

# Westfield State College

## ANNUAL REPORT

Fiscal Year Ended: June 30, 2005



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**WESTFIELD  
STATE  
COLLEGE**

**ANNUAL REPORT**  
(Audited)

**Fiscal Year 2005**  
(July 1, 2004 - June 30, 2005)

**FINANCE ADMINISTRATION**

**Nick A. Wojtowicz, B.S.**  
Vice President, Administration & Finance

**Lisa M. Freeman, B.S.B.A.**  
Director of Finance

**Mark Solomon, B.A.**  
Director of Student Accounts

## **Transmittal Letter**

I am pleased to provide the Westfield State College annual report for fiscal year ended June 30, 2005. This report is presented to President Carwein and the College Board of Trustees. The College has prepared the Statement of Net Assets, the Statement of Revenues, Expenditures and Changes in Net Assets and the Statement of Cash Flows in accordance with Governmental Accounting Standards Board (GASB) principles. The annual report also includes the financial activity of the Westfield State College Foundation as well as supplemental schedules for the State Building Authority Trust Fund.

This year, Westfield State College's annual state appropriation was level-funded, at \$18.4 million, from fiscal year 2004. This level of state appropriation represents only approximately 32% of the College's operating and nonoperating revenues, indicative of the dramatic decline in state support in recent years. In fiscal year 2001, for example, the state appropriation to the College was 18% higher, comprising approximately 50% of the college's total revenues.

In response to this decline, Westfield State College has implemented several strategies to ensure mission-driven fiscal management. First, mindful of the need to balance the cost of attending Westfield State with the need for an appropriate campus technology infrastructure, the College increased the student technology fee annually by \$300.00. The resulting increase in net assets of \$658,679 provides essential resources without presenting students and families with an excessive financial burden.

Second, in accordance with College priorities for this fiscal year and to lay the groundwork for future success, several operating budgets received additional funds in 2005. Examples include:

- **Providing local aid for scholarships.** Local aid rose from \$1.2 million in fiscal year 2004 to \$1.4 million in fiscal year 2005. At this level, Westfield State College leads the other eight state colleges in local aid to our most needy students.
- **Pursuing federal funding.** A budget of \$60,000 was created to engage the Washington D.C.-based consulting firm of Patton Boggs for assistance in securing federal capital funds. This investment recently came to fruition, as the College, with the help of Senator Edward Kennedy and others within the local Congressional delegation, secured a \$2.0 million earmark appropriation from the Federal Department of Transportation. The grant will be used to construct a much-needed second access road to the campus.

- **Supporting the Teacher in Residence Program.** A budget of \$58,000 was created to support our Teacher in Residence Program. Through this program, a K-12 educator is appointed as a temporary full-time faculty member in Westfield State's Education Department. The Teacher in Residence teaches methods courses and supervises student teachers, providing a transformative experience for teacher candidates, while expanding professional horizons and connections personally and for the school district.

Deferred maintenance projects continue to be a high priority for the College. According to a recent report by the Board of Higher Education, Westfield State exceeded the other eight state colleges in funding these local projects. "Westfield State College has consistently exceeded the mandate to expend 5% annually on capital adaptation and renewals with a current 3-year average of 10.1%," the report affirmed. In fiscal year 2005, approximately \$3.0 million dollars were budgeted to address the College's commitment to provide and maintain safe and attractive facilities for students, faculty and staff. This amount represents an increase of approximately \$600,000 from the previous fiscal year.

The timely preparation of this comprehensive annual report was made possible by the dedicated and proficient services of my assistant, Lisa Freeman. I would also like to acknowledge the professionalism and leadership provided by the firm and staff of PricewaterhouseCoopers LLP.

Respectfully submitted,



Nick A. Wojtowicz  
Vice President  
Administration and Finance

Report of Independent Auditors

To the Trustees of Westfield State College:

In our opinion, based on our audit and the report 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, 2005 and 2004, 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 audit. 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 \$4,798,790 and \$4,402,670 (restated) as of June 30, 2005 and 2004, respectively, and increase in net assets of \$396,120 and \$304,990 (restated) for the years then ended. Those statements were audited by other auditors whose report thereon, which included an explanatory paragraph relating to the restatement of the Foundation's financial statements as of and for the year ended June 30, 2004, has 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 report of the other auditors. We conducted our audit 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 audit and the report 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.

As discussed in Note 15 to the financial statements, the financial statement balances for the Westfield State College Foundation, Inc., which is reported as a discrete component unit of the College, have been restated from those previously reported for 2004.

*PricewaterhouseCoopers LLP*

September 20, 2005

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

**Introduction**

This section of the Westfield State College annual financial report presents management's discussion and analysis of the financial activities of Westfield State College for the fiscal year ended June 30, 2005, with comparative information for the years ended June 30, 2004 and 2003. For financial reporting purposes, Westfield State College's reporting entity consists of Westfield State College (the College) and its component unit, Westfield State College Foundation, Inc. (the Foundation). Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the transmittal letter, the basic financial statements, and the footnotes to the basic financial statements. The transmittal letter, the financial statements, footnotes and this discussion are the responsibility of management.

Westfield State College is a comprehensive public institution of higher learning with approximately 4,500 FTE combined day and evening students. The College offers 23 academic undergraduate majors in both the traditional arts and sciences and in professional fields, including nearly 60 concentrations of study and four additional academic minors. There are also 23 distinct graduate degree programs offered by the Division of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State College to providing quality educational programs.

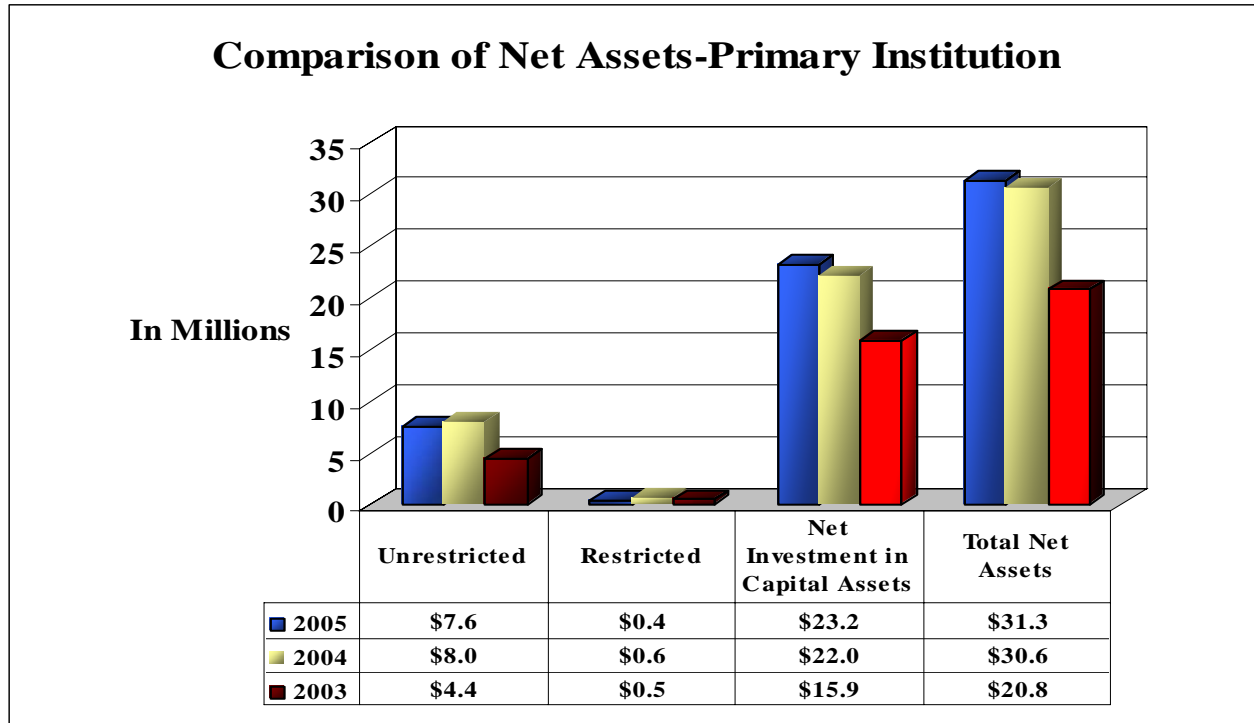
Westfield State College Foundation, Inc. is a not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes related to Westfield State College, including such activities as soliciting or receiving tangible property, rendering financial aid, promoting and supporting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

