$5.4 million during the fiscal year ended June 30, 2007 was due to an increase in interest received which was more than offset by a decrease in proceeds from sales of investments due to the redemption during fiscal year ended June 30, 2006 of money from the Common Fund.

Westfield State College's combined liquidity increased during the year ended June 30, 2006 with an \$8,062,868 increase in cash. The following discussion amplifies the overview of cash flows presented above.

For the year ended June 30, 2006, the College's cash used by operating activities decreased approximately \$1.5 million over the prior year. This was due to an increase in cash received of \$10.4 million offset by increases in amounts paid of \$8.9 million. State appropriations increased by \$1.8 million during the current year, which resulted in the increase in net cash provided by noncapital financing activities. Cash used by capital and related financing activities increased approximately \$1.2 million due to an increase in purchases of capital assets, an increase in principal paid on bonds payable, an increase in state capital appropriations and a decrease in proceeds from capital debt. The increase in cash provided by investing activities of \$6.5 million during the fiscal year ended June 30, 2006 was due to an increase in interest received and an increase in proceeds from sales of investments due to the redemption of money from the Common Fund.

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, 2007, 2006 and 2005

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Tuition and fees	\$28,935,525	\$27,478,005	\$22,150,697
Other revenue, net of student financial aid	19,086,682	17,145,297	13,751,812
Operating expenses	<u>70,320,393</u>	<u>64,749,051</u>	<u>57,689,512</u>
Operating loss	<u>(22,298,186)</u>	<u>(20,125,749)</u>	<u>(21,787,003)</u>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	26,924,580	24,284,645	21,889,792
Investment income	1,373,777	886,116	457,741
Interest on capital asset-related debt	(225,294)	(171,264)	(174,765)
Related entity transfers	136,527	195,464	136,827
State capital appropriation	<u>1,750,000</u>	<u>800,000</u>	<u>136,087</u>
Non-operating revenues	<u>29,959,590</u>	<u>25,994,961</u>	<u>22,445,682</u>
Increase in net assets	<u>\$ 7,661,404</u>	<u>\$ 5,869,212</u>	<u>\$ 658,679</u>

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 \$4.0 million increase in non-operating revenues during fiscal year 2007 is primarily attributable to the increase in the Commonwealth's direct appropriation of \$1.0 million, an increase of \$1.0 million for fringe benefits recognized, and increases of \$.9 million in state capital appropriation and \$.5 million in investment income.

The \$3.5 million increase in non-operating revenues during fiscal year 2006 is primarily attributable to the increase in the Commonwealth's direct appropriation of \$2.0 million, an increase of \$.6 million for fringe benefits recognized, and increases of \$.7 million in state capital appropriation and \$.5 million in investment income.

Capital Assets and Debt of Westfield State College

Westfield State College's investment in capital assets, net of accumulated depreciation, as of June 30, 2007, 2006 and 2005 was \$34,738,838, \$32,868,792 and \$30,859,787, 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 increases of \$1.9 million or 6% during the fiscal year ended June 30, 2007 and \$2.0 million or 7% during the fiscal year ended June 30, 2006 were due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2007 amounted to \$4,866,950 as compared to \$4,759,599 as of June 30, 2006, and \$4,211,587 as of June 30, 2005. Major additions during 2007 include the remaining costs associated with the replacement of the synthetic athletic field, construction of athletic playing fields and the installation of a new press box (\$1,266,000), the remaining costs of constructing an elevator in Bates Hall (\$494,000), building improvements and equipment installed in the Ely Campus Center for HVAC upgrades (\$556,000), building improvements to the Ely Campus Center subway area (\$180,000) and the 333 Building DGCE and SAS center areas (\$138,000), construction in progress (\$406,000) and additions to computer equipment (\$955,000).

Major additions during 2006 include the replacement of the synthetic athletic field (in progress at June 30th) (\$2,500,000), the construction of the elevator in Bates Hall (in progress at June 30th) (\$368,000), various building improvement projects (\$294,000) and the purchase of computers for faculty and staff (\$235,000).