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

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

## Primary Institution Financial Highlights

Graphically displayed, the comparative net asset increases by category for the fiscal years ended June 30, 2005, 2004 and 2003 are shown below:



- The College's financial position improved slightly during the fiscal year ended June 30, 2005, with a \$.7 million or 2.3% increase in total net assets. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased to \$31.3 million from \$30.6 million in 2004. The College's financial position also improved during the fiscal year ended June 30, 2004, with a \$9.8 million or 47.3% increase in total net assets, which increased to \$30.6 million from \$20.8 million in 2003.
- Expenses incurred during fiscal year 2005 totaled \$57.7 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$58.4 million resulting in an increase in net assets of \$.7 million. Expenses incurred during fiscal year 2004 totaled \$53.2 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$63.0 million resulting in an increase in net assets of \$9.8 million as compared to an increase of \$4.5 million for the year ended June 30, 2003.
- The increase in net assets during the fiscal year ended June 30, 2005 is attributable to factors such as the acquisition of capital assets including the Woodward Center storage facility building in the amount of \$.6 million and increases in revenue favorably offsetting the increase in expense. The increase in net assets during the fiscal year ended June 30, 2004 is attributable to various factors including the acquisition of capital assets associated with the new academic/athletic facility, specifically the cost of the building provided by a state appropriation in the amount of approximately \$7.8 million and the acquisition of a new student parking lot in the amount of \$1.1 million.



## **Overview of the Financial Statements**

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

### **The Financial Statements:**

The *Statement of Net Assets* presents the financial position of Westfield State College at the end of the fiscal year and includes all assets and liabilities of Westfield State College. The difference between total assets and total liabilities (net assets) is one indicator of the current financial 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 classes of operating receipts and disbursements.

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

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

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

### **Other information:**

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

## Financial Analysis of Westfield State College as a Whole

As previously noted, net assets may serve over time as a useful indicator of Westfield State College's financial position. Westfield State College's financial position remained strong with a combined (College and Foundation) net asset increase of \$1.1 million for the year ended June 30, 2005 as compared to a combined net asset increase of \$10.2 million as of June 30, 2004 and \$5.0 million as of June 30, 2003.

### Westfield State College's Condensed Statement of Net Assets As of June 30, 2005, 2004 and 2003

|  | Primary<br>Institution<br><br>2005 | Primary<br>Institution<br><br>2004 | Primary<br>Institution<br><br>2003 | Component<br>Unit-<br>Foundation<br>2005 | Component<br>Unit-<br>Foundation<br>2004<br>(Restated) | Component<br>Unit-<br>Foundation<br>2003<br>(Restated) |
|--|------------------------------------|------------------------------------|------------------------------------|--|--|--|
| Current Assets                                     | \$16,859,684                       | \$17,347,799                       | \$15,478,999                       | \$ 898,733                               | \$ 771,893   | \$ 894,927   |
| Non-current Assets                                 |                                    |                                    |                                    |  |  |  |
| Capital Assets, net of depreciation                | 30,416,080                         | 29,101,234                         | 20,979,572                         | 443,707                                  | 447,479  | 451,251  |
| Other  | <u>1,294,752</u>                   | <u>1,293,884</u>                   | <u>2,575,580</u>                   | <u>3,764,890</u>                         | <u>3,533,424</u>                                       | <u>3,172,740</u>                                       |
| Total Assets                                       | <u>48,570,516</u>                  | <u>47,742,917</u>                  | <u>39,034,151</u>                  | <u>5,107,330</u>                         | <u>4,752,796</u>                                       | <u>4,518,918</u>                                       |
| Current Liabilities                                | 7,909,034                          | 7,749,686                          | 9,278,388                          | 277,740                                  | 257,726  | 267,238  |
| Non-current Liabilities                            | <u>9,371,319</u>                   | <u>9,361,747</u>                   | <u>8,955,044</u>                   | <u>30,800</u>                            | <u>92,400</u>  | <u>154,000</u>   |
| Total Liabilities                                  | <u>17,280,353</u>                  | <u>17,111,433</u>                  | <u>18,233,432</u>                  | <u>308,540</u>                           | <u>350,126</u>   | <u>421,238</u>   |
| Net Assets   |                                    |                                    |                                    |  |  |  |
| Invested in Capital Assets, net of<br>Related debt | 23,227,302                         | 21,959,659                         | 15,930,016                         | 351,307                                  | 293,479  | 235,651  |
| Restricted for: Nonexpendable                      |                                    |                                    |                                    | 2,236,085                                | 1,945,238  | 1,784,864  |
| Restricted for: Expendable                         | 436,322                            | 597,875                            | 465,913                            | 991,540                                  | 993,496  | 888,604  |
| Unrestricted                                       | <u>7,626,539</u>                   | <u>8,073,950</u>                   | <u>4,404,790</u>                   | <u>1,219,858</u>                         | <u>1,170,457</u>                                       | <u>1,188,561</u>                                       |
| Total Net Assets                                   | <u>\$31,290,163</u>                | <u>\$30,631,484</u>                | <u>\$20,800,719</u>                | <u>\$4,798,790</u>                       | <u>\$4,402,670</u>                                     | <u>\$4,097,680</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 (65% at June 30, 2005 and 64% at June 30, 2004), these capital assets are used to provide services to students, faculty and administration; consequently, these assets are not available for future spending. The \$1.3 million increase in net assets invested in capital assets as of June 30, 2005 and \$6.1 million increase as of June 30, 2004 reflects Westfield State College's continued development and renewal of its capital assets in accordance with its long-range plan.

An additional portion of Westfield State College's net assets, restricted expendable (4% at June 30, 2005 and 5% at June 30, 2004) represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. Restricted nonexpendable net assets (6% at June 30, 2005 and 2004) primarily include Westfield State College's endowment funds. The remaining balance of unrestricted net assets (25% at June 30, 2005 and 26% at June 30, 2004) may be used to meet Westfield State College's ongoing obligations.