Westfield State College
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Net Assets
June 30, 2007 and June 30, 2006

	2007		2006	
	Primary	Component	Primary	Component
	<u>Institution</u>	<u>Unit-Foundation</u>	<u>Institution</u>	<u>Unit-Foundation</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 22,736,328	\$ 164,584	\$ 17,137,768	\$ 146,706
Cash held by State Treasurer	1,737,957		916,619	
Short-term investments	53,591	111,134	50,819	400,503
Accounts receivable, net	429,964	144,519	546,111	332,752
Restricted accounts receivable	29,522		29,312	
Loans receivable	208,611		209,329	
Inventories	453,322		533,723	
Deposits held by State Treasurer	819,142		396,658	
Prepaid expenses	37,539	7,063	32,067	2,793
Total current assets	26,505,976	427,300	19,852,406	882,754
Noncurrent Assets				
Cash held by Trustees	73,371		85,535	
Investments		4,972,694		4,022,541
Accounts receivable, net				35,158
Loans receivable, net	580,382		587,455	
Capital assets, net	33,954,913	783,925	32,428,857	439,935
Total noncurrent assets	34,608,666	5,756,619	33,101,847	4,497,634
Total assets	\$ 61,114,642	\$ 6,183,919	\$ 52,954,253	\$ 5,380,388
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 2,015,647	\$ 11,543	\$ 1,308,046	\$ 7,038
Accrued liability for employee compensation and benefits	4,284,210		4,097,901	
Accrued employee retirement liability			58,232	
Deferred tuition and other revenue	702,071		557,126	
Deposits held	425,977		385,914	
Assets held in custody for others	496,978	283,204	161,180	249,228
Current portion of capital lease obligations	266,876		284,029	
Current portion of bonds payable	191,953		181,804	
Current portion of notes payable	383,570		371,321	30,800
Other liabilities	35,525		24,629	
Total current liabilities	8,802,807	294,747	7,430,182	287,066
Noncurrent Liabilities				
Accrued liability for employee compensation and benefits	1,422,554		1,367,024	
Deferred tuition and other revenue	260,314		347,086	
Grants refundable	994,606		994,606	
Capital lease obligations	166,095		432,970	
Line of credit		400,000		
Bonds payable	4,284,776		4,476,729	
Notes payable	362,711		746,281	
Total noncurrent liabilities	7,491,056	400,000	8,364,696	
Total liabilities	16,293,863	694,747	15,794,878	287,066
NET ASSETS				
Invested in capital assets, net of related debt	28,372,303	783,925	26,021,258	409,135
Restricted for:				
Expendable	1,220,130	1,173,387	955,141	924,375
Non-expendable		2,559,872		2,474,076
Unrestricted	15,228,346	971,988	10,182,976	1,285,736
Total net assets	\$ 44,820,779	\$ 5,489,172	\$ 37,159,375	\$ 5,093,322

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

Westfield State College
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Revenues, Expenditures and Changes in Net Assets
For the Years Ended June 30, 2007 and June 30, 2006