A review of Westfield State College's statement of net assets at June 30, 2005, 2004 and 2003 shows that Westfield State College continues to build upon its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, management of its endowment, conservative utilization of debt and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

As of June 30, 2005, 2004 and 2003 all of Westfield State College's net asset categories have positive balances.

Westfield State College's Condensed Statement of Revenues, Expenditures  
And Changes in Net Assets  
As of June 30, 2005, 2004 and 2003

|  | Primary<br>Institution<br><br>2005 | Primary<br>Institution<br><br>2004 | Primary<br>Institution<br><br>2003 | Component<br>Unit-<br>Foundation<br>2005 | Component<br>Unit-<br>Foundation<br>2004<br>(Restated) | Component<br>Unit-<br>Foundation<br>2003 |
|--|------------------------------------|------------------------------------|------------------------------------|--|--|--|
| Operating Revenue  |                                    |                                    |                                    |  |  |  |
| Tuition and fees   | \$22,150,697                       | \$21,071,559                       | \$18,357,166                       |  |  |  |
| Less: Student Financial Aid                                | (2,230,657)                        | (2,349,644)                        | (2,408,609)                        |  |  |  |
| Federal, state and private grants and<br>Contracts         | 4,324,638                          | 4,460,013                          | 4,712,596                          |  |  |  |
| Auxiliary operations                                       | 11,228,199                         | 10,323,956                         | 9,584,199                          |  |  |  |
| Other sources  | <u>429,632</u>                     | <u>511,061</u>                     | <u>429,884</u>                     | \$ 41,468                                | \$ 119,394   | \$ 52,054                                |
| Total Operating revenue                                    | 35,902,509                         | 34,016,945                         | 30,675,236                         | 41,468                                   | 119,394  | 52,054                                   |
| Less: Operating expenses                                   | <u>57,689,512</u>                  | <u>53,211,861</u>                  | <u>47,957,114</u>                  | <u>321,164</u>                           | <u>344,043</u>   | <u>391,175</u>                           |
| Net Operating loss   | (21,787,003)                       | (19,194,916)                       | (17,281,878)                       | (279,696)                                | (224,649)  | (339,121)                                |
| Non-operating Revenue                                      |                                    |                                    |                                    |  |  |  |
| State appropriation, net                                   | 21,889,792                         | 19,921,340                         | 21,287,448                         |  |  |  |
| Private gifts and grants                                   |                                    |                                    |                                    | 125,135                                  | 167,231  | 573,094                                  |
| Net investment income                                      | 457,741                            | 232,500                            | 443,376                            | 402,290                                  | 499,500  | 128,508                                  |
| Interest on capital asset-related debt                     | <u>(174,765)</u>                   | <u>(88,400)</u>                    | <u>(83,566)</u>                    | <u>(5,629)</u>                           | <u>(9,703)</u>   | <u>(12,504)</u>                          |
| Total non-operating revenue                                | <u>22,172,768</u>                  | <u>20,065,440</u>                  | <u>21,647,258</u>                  | <u>521,796</u>                           | <u>657,028</u>   | <u>689,098</u>                           |
| Income before other revenues, expenses, gains or<br>losses | 385,765                            | 870,524                            | 4,365,380                          | 242,100                                  | 432,379  | 349,977                                  |
| Related entity transfers                                   | 136,827                            | 296,865                            | (37,861)                           | (136,827)                                | (296,865)  | 37,861                                   |
| Additions to permanent endowment                           |                                    |                                    |                                    | 290,847                                  | 169,476  | 178,546                                  |
| State capital appropriations                               | <u>136,087</u>                     | <u>8,663,376</u>                   | <u>136,165</u>                     | -  | -  | -  |
| Increase in Net Assets                                     | 658,679                            | 9,830,765                          | 4,463,684                          | 396,120                                  | 304,990  | 566,384                                  |
| Net Assets-beginning of year                               | <u>30,631,484</u>                  | <u>20,800,719</u>                  | <u>16,337,035</u>                  | <u>4,402,670</u>                         | <u>4,097,680</u>                                       | <u>3,531,296</u>                         |
| Net Assets-end of year                                     | <u>\$31,290,163</u>                | <u>\$30,631,484</u>                | <u>\$20,800,719</u>                | <u>\$4,798,790</u>                       | <u>\$4,402,670</u>                                     | <u>\$4,097,680</u>                       |

Westfield State College's Condensed Statement of Cash Flows  
As of June 30, 2005, 2004 and 2003

|   | Primary<br>Institution<br><br>2005 | Primary<br>Institution<br><br>2004 | Primary<br>Institution<br><br>2003 | Component<br>Unit-<br>Foundation<br>2005 | Component<br>Unit-<br>Foundation<br>2004 | Component<br>Unit-<br>Foundation<br>2003 |
|---|------------------------------------|------------------------------------|------------------------------------|--|--|--|
| Cash received from operating activities                   | \$45,818,517                       | \$41,726,418                       | \$37,951,340                       | \$41,468                                 | \$119,394                                | \$ 52,054                                |
| Cash expended for operating activities                    | <u>(59,523,522)</u>                | <u>(56,555,990)</u>                | <u>(47,708,806)</u>                | <u>(302,823)</u>                         | <u>(349,783)</u>                         | <u>(350,653)</u>                         |
| Net cash used by operating activities                     | (13,705,005)                       | (14,829,572)                       | (9,757,466)                        | (261,355)                                | (230,389)                                | (298,599)                                |
| Net cash provided by non-capital financing activities     | 17,114,304                         | 16,101,575                         | 17,520,162                         | 579,027                                  | 118,893                                  | 688,517                                  |
| Net cash used by capital and related financing activities | (4,183,694)                        | (1,460,999)                        | (3,047,890)                        | (67,229)                                 | (71,303)                                 | (74,104)                                 |
| Net cash provided (used) by investing activities          | <u>283,073</u>                     | <u>155,528</u>                     | <u>123,044</u>                     | <u>(67,918)</u>                          | <u>(53,750)</u>                          | <u>(282,307)</u>                         |
| Net (decrease) increase in cash                           | (491,322)                          | (33,468)                           | 4,837,850                          | 182,525                                  | (236,549)                                | 33,507                                   |
| Cash – beginning of year                                  | <u>10,439,604</u>                  | <u>10,473,072</u>                  | <u>5,635,222</u>                   | <u>92,953</u>                            | <u>329,502</u>                           | <u>295,995</u>                           |
| Cash – end of year  | <u>\$9,948,282</u>                 | <u>\$10,439,604</u>                | <u>\$10,473,072</u>                | <u>\$275,478</u>                         | <u>\$92,953</u>                          | <u>\$329,502</u>                         |