	2007		2006	
	Primary	Component	Primary	Component
	<u>Institution</u>	<u>Unit-Foundation</u>	<u>Institution</u>	<u>Unit-Foundation</u>
Revenues				
Operating Revenues				
Tuition and fees	\$ 28,935,525		\$ 27,478,005	
Less: Student Financial Aid	(2,508,571)		(2,365,666)	
Federal grants and contracts	3,284,767		2,799,144	
State grants and contracts	1,491,110		1,531,171	
Private grants and contracts	303,668		300,398	
Public service	123,181		116,456	
Interest earned on loans to students	14,132		11,533	
Auxiliary operations, net of scholarship allowances of \$1,473,288 in 2007 and \$1,330,687 in 2006	15,647,980		14,374,644	
Other sources	730,415	\$ 30,450	377,617	\$ 37,984
Total operating revenues	<u>48,022,207</u>	<u>30,450</u>	<u>44,623,302</u>	<u>37,984</u>
Expenses				
Operating Expenses				
Instruction	23,838,920		21,725,867	
Public service	173,030		179,404	
Academic support	5,078,378	145,524	4,403,833	66,035
Student services	7,933,822	1,278	7,359,495	1,281
Institutional support	5,840,751	297,695	5,819,213	213,633
Operation and maintenance of plant	7,664,631		7,221,295	
Scholarships and fellowships	1,446,981	139,223	1,748,327	128,000
Auxiliary operations	15,002,986		13,544,795	
Loss on disposal of assets	45,448		18,921	
Depreciation	3,295,446	3,772	2,727,901	3,772
Total operating expenses	<u>70,320,393</u>	<u>587,492</u>	<u>64,749,051</u>	<u>412,721</u>
Operating loss	<u>(22,298,186)</u>	<u>(557,042)</u>	<u>(20,125,749)</u>	<u>(374,737)</u>
Nonoperating Revenues (Expenses)				
State appropriation, net	26,924,580		24,284,645	
Private gifts and grants		359,583		248,064
Net investment income	1,373,777	696,958	886,116	387,331
Interest on capital asset - related debt	(225,294)	(33,918)	(171,264)	(8,653)
Net nonoperating revenues	<u>28,073,063</u>	<u>1,022,623</u>	<u>24,999,497</u>	<u>626,742</u>
Income before other revenues, expenses, gains, losses, and transfers	5,774,877	465,581	4,873,748	252,005
Related entity transfers	136,527	(136,527)	195,464	(195,464)
State capital appropriation	1,750,000		800,000	
Additions to permanent endowment		66,796		237,991
Increase in net assets	<u>7,661,404</u>	<u>395,850</u>	<u>5,869,212</u>	<u>294,532</u>
Net Assets - beginning of year	<u>37,159,375</u>	<u>5,093,322</u>	<u>31,290,163</u>	<u>4,798,790</u>
Net Assets - end of year	<u>\$ 44,820,779</u>	<u>\$ 5,489,172</u>	<u>\$ 37,159,375</u>	<u>\$ 5,093,322</u>

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

Westfield State College
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Cash Flows
For the Years Ended June 30, 2007 and June 30, 2006

	2007		2006	
	<u>Primary Institution</u>	<u>Component Unit-Foundation</u>	<u>Primary Institution</u>	<u>Component Unit-Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 26,669,494		\$ 24,982,061	
Grants and contracts	5,031,712		4,609,531	
Payments to suppliers	(20,802,688)	\$ (410,286)	(19,898,394)	\$ (236,951)
Payments to employees	(37,338,052)		(35,084,783)	
Payments to students	(1,446,981)	(139,223)	(1,748,327)	(128,000)
Direct lending receipts	12,643,558		11,509,755	
Direct lending disbursements	(12,643,558)		(11,509,755)	
Loans issued to students	(217,427)		(170,135)	
Collections of loans to students	202,866		194,981	
Other receipts	16,570,265	30,450	14,918,545	37,984
Net cash used by operating activities	<u>(11,330,811)</u>	<u>(519,059)</u>	<u>(12,196,521)</u>	<u>(326,967)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriation	20,410,410		18,811,876	
Private gifts and grants		649,770		340,213
Related entity transfers	136,527	(136,527)	195,464	(195,464)
Net cash provided by noncapital financing activities	<u>20,546,937</u>	<u>513,243</u>	<u>19,007,340</u>	<u>144,749</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State capital appropriations	1,750,000		800,000	
Proceeds from capital debt		52,238		
Purchases of capital assets	(4,866,950)		(4,759,599)	
Principal paid on capital leases	(284,028)		(270,863)	
Interest paid on capital leases	(29,807)		(42,972)	
Principal paid on bonds payable	(181,804)		(654,541)	
Principal paid on notes payable	(371,321)	(30,800)	(359,462)	(61,600)
Interest paid on bonds payable	(164,664)		(85,610)	
Interest paid on notes payable	(30,823)	(33,918)	(42,682)	(8,653)
Net cash used by capital and related financing activities	<u>(4,179,397)</u>	<u>(12,480)</u>	<u>(5,415,729)</u>	<u>(70,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,373,777	115,697	886,116	93,822
Proceeds from sales of investments		596,714	6,029,295	134,973
Purchase of investments	(2,772)	(676,237)	(118,861)	(105,096)
Net cash provided by investing activities	<u>1,371,005</u>	<u>36,174</u>	<u>6,796,550</u>	<u>123,699</u>
NET INCREASE (DECREASE) IN CASH	6,407,734	17,878	8,191,640	(128,772)
Cash - beginning of year	18,139,922	146,706	9,948,282	275,478
Cash - end of year	<u>\$ 24,547,656</u>	<u>\$ 164,584</u>	<u>\$ 18,139,922</u>	<u>\$ 146,706</u>

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

(A Component Unit of the Commonwealth of Massachusetts)
Statement of Cash Flows, continued
For the Years Ended June 30, 2007 and June 30, 2006

	2007		2006	
	Primary <u>Institution</u>	Component <u>Unit-Foundation</u>	Primary <u>Institution</u>	Component <u>Unit-Foundation</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating loss	\$ (22,298,186)	\$ (557,042)	\$ (20,125,749)	\$ (374,737)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	3,295,446	3,772	2,727,901	3,772
Loss on disposal of assets	45,448		18,921	
Fringe benefits provided by the State	6,514,170		5,472,769	
Changes in assets and liabilities:				
Accounts receivable, net	116,147		(60,022)	
Inventories	80,401		(147,259)	
Deposits held by State Treasurer	(422,484)		23,945	
Prepaid expense	(5,472)	(4,270)	(20,924)	3,872
Restricted accounts receivable	(210)		(5,619)	
Loans receivable, net	7,791		120,125	
Accounts payable and accrued liabilities	707,601	4,505	19,492	(712)
Accrued liability for employee compensation and benefits	241,839		(331,045)	
Accrued employee retirement liability	(58,232)		(58,232)	
Deferred tuition and other revenue	58,173		4,197	
Deposits held	40,063		53,170	
Assets held for others	335,798	33,976	114,254	40,838
Other liabilities	10,896		(2,445)	
Net cash used by operating activities	\$ (11,330,811)	\$ (519,059)	\$ (12,196,521)	\$ (326,967)
Non-cash transactions:				
Purchase of property with proceeds from borrowing		\$ 347,762		

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, 2007

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").

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 7, 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.

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

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.

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

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. The College's significant estimates 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 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. 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.

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

Cash Held by Trustees

Cash held by trustees as of June 30, 2007 and 2006 consists of unspent bond proceeds of \$28,603 and \$38,949 respectively, from the MHEFA (Massachusetts Health and Educational Facilities Authority) tax-exempt revenue bonds and \$44,768 and \$46,586, respectively, in the debt service reserve fund (see Note 12).

Tuition

Recorded in the College's financial statements for the years ended June 30, 2007 and 2006 is tuition revenue of \$2,420,644 and \$3,077,309, 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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Direct appropriation	\$22,831,054	\$21,889,185
Add: Fringe benefits for employees on the Commonwealth payroll	6,514,170	5,472,769
Less: Tuition remitted to the Commonwealth	<u>(2,420,644)</u>	<u>(3,077,309)</u>
Total	<u>\$26,924,580</u>	<u>\$24,284,645</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.

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

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 first 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.

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 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 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.

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

WESTFIELD STATE COLLEGE
(A Component Unit of the Commonwealth of Massachusetts)
Notes to Financial Statements
June 30, 2007

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.

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, 2007.

The carrying amount of the College's bank deposits and deposits in trust depositories was \$22,863,290 and \$17,274,122 as compared to bank balances of \$23,506,994 and \$17,920,026 at June 30, 2007 and 2006, 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, 2007 and 2006 in the amount of \$23,326,357 and \$17,730,058, 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 State Treasurer, at June 30 is:

COLLEGE				
	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents:				
MMDT deposits	\$ 53,681	\$ 53,681	\$ 50,919	\$ 50,919
Bank accounts	22,756,018	22,756,018	17,172,384	17,172,384
Short-term investments:				
Common Fund	<u>54,645</u>	<u>53,591</u>	<u>52,114</u>	<u>50,819</u>
	<u>\$22,864,344</u>	<u>\$22,863,290</u>	<u>\$17,275,417</u>	<u>\$17,274,122</u>

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

3. Cash and Investments (continued):

	FOUNDATION			
	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents:				
Bank accounts	\$ 164,584	\$ 164,584	\$ 146,706	\$ 146,706
Short-term investments:				
Short-term Fund	111,134	111,134	400,503	400,503
Investments:				
Multi-Strategy Equity Fund	1,788,905	3,143,022	1,593,946	2,430,536
Multi-Strategy Bond Fund	1,236,523	1,323,650	1,095,677	1,159,754
Real Estate Security Fund	<u>245,772</u>	<u>506,022</u>	<u>208,842</u>	<u>432,251</u>
	<u>\$3,546,918</u>	<u>\$5,248,412</u>	<u>\$3,445,674</u>	<u>\$4,569,750</u>

The carrying amount of the College's deposits held by the State Treasurer is \$819,142 at June 30, 2007 and \$396,658 at June 30, 2006. 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 \$1,737,957 at June 30, 2007 and \$916,619 at June 30, 2006. 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.