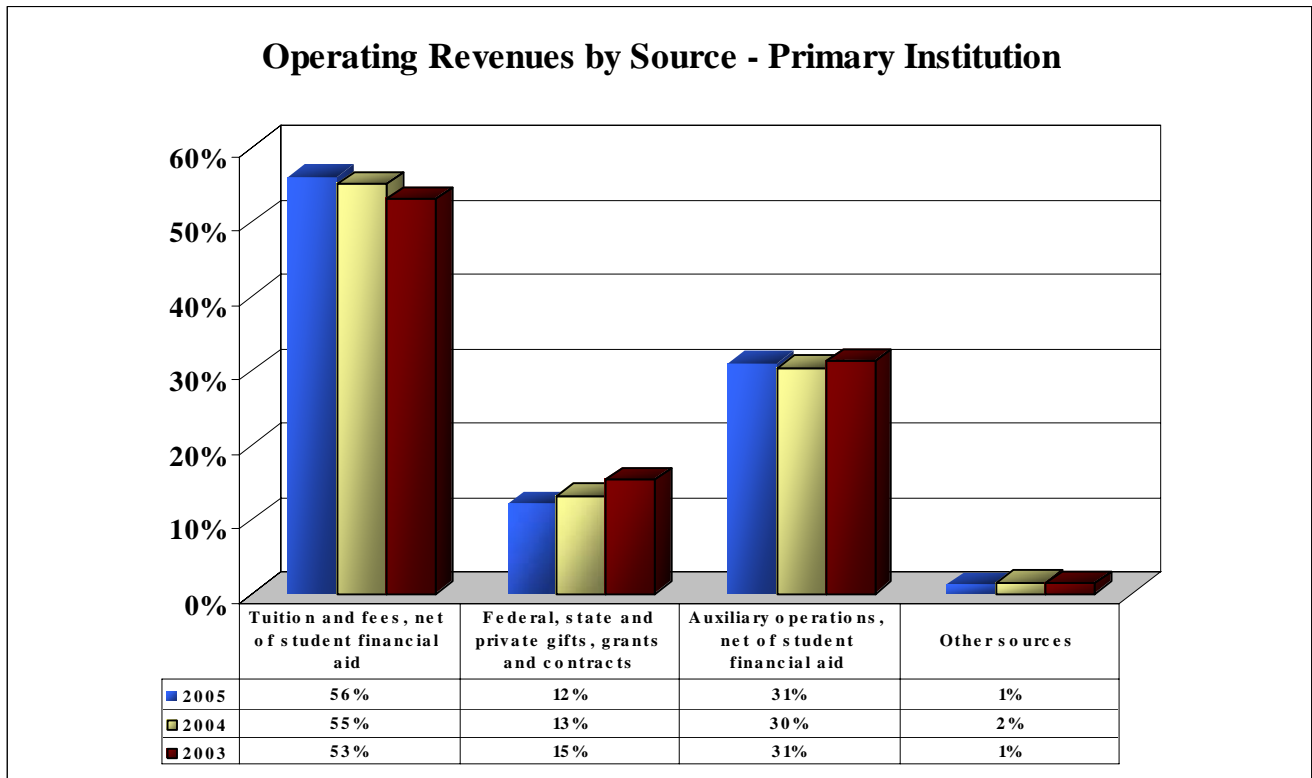
Westfield State College's combined liquidity decreased slightly during the year ended June 30, 2005 with a \$308,797 decrease in cash. The following discussion amplifies the overview of cash flows presented above.

For the year ended June 30, 2005, the College's cash used by operating activities decreased approximately \$1.1 million over the prior year. This was due to an increase in cash received of \$4.0 million offset by increases in amounts paid of \$2.9 million. State appropriations increased by \$1.0 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 \$2.7 million due to various factors including an increase in purchases of capital assets, a decrease in state capital appropriations and a decrease in proceeds from capital debt. A slight increase in cash provided by investing activities of \$113,377 was also recognized during the fiscal year ended June 30, 2005.

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

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

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, 2005, 2004 and 2003.



The College's operating revenues consist primarily of tuition and fee revenue and auxiliary operations. Tuition and fee revenue increased \$1.1 million or 5% during the fiscal year ended June 30, 2005 and increased \$2.7 million or 15% during the fiscal year ended June 30, 2004. The primary factor relating to the change during both fiscal years was an increase in technology fees of \$300 per student during fiscal year 2005 and \$800 per student during fiscal year 2004.

Tuition and fees received by the College include the following:

|                        | June 30, 2005       | June 30, 2004       | June 30, 2003       |
|------------------------|---------------------|---------------------|---------------------|
| Tuition                | \$7,231,560         | \$7,378,225         | \$7,589,997         |
| Student Activity Fees: |                     |                     |                     |
| General fees           | 8,787,345           | 8,722,486           | 8,581,854           |
| Student fees           | 669,460             | 702,303             | 719,317             |
| Technology fees        | 5,171,597           | 4,049,425           | 1,226,653           |
| Miscellaneous fees     | <u>290,735</u>      | <u>219,120</u>      | <u>239,345</u>      |
| Total                  | <u>\$22,150,697</u> | <u>\$21,071,559</u> | <u>\$18,357,166</u> |

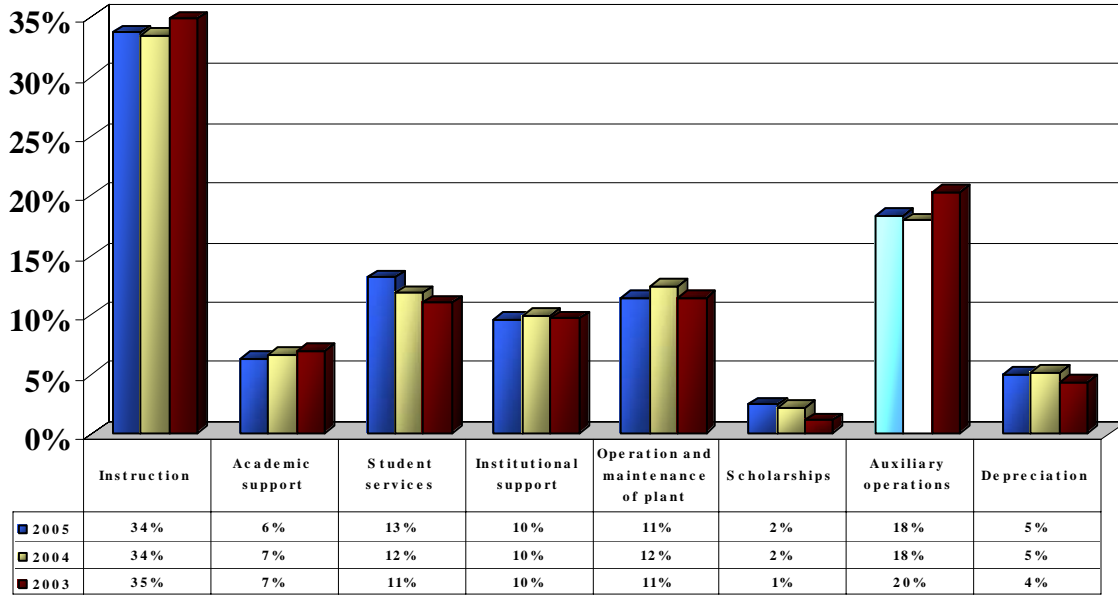
Auxiliary operations include the operation of the College's Building Authority trust fund and its food service. The revenue generated from these operations was \$11,228,199, \$10,323,956, and \$9,584,199 (which is net of scholarship allowances of \$1,254,745, \$1,265,193, and \$1,476,244) for the years ended June 30, 2005, 2004 and 2003, respectively. The increase in revenues of \$904,243 or 8.8% is attributable to the increase in room and board charges for the year ended June 30, 2005. The increase in revenues of \$739,757 or 7.7% is attributable to the increase in room and board charges combined with a decrease in the scholarship allowance for the year ended June 30, 2004.

Major grants and contracts received by Westfield State College for the years ended June 30, 2005, 2004 and 2003 included the following:

- U.S. Department of Education – Student Support Services \$244,858 (2005 and 2004)  
\$245,057 (2003)
- U.S. Department of Education – College Work Study \$368,333 (2005, 2004 and 2003)
- U.S. Department of Education – SEOG \$295,448 (2005, 2004 and 2003)

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2005, 2004 and 2003.

## Operating Expenses by Function - Primary Institution



A summary of the College's expenses by functional classification for the years ended June 30, 2005, 2004 and 2003 is as follows:

|                                    | June 30, 2005       | June 30, 2004       | June 30, 2003       |
|------------------------------------|---------------------|---------------------|---------------------|
| Instruction                        | \$19,435,548        | \$17,833,735        | \$16,708,934        |
| Public service                     | 108,968             | 155,053             | 151,467             |
| Academic support                   | 3,611,210           | 3,559,357           | 3,325,757           |
| Student services                   | 7,578,934           | 6,292,287           | 5,279,716           |
| Institutional support              | 5,513,539           | 5,280,039           | 4,649,315           |
| Operation and maintenance of plant | 6,596,400           | 6,625,410           | 5,496,590           |
| Scholarships and fellowships       | 1,410,766           | 1,174,172           | 531,306             |
| Auxiliary operations               | 10,537,406          | 9,537,402           | 9,736,618           |
| Loss on disposal of assets         | 9,497               | 59,280              | 8,676               |
| Depreciation                       | <u>2,887,244</u>    | <u>2,695,126</u>    | <u>2,068,735</u>    |
| Total                              | <u>\$57,689,512</u> | <u>\$53,211,861</u> | <u>\$47,957,114</u> |

The College's total operating expenses increased significantly during fiscal year ended June 30, 2005 by \$4,477,651 or 8.4% due to various factors including an increase in salaries resulting from the payment of retroactive salary and wage increases for 6 months of the previous fiscal year. The increase in the fringe benefit rate charged by the Commonwealth increased from 23% of payroll during fiscal year 2004 to 27% of payroll during fiscal year 2005. This change had a significant impact on the increase in operating expenses. Other factors impacting the increase are increases in student scholarships, an increase in energy costs and increased spending related to maintaining and improving campus facilities.

During fiscal year ended June 30, 2004, the College's total operating expenses increased by \$5,254,747 or 11% due to various factors including an increase in salaries and associated fringe benefits resulting from the Commonwealth's decision to fund the outstanding collective bargaining salary and wage increases for two previous fiscal years. However, only a portion of the retroactive salary adjustments have been funded by the Commonwealth to date. The remaining potential liability for the Commonwealth is estimated at approximately \$1.5 million. Other factors impacting the increase are increases in student scholarships, an increase in costs associated with implementing

our new computer system, and increased spending related to maintaining and improving campus facilities.

### 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, 2005, 2004 and 2003

|  | June 30, 2005              | June 30, 2004              | June 30, 2003              |
|--|----------------------------|----------------------------|----------------------------|
| Tuition and fees   | \$22,150,697               | \$21,071,559               | \$18,357,166               |
| Other revenue, net of Student Financial Aid  | 13,751,812                 | 12,945,386                 | 12,318,070                 |
| Operating expenses   | <u>57,689,512</u>          | <u>53,211,861</u>          | <u>47,957,114</u>          |
| <b>Operating loss</b>  | <b><u>(21,787,003)</u></b> | <b><u>(19,194,916)</u></b> | <b><u>(17,281,878)</u></b> |
| Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth | 21,889,792                 | 19,921,340                 | 21,287,448                 |
| Investment Income  | 457,741                    | 232,500                    | 443,376                    |
| Interest on capital asset-related debt   | (174,765)                  | (88,400)                   | (83,566)                   |
| Related entity transfers   | 136,827                    | 296,865                    | (37,861)                   |
| State capital appropriation  | <u>136,087</u>             | <u>8,663,376</u>           | <u>136,165</u>             |
| <b>Non-operating revenues</b>  | <b><u>22,445,682</u></b>   | <b><u>29,025,681</u></b>   | <b><u>21,745,562</u></b>   |
| <b>Increase in net assets</b>  | <b><u>\$ 658,679</u></b>   | <b><u>\$ 9,830,765</u></b> | <b><u>\$ 4,463,684</u></b> |

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

The \$6.6 million decrease in non-operating revenues during fiscal year 2005 is attributable to the decrease in state capital appropriations of \$8.5 million due to the completion of the Woodward Center construction and the recognition of the revenue during fiscal year 2004. The \$8.5 million decrease was offset by an increase in the Commonwealth's appropriation of \$2.0 million due to the increase in The Commonwealth's direct appropriation of \$1.0 million for contract pay increases and \$1.0 million for fringe benefits recognized the percentage of which increased to 27% in fiscal year 2005 from 23% in fiscal year 2004.

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

### Capital Assets and Debts of Westfield State College

Westfield State College's investment in capital assets, net of accumulated depreciation, as of June 30, 2005, 2004 and 2003 was \$30,859,787, \$29,548,713 and \$21,430,823 respectively. This investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. The capital asset increase of \$1.3 million or 4% during the fiscal year ended June 30, 2005, and increase of \$8.1 million or 38% during the fiscal year ended June 30, 2004 was due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2005 amounted to \$4,211,587 as compared to \$10,827,767 as of June 30, 2004, and \$8,099,054 as of June 30, 2003. Major additions during 2005 include the construction of Jazzman's Café (\$285,000), construction of the Woodward Storage Facility Building (\$598,000), the construction and relocation of four administrative offices

and construction of a new conference room and related equipment (\$470,000), Ely Campus Center electrical upgrades (\$532,000), equipment and furnishings for the Woodward Center (\$240,000) and the purchase of computers for faculty and staff (\$224,000). Major additions during 2004 include construction expenses related to the Woodward Center (\$7,800,000), the construction of a new student parking lot (\$1,100,000), construction expenses related to the storage facility for the Woodward Center in progress at June 30, 2004 (\$114,000), the purchase of equipment and furnishings for the Woodward Center (\$572,000), and the purchase of computers for faculty and staff (\$295,000).

The completion of the Woodward Center, Westfield State College's new academic/athletic facility took place during fiscal year ended June 30, 2004. This facility is shared by the Athletic Department and the Movement Science Department. The surrounding community also has access to the facility. The Commonwealth of Massachusetts and the College shared funding for this project. The Commonwealth appropriated \$9.6 million and the college borrowed \$5.8 million from the Massachusetts Health and Educational Facilities Authority (MHEFA) to partially fund the project. The College's portion will be repaid over a twenty-year period from an existing student fee, which has been budgeted for this project. The receipts from Westfield State College's first fund raising capital campaign may help to reduce this debt. As of June 30, 2005 and 2004 the outstanding debt on the MHEFA borrowing amounted to \$5,313,074 and \$5,491,105, respectively.