5. Accounts Receivable:

The composition of the College's accounts receivable at June 30, 2007 and 2006 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Student accounts receivable	\$ 756,183	\$ 889,591
Grants receivable	115,417	67,584
Other receivables	<u>126,226</u>	<u>180,993</u>
Total	<u>997,826</u>	<u>1,138,168</u>
Less allowance	<u>(567,862)</u>	<u>(592,057)</u>
Total accounts receivable, net	<u>\$ 429,964</u>	<u>\$ 546,111</u>

Loans receivable consist of Federal Perkins Loan Program funds as follows:

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

5. Accounts Receivable (continued):

	<u>2007</u>	<u>2006</u>
Perkins loans receivable – current	\$ 208,611	\$ 209,329
Perkins loans receivable - noncurrent	<u>987,975</u>	<u>980,558</u>
Total	1,196,586	1,189,887
Less allowance for doubtful accounts	<u>(407,593)</u>	<u>(393,103)</u>
Total loans receivable, net	<u>\$ 788,993</u>	<u>\$ 796,784</u>

6. 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 Foundation's mortgage note payable described in Note 10, and Westfield Bank, where the Foundation has its checking account.

7. 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 \$52,121,542 (unaudited) at June 30, 2007 and \$49,581,271 (unaudited) at June 30, 2006. Liabilities of the Building Authority consist principally of long-term debt obligations scheduled to mature through 2043 amounting to approximately \$140,610,000 (unaudited) at June 30, 2007 and \$144,932,000 (unaudited) at June 30, 2006 which are guaranteed by the Commonwealth and which includes \$35,635,000 for a new dorm located at Westfield State College and \$3,824,000 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 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 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, 2007 amounted to \$4,979,345 (\$2,385,894, Fall Semester 2006 and \$2,593,451, Spring Semester 2007). For the year ended June 30, 2006, the College's proportionate share of principal and interest on the debt obligations amounted to \$4,563,833.

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

8. 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, 2007 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	3,121,687	\$ 405,617		\$ (3,121,687)	405,617
Total not being depreciated	4,345,549	405,617		(3,121,687)	1,629,479
Capital assets being depreciated:					
Buildings and building improvements	46,994,469	1,713,280		515,447	49,223,196
Land improvements	1,226,258	370,150			1,596,408
Equipment and furnishings	13,962,380	2,208,132	\$(1,999,084)	2,606,240	16,777,668
Library books	6,660,676	77,189			6,737,865
Vehicles	763,768	92,582	(6,000)		850,350
Total being depreciated	69,607,551	4,461,333	(2,005,084)	3,121,687	75,185,487
Less accumulated depreciation:					
Buildings and building improvements	(24,579,847)	(1,253,262)			(25,833,109)
Land improvements	(178,873)	(79,820)			(258,693)
Equipment and furnishings	(9,707,157)	(1,784,066)	1,953,636		(9,537,587)
Library books	(6,498,882)	(86,022)			(6,584,904)
Vehicles	(559,484)	(92,276)	6,000		(645,760)
Total accumulated depreciation	(41,524,243)	(3,295,446)	1,959,636		(42,860,053)
Capital assets, net	\$32,428,857	\$1,571,504	\$ (45,448)		\$33,954,913

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

8. 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	\$347,762			\$708,639
<hr/>					
Capital assets being depreciated:					
Land and buildings	131,144				131,144
Furniture and fixtures	34,617				34,617
Total being depreciated	165,761				165,761
<hr/>					
Less accumulated depreciation:					
Land and Buildings	(52,086)	(3,772)			(55,858)
Furniture and fixtures	(34,617)				(34,617)
Total accumulated depreciation	(86,703)	(3,772)			(90,475)
<hr/>					
Capital assets, net	\$439,935	\$343,990	\$ -	\$ -	\$783,925

9. 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, 2007 and 2006:

	<u>Capital Leases</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007				\$284,029	\$29,806	\$313,835
2008	\$266,876	\$16,590	\$283,466	266,875	16,590	283,465
2009	158,325	4,037	162,362	158,325	4,037	162,362
2010	7,770	114	7,884	7,770	114	7,884
<hr/>						
Total	\$432,971	\$20,741	\$453,712	\$716,999	\$50,547	\$767,546

Total rent expense under cancelable operating lease agreements was approximately \$155,000 and \$143,000 for the years ended June 30, 2007 and 2006, respectively.