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

Approximately 32% of the College's total operating budget depends on revenue from the state (i.e. the state's allocation to its agencies, of which the college is but one of numerous major state agencies funded). The College will receive approximately 4% more of additional state funding in fiscal year 2006 than it received in fiscal year 2005 or \$820,000. This increase is largely due to the approval by the legislature to implement a formula funding process. Some of the major categories that are part of these calculations include number of enrolled students, instructional needs, support services, residence hall capacity and square footage of the College's physical plant. The formula also identified a revenue gap of \$8.4 million dollars for the College. The Board of Higher Education has communicated its plans to close this gap over a ten year period. The College has increased its annual local fees by \$300 per student during fiscal year 2005 and by \$800 per student in fiscal year 2006 to provide funding for recently approved collective bargaining agreements, utility increases and a state-mandated study for a new academic building.



**Westfield State College**  
**(A Component Unit of the Commonwealth of Massachusetts)**  
**Statement of Net Assets**  
**June 30, 2005 and June 30, 2004**

|  | <b>2005</b>                    |                                      | <b>2004</b>                    |   |
|--|--------------------------------|--------------------------------------|--------------------------------|---|
|  | <u>Primary<br/>Institution</u> | <u>Component<br/>Unit-Foundation</u> | <u>Primary<br/>Institution</u> | <u>Component<br/>Unit-Foundation<br/>(Restated)</u> |
| <b>ASSETS</b>  |                                |                                      |                                |   |
| <b>Current Assets</b>                                    |                                |                                      |                                |   |
| Cash and cash equivalents                                | \$ 8,153,756                   | \$ 275,478                           | \$ 8,701,416                   | \$ 92,953   |
| Cash held by State Treasurer                             | 1,205,304                      |                                      | 1,168,334                      |   |
| Short-term investments                                   | 5,961,253                      | 470,925                              | 5,786,585                      | 460,483   |
| Accounts receivable, net                                 | 486,089                        | 145,665                              | 423,922                        | 217,237   |
| Restricted accounts receivable                           | 23,693                         |                                      | 54,797                         |   |
| Loans receivable   | 211,379                        |                                      | 213,028                        |   |
| Inventories  | 386,464                        |                                      | 366,313                        |   |
| Deposits held by State Treasurer                         | 420,603                        |                                      | 625,082                        |   |
| Prepaid expenses   | 11,143                         | 6,665                                | 8,322                          | 1,220   |
| <b>Total current assets</b>                              | <b>16,859,684</b>              | <b>898,733</b>                       | <b>17,347,799</b>              | <b>771,893</b>                                      |
| <b>Noncurrent Assets</b>                                 |                                |                                      |                                |   |
| Cash held by Trustees                                    | 589,222                        |                                      | 569,854                        |   |
| Investments  |                                | 3,688,487                            |                                | 3,228,721   |
| Accounts receivable, net                                 |                                | 76,403                               |                                | 304,703   |
| Loans receivable, net                                    | 705,530                        |                                      | 724,030                        |   |
| Capital assets, net                                      | 30,416,080                     | 443,707                              | 29,101,234                     | 447,479   |
| <b>Total noncurrent assets</b>                           | <b>31,710,832</b>              | <b>4,208,597</b>                     | <b>30,395,118</b>              | <b>3,980,903</b>                                    |
| <b>Total assets</b>                                      | <b>\$ 48,570,516</b>           | <b>\$ 5,107,330</b>                  | <b>\$ 47,742,917</b>           | <b>\$ 4,752,796</b>                                 |
| <b>LIABILITIES</b>                                       |                                |                                      |                                |   |
| <b>Current Liabilities</b>                               |                                |                                      |                                |   |
| Accounts payable and accrued liabilities                 | \$ 1,288,554                   | \$ 7,750                             | \$ 1,367,583                   | \$ 7,465  |
| Accrued liability for employee compensation and benefits | 4,436,474                      |                                      | 4,259,284                      |   |
| Accrued employee retirement liability                    | 58,232                         |                                      | 182,671                        |   |
| Deferred tuition and other revenue                       | 900,015                        |                                      | 904,244                        |   |
| Due to related entity                                    |                                |                                      |                                |   |
| Deposits held  | 332,744                        |                                      | 284,854                        |   |
| Assets held in custody for others                        | 46,926                         | 208,390                              | 51,226                         | 188,661   |
| Current portion of capital lease obligations             | 270,863                        |                                      | 227,284                        |   |
| Current portion of bonds payable                         | 188,689                        |                                      | 178,031                        |   |
| Current portion of notes payable                         | 359,463                        | 61,600                               | 281,430                        | 61,600  |
| Other liabilities  | 27,074                         |                                      | 13,079                         |   |
| <b>Total current liabilities</b>                         | <b>7,909,034</b>               | <b>277,740</b>                       | <b>7,749,686</b>               | <b>257,726</b>                                      |
| <b>Noncurrent Liabilities</b>                            |                                |                                      |                                |   |
| Accrued liability for employee compensation and benefits | 1,359,496                      |                                      | 1,225,993                      |   |
| Accrued employee retirement liability                    | 58,232                         |                                      | 116,464                        |   |
| Grants refundable  | 994,606                        |                                      | 994,606                        |   |
| Capital lease obligations                                | 716,999                        |                                      | 835,849                        |   |
| Bonds payable  | 5,124,385                      |                                      | 5,313,074                      |   |
| Notes payable  | 1,117,601                      | 30,800                               | 875,761                        | 92,400  |
| <b>Total noncurrent liabilities</b>                      | <b>9,371,319</b>               | <b>30,800</b>                        | <b>9,361,747</b>               | <b>92,400</b>                                       |
| <b>Total liabilities</b>                                 | <b>17,280,353</b>              | <b>308,540</b>                       | <b>17,111,433</b>              | <b>350,126</b>                                      |
| <b>NET ASSETS</b>  |                                |                                      |                                |   |
| Invested in capital assets, net of related debt          | 23,227,302                     | 351,307                              | 21,959,659                     | 293,479   |
| Restricted for:  |                                |                                      |                                |   |
| Expendable   | 436,322                        | 991,540                              | 597,875                        | 993,496   |
| Non-expendable   |                                | 2,236,085                            |                                | 1,945,238   |
| Unrestricted   | 7,626,539                      | 1,219,858                            | 8,073,950                      | 1,170,457   |
| <b>Total net assets</b>                                  | <b>\$ 31,290,163</b>           | <b>\$ 4,798,790</b>                  | <b>\$ 30,631,484</b>           | <b>\$ 4,402,670</b>                                 |

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, 2005 and June 30, 2004**

|   | <b>2005</b>                    |                                      | <b>2004</b>                    |   |
|---|--------------------------------|--------------------------------------|--------------------------------|---|
|   | <u>Primary<br/>Institution</u> | <u>Component<br/>Unit-Foundation</u> | <u>Primary<br/>Institution</u> | <u>Component<br/>Unit-Foundation<br/>(Restated)</u> |
| <b>Revenues</b>   |                                |                                      |                                |   |
| <b>Operating Revenues</b>   |                                |                                      |                                |   |
| Tuition and fees  | \$ 22,150,697                  |                                      | \$ 21,071,559                  |   |
| Less: Student Financial Aid   | (2,230,657)                    |                                      | (2,349,644)                    |   |
| Federal grants and contracts  | 2,671,804                      |                                      | 2,752,230                      |   |
| State grants and contracts  | 1,436,777                      |                                      | 1,434,533                      |   |
| Private grants and contracts  | 216,057                        |                                      | 273,250                        |   |
| Public service  | 56,752                         |                                      | 89,247                         |   |
| Interest earned on loans to students  | 17,668                         |                                      | 20,342                         |   |
| Auxiliary operations, net of scholarship allowances<br>of \$1,254,745 in 2005 and \$1,265,193 in 2004 | 11,228,199                     |                                      | 10,323,956                     |   |
| Other sources   | 355,212                        | \$ 41,468                            | 401,472                        | \$ 119,394  |
| <b>Total operating revenues</b>   | <b>35,902,509</b>              | <b>41,468</b>                        | <b>34,016,945</b>              | <b>119,394</b>                                      |
| <b>Expenses</b>   |                                |                                      |                                |   |
| <b>Operating Expenses</b>   |                                |                                      |                                |   |
| Instruction   | 19,435,548                     |                                      | 17,833,735                     |   |
| Public service  | 108,968                        |                                      | 155,053                        |   |
| Academic support  | 3,611,210                      | 29,094                               | 3,559,357                      | 104,796   |
| Student services  | 7,578,934                      | 773                                  | 6,292,287                      | 921   |
| Institutional support   | 5,513,539                      | 190,557                              | 5,280,039                      | 162,501   |
| Operation and maintenance of plant  | 6,596,400                      |                                      | 6,625,410                      |   |
| Scholarships and fellowships  | 1,410,766                      | 96,968                               | 1,174,172                      | 72,053  |
| Auxiliary operations  | 10,537,406                     |                                      | 9,537,402                      |   |
| Loss on disposal of assets  | 9,497                          |                                      | 59,280                         |   |
| Depreciation  | 2,887,244                      | 3,772                                | 2,695,126                      | 3,772   |
| <b>Total operating expenses</b>   | <b>57,689,512</b>              | <b>321,164</b>                       | <b>53,211,861</b>              | <b>344,043</b>                                      |
| <b>Operating loss</b>   | <b>(21,787,003)</b>            | <b>(279,696)</b>                     | <b>(19,194,916)</b>            | <b>(224,649)</b>                                    |
| <b>Nonoperating Revenues (Expenses)</b>   |                                |                                      |                                |   |
| State appropriation, net  | 21,889,792                     |                                      | 19,921,340                     |   |
| Private gifts and grants  |                                | 125,135                              |                                | 167,231   |
| Net investment income   | 457,741                        | 402,290                              | 232,500                        | 499,500   |
| Interest on capital asset - related debt  | (174,765)                      | (5,629)                              | (88,400)                       | (9,703)   |
| <b>Net nonoperating revenues</b>  | <b>22,172,768</b>              | <b>521,796</b>                       | <b>20,065,440</b>              | <b>657,028</b>                                      |
| <b>Income before other revenues, expenses, gains, losses, and transfers</b>                           | <b>385,765</b>                 | <b>242,100</b>                       | <b>870,524</b>                 | <b>432,379</b>                                      |
| Related entity transfers  | 136,827                        | (136,827)                            | 296,865                        | (296,865)   |
| State capital appropriation   | 136,087                        |                                      | 8,663,376                      |   |
| Additions to permanent endowment  |                                | 290,847                              |                                | 169,476   |
| <b>Increase in net assets</b>   | <b>658,679</b>                 | <b>396,120</b>                       | <b>9,830,765</b>               | <b>304,990</b>                                      |
| Net Assets - beginning of year  | 30,631,484                     | 4,402,670                            | 20,800,719                     | 4,097,680   |
| <b>Net Assets - end of year</b>   | <b>\$ 31,290,163</b>           | <b>\$ 4,798,790</b>                  | <b>\$ 30,631,484</b>           | <b>\$ 4,402,670</b>                                 |

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, 2005 and June 30, 2004**

|   | 2005                          |                                     | 2004                          |                                     |
|---|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
|   | Primary<br><u>Institution</u> | Component<br><u>Unit-Foundation</u> | Primary<br><u>Institution</u> | Component<br><u>Unit-Foundation</u> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                               |                                     |                               |                                     |
| Tuition and fees  | \$ 19,916,681                 |                                     | \$ 18,116,397                 |                                     |
| Grants and contracts  | 4,308,609                     |                                     | 4,463,281                     |                                     |
| Payments to suppliers   | (17,448,452)                  | \$ (205,855)                        | (18,472,237)                  | \$ (277,730)                        |
| Payments to employees   | (30,746,940)                  |                                     | (28,357,831)                  |                                     |
| Payments to students  | (1,410,766)                   | (96,968)                            | (1,174,172)                   | (72,053)                            |
| Direct lending receipts   | 9,730,999                     |                                     | 8,173,715                     |                                     |
| Direct lending disbursements                                    | (9,730,999)                   |                                     | (8,173,715)                   |                                     |
| Loans issued to students  | (186,365)                     |                                     | (378,035)                     |                                     |
| Collections of loans to students                                | 201,485                       |                                     | 238,344                       |                                     |
| Other receipts  | 11,660,743                    | 41,468                              | 10,734,681                    | 119,394                             |
| Net cash used by operating activities                           | <u>(13,705,005)</u>           | <u>(261,355)</u>                    | <u>(14,829,572)</u>           | <u>(230,389)</u>                    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                               |                                     |                               |                                     |
| State appropriation   | 16,977,477                    |                                     | 15,980,689                    |                                     |
| Private gifts and grants  |                               | 715,854                             |                               | 415,758                             |
| Related entity transfers  | 136,827                       | (136,827)                           | 120,886                       | (296,865)                           |
| Net cash provided by noncapital financing activities            | <u>17,114,304</u>             | <u>579,027</u>                      | <u>16,101,575</u>             | <u>118,893</u>                      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                               |                                     |                               |                                     |
| State capital appropriations                                    | 136,087                       |                                     | 852,030                       |                                     |
| Proceeds from capital debt                                      | 649,441                       |                                     | 1,350,559                     |                                     |
| Purchases of capital assets                                     | (4,031,701)                   |                                     | (2,725,747)                   |                                     |
| Principal paid on capital leases                                | (255,157)                     |                                     | (219,317)                     |                                     |
| Interest paid on capital leases                                 | (50,794)                      |                                     | (53,258)                      |                                     |
| Principal paid on bonds payable                                 | (178,031)                     |                                     | (167,101)                     |                                     |
| Principal paid on notes payable                                 | (329,568)                     | (61,600)                            | (414,722)                     | (61,600)                            |
| Interest paid on bonds payable                                  | (83,284)                      |                                     | (48,301)                      |                                     |
| Interest paid on notes payable                                  | (40,687)                      | (5,629)                             | (35,142)                      | (9,703)                             |
| Net cash used by capital and related financing activities       | <u>(4,183,694)</u>            | <u>(67,229)</u>                     | <u>(1,460,999)</u>            | <u>(71,303)</u>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                               |                                     |                               |                                     |
| Interest on investments   | 468,976                       | 86,103                              | 331,009                       | 61,732                              |
| Purchase of investments   | (185,903)                     | (154,021)                           | (175,481)                     | (115,482)                           |
| Net cash provided (used) by investing activities                | <u>283,073</u>                | <u>(67,918)</u>                     | <u>155,528</u>                | <u>(53,750)</u>                     |
| <b>NET (DECREASE) INCREASE IN CASH</b>                          | <u>(491,322)</u>              | <u>182,525</u>                      | <u>(33,468)</u>               | <u>(236,549)</u>                    |
| Cash - beginning of year  | 10,439,604                    | 92,953                              | 10,473,072                    | 329,502                             |
| Cash - end of year  | <u>\$ 9,948,282</u>           | <u>\$ 275,478</u>                   | <u>\$ 10,439,604</u>          | <u>\$ 92,953</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, continued**  
**For the Years Ended June 30, 2005 and June 30, 2004**