10. Line of Credit:

The Foundation has a line of credit with maximum borrowings of \$1,000,000, collateralized by certain investments. At June 30, 2007, \$400,000 was outstanding on the line. Terms call for interest only payments to be paid monthly at a variable rate. At June 30, 2007, the rate was 7.32%.

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

11. Notes Payable:

In May 2003, the College entered into a five-year, 3.25% loan agreement for \$2,000,000 with Berkshire Bank to be used for the purchase of an administrative computer system. During 2005 this note was extended to a six-year loan. The outstanding balance on this note was \$746,281 and \$1,117,602 at June 30, 2007 and 2006, respectively.

The Foundation had a 5% note payable to a bank, that was payable in semi-annual payments of interest on the unpaid balance plus level principal payments of \$30,800. The note was collateralized by a power-of-sale first mortgage on the land located at 880 Russell Road Westfield, Massachusetts. This note was paid in full during the fiscal year ended June 30, 2007. The outstanding balance on this note at June 30, 2006 was \$30,800.

Future principal and interest payments are as follows:

Notes Payable – College

	<u>2007</u>			<u>2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007				\$ 371,321	\$30,823	\$ 402,144
2008	\$383,570	\$18,574	\$402,144	383,570	18,574	402,144
2009	362,711	5,922	368,633	362,711	5,922	368,632
Total	\$746,281	\$24,496	\$770,777	\$1,117,602	\$55,319	\$1,172,921

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 3.67% and 2.96% and interest expense was \$168,297 and \$139,761 for the years ended June 30, 2007 and 2006, respectively. Interest income earned on unspent bond proceeds was \$3,632 and \$6,574 for the years ended June 30, 2007 and 2006, respectively. At June 30, 2007, \$4,476,729 was outstanding on the bonds and at June 30, 2006, \$4,658,533 was outstanding on the bonds.

The College has a \$4,531,922 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. Fees paid under the terms of the agreement were \$45,626 at June 30, 2007 and \$62,002 at June 30, 2006, respectively.

WESTFIELD STATE COLLEGE

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2007

12. Bonds Payable (continued):

Future principal payments and estimated interest payments on outstanding bonds as of June 30, 2007 and 2006 are as follows:

	<u>2007</u>			<u>2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007				\$ 181,804	\$137,660	\$ 319,464
2008	\$ 191,953	\$ 164,206	\$ 356,159	191,953	132,287	324,240
2009	204,178	157,166	361,344	204,178	126,615	330,793
2010	216,400	149,676	366,076	216,400	120,582	336,982
2011	229,355	141,739	371,094	229,355	114,187	343,542
2012	242,488	133,326	375,814	242,488	133,326	375,814
2013 and thereafter	3,392,355	743,723	4,136,078	3,392,355	573,238	3,965,593
Total	\$4,476,729	\$1,489,836	\$5,966,565	\$4,658,533	\$1,337,895	\$5,996,428

13. Leases and Long-term Liabilities:

Long-term liabilities at June 30, 2007 consist of:

	-----FOUNDATION-----				
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Leases and notes payable:					
Notes payable	\$30,800	\$ -	\$(30,800)	\$ -	\$ -
	-----COLLEGE-----				
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Leases, notes, and bonds payable:					
Lease obligations	\$ 716,999		\$(284,028)	\$ 432,971	\$ 266,876
Notes payable	1,117,602		(371,321)	746,281	383,570
Bonds payable	4,658,533		(181,804)	4,476,729	191,953
Total leases, notes and bonds payable	6,493,134		(837,153)	5,655,981	842,399
Other long-term liabilities:					
Compensated absences	2,848,373	\$207,503		3,055,876	2,056,449
Employee retirement liability	58,232		(58,232)		
Workers' compensation	546,196		(22,524)	523,672	100,545
Deferred tuition and other revenue	433,858		(86,772)	347,086	86,772
Grants refundable	994,606			994,606	
	4,881,265	207,503	(167,528)	4,921,240	2,243,766
Total long-term liabilities	\$11,374,399	\$207,503	\$(1,004,681)	\$10,577,221	\$3,086,165

WESTFIELD STATE COLLEGE

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Notes to Financial Statements

June 30, 2007

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 \$1,760,000 and \$1,299,000 for the years ended June 30, 2007 and 2006, respectively. The Commonwealth's portion of fringe benefits paid by the Commonwealth on behalf of certain state funded employees of the College was approximately \$6,514,000 and \$5,473,000 for the years ended June 30, 2007 and 2006, respectively and has 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 \$523,672 and \$546,196 as of June 30, 2007 and 2006, 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 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 \$191,000 and \$121,000 for the years ended June 30, 2007 and 2006, respectively.

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 \$427,000 for the year ended June 30, 2007 and \$323,000 for year ended June 30, 2006. The annuity portion of the SERS is funded by employees who contribute a percentage of their regular compensation. Annual covered payroll approximated 89.0% and 89.6% of annual total payroll for the College for 2007 and 2006, 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.

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, 2007 and 2006 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 28 through 29 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

September 25, 2007

Westfield State College

(A Component Unit of the Commonwealth of Massachusetts)

Supplementary Information

Building Authority Trust Fund

Statement of Net Assets

June 30, 2007 and June 30, 2006

ASSETS	2007	2006
Current Assets		
Cash and cash equivalents	\$ 557,047	\$ 1,160,904
Accounts receivable, net	7,687	13,099
Deposits held by State Treasurer	144,522	124,529
Commission receivable	125	2,877
Prepaid expenses	375	-
Total current assets	<u>709,756</u>	<u>1,301,409</u>
Total assets	<u><u>709,756</u></u>	<u><u>1,301,409</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	17,828	194,785
Accrued employee compensation and benefits	282,917	251,034
Deposits held	380,590	354,425
Other liabilities	758	440
Total current liabilities	<u>682,093</u>	<u>800,684</u>
Noncurrent Liabilities		
Accrued liability for employee compensation and benefits	<u>35,097</u>	<u>29,810</u>
Total noncurrent liabilities	<u>35,097</u>	<u>29,810</u>
Total liabilities	<u>717,190</u>	<u>830,494</u>
NET ASSETS		
Unrestricted	<u>(7,434)</u>	<u>470,915</u>
Total net assets	<u><u>\$ (7,434)</u></u>	<u><u>\$ 470,915</u></u>

Westfield State College
(A Component Unit of the Commonwealth of Massachusetts)
Supplementary Information
Building Authority Trust Fund
Statement of Revenues, Expenditures and Changes in Net Assets
For the Years Ended June 30, 2007 and June 30, 2006

Revenues	2007	2006
Operating Revenues		
Room rent	\$ 9,992,339	\$ 9,415,228
Commissions-vending	30,469	27,554
Commissions-laundry	50,482	46,491
Deposits forfeited	86,502	42,032
Other sources	83,287	83,773
	<hr/>	<hr/>
Total operating revenues	10,243,079	9,615,078
	<hr/>	<hr/>
Expenses		
Operating Expenses		
Employee compensation	1,968,695	1,895,487
Employee related expenses	8,548	9,843
Special employees	423,610	400,557
Pension and insurance	629,714	540,380
Administrative expenses	47,758	61,647
Facility operations supplies	174,555	164,595
Energy costs	1,787,833	1,236,013
Consultant services	12,914	13,740
Operational services	192,197	181,531
Equipment purchase	39,303	53,486
Equipment lease, rental and maintenance	12,562	16,082
Student travel	121	426
Scholarships	192,000	125,000
Repairs and maintenance	252,273	327,327
Annual payment to the Massachusetts State College Building Authority	4,979,345	4,563,833
	<hr/>	<hr/>
Total operating expenses	10,721,428	9,589,947
	<hr/>	<hr/>
(Decrease) Increase in net assets	(478,349)	25,131
Net Assets - beginning of year	470,915	445,784
	<hr/>	<hr/>
Net Assets - end of year	\$ (7,434)	\$ 470,915
	<hr/>	<hr/>