|   | <u>2005</u>                    |                                      | <u>2004</u>                    |                                      |
|---|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
|   | <u>Primary<br/>Institution</u> | <u>Component<br/>Unit-Foundation</u> | <u>Primary<br/>Institution</u> | <u>Component<br/>Unit-Foundation</u> |
| <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH<br/>USED BY OPERATING ACTIVITIES:</b> |                                |                                      |                                |                                      |
| Operating loss  | (21,787,003)                   | (279,696)                            | (19,194,916)                   | (224,649)                            |
| Adjustments to reconcile operating loss to net cash used by operating activities:         |                                |                                      |                                |                                      |
| Depreciation expense  | 2,887,244                      | 3,772                                | 2,695,126                      | 3,772                                |
| Loss on disposal of assets  | 9,497                          |                                      | 59,280                         |                                      |
| Fringe benefits provided by the State   | 4,912,315                      |                                      | 3,940,651                      |                                      |
| Changes in assets and liabilities:  |                                |                                      |                                |                                      |
| Accounts receivable, net  | (62,167)                       |                                      | (133,311)                      |                                      |
| Inventories   | (20,151)                       |                                      | 5,858                          |                                      |
| Deposits held by State Treasurer  | 204,479                        |                                      | (259,767)                      |                                      |
| Prepaid expense   | (2,821)                        | (5,445)                              | (1,246)                        |                                      |
| Restricted accounts receivable  | 31,104                         |                                      | (3,862)                        |                                      |
| Loans receivable, net   | 20,149                         |                                      | (151,272)                      |                                      |
| Accounts payable and accrued liabilities  | (79,029)                       | 285                                  | (1,573,643)                    | (13,983)                             |
| Accrued liability for employee compensation and benefits                                  | 310,693                        |                                      | 255,783                        |                                      |
| Accrued employee retirement liability   | (182,671)                      |                                      | 50,257                         |                                      |
| Deferred tuition and other revenue  | (4,229)                        |                                      | (501,401)                      |                                      |
| Deposits held   | 47,890                         |                                      | (22,406)                       |                                      |
| Assets held for others  | (4,300)                        | 19,729                               | 11,226                         | 4,471                                |
| Other liabilities   | 13,995                         |                                      | (5,929)                        |                                      |
| Net cash used by operating activities   | <u>(13,705,005)</u>            | <u>(261,355)</u>                     | <u>(14,829,572)</u>            | <u>(230,389)</u>                     |
| Non-cash transactions:  |                                |                                      |                                |                                      |
| Acquisition of equipment financed with lease payable                                      | 179,886                        |                                      | 114,695                        |                                      |
| Acquisition of building transferred from other state agency                               |                                |                                      | 7,811,346                      |                                      |
| Acquisition of equipment transferred from component unit                                  |                                |                                      | 175,979                        |                                      |

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

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

***Organization***

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

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

As described further in Note 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 Westfield State College (the "College") have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The College reports its financial statements as a Business Type Activity, as defined by GASB Statement No. 35. Business-type activities are defined as those that are financed in whole or part by fees charged to external parties for goods or services. The College's operating activities in the statement of revenues, expenditures and changes in net assets are those that generally result from exchange transactions such as 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.

***New Accounting Standards***

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

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

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*Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. 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 cost which approximates fair value.

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

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

*Restricted Gifts*

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

*Grants and Contracts*

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

*Inventories*

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

*Compensated Absences*

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

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

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***Cash Held by Trustees***

Cash held by trustees as of June 30, 2005 and 2004 consists of unspent bond proceeds of \$57,914 and \$20,743, respectively, from the MHEFA (Massachusetts Health and Educational Facilities Authority) tax-exempt revenue bonds and \$531,308 and \$549,111, respectively, in the debt service reserve fund (see Note 11).

***Tuition***

Recorded in the College's financial statements for the years ended June 30, 2005 and 2004 is tuition revenue of \$2,947,761 and \$2,980,223, 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, 2005 and 2004:

|  | <u>2005</u>         | <u>2004</u>         |
|--|---------------------|---------------------|
| Direct appropriations  | \$19,925,238        | \$18,960,912        |
| Add: Fringe benefits for employees on the Commonwealth payroll | 4,912,315           | 3,940,651           |
| Less: Tuition remitted to the Commonwealth                     | <u>(2,947,761)</u>  | <u>(2,980,223)</u>  |
| Total  | <u>\$21,889,792</u> | <u>\$19,921,340</u> |

***Deferred Tuition and Fees***

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

***Fringe Benefits***

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

***Student Fees***

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

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*Net Assets*

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

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

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

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

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

The College has adopted a policy of generally 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.

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

- (i) As increases in restricted-nonexpendable net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) As increases in restricted-expendable net assets if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains; and
- (iii) As increases in unrestricted net assets in all other cases.

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

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



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***Income Tax Status***

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

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

**2. 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 Short-Term Investments:**

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

GASB Statement No. 40 requires government entities to classify cash and investments and indicate the levels of credit risk, custodial risk, foreign currency risk, and interest rate risk assumed by the entity at year end. The College had no foreign currency investments or investments subject to interest rate risk at June 30, 2005.

The carrying amount of the College's bank deposits and deposits in trust depositories was \$14,704,231 and \$15,057,855 as compared to bank balances of \$15,382,417 and \$15,653,651 at June 30, 2005 and 2004, respectively. The differences between the carrying amount and the bank balances were caused by deposits in-transit and outstanding checks. Of such bank balances, \$100,000 is covered by federal deposit insurance and the remaining \$15,282,417 and \$15,553,651 at June 30, 2005 and 2004, respectively, is uninsured and uncollateralized, and is therefore subject to custodial risk.

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

|                            | <b>COLLEGE</b>             |                            |                            |                            |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                            | <u>2005</u>                |                            | <u>2004</u>                |                            |
|                            | <u>Cost</u>                | <u>Fair Value</u>          | <u>Cost</u>                | <u>Fair Value</u>          |
| Cash and cash equivalents: |                            |                            |                            |                            |
| MMDT deposits              | 4,378,405                  | 4,378,405                  | 4,286,543                  | 4,286,543                  |
| Bank accounts              | 4,364,573                  | 4,364,573                  | 4,984,727                  | 4,984,727                  |
| Short-term investments:    |                            |                            |                            |                            |
| Common Fund                | <u>6,109,135</u>           | <u>5,961,253</u>           | <u>5,923,233</u>           | <u>5,786,585</u>           |
|                            | <b><u>\$14,852,113</u></b> | <b><u>\$14,704,231</u></b> | <b><u>\$15,194,503</u></b> | <b><u>\$15,057,855</u></b> |

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

|                            | <b>FOUNDATION</b>         |                           |                           |                           |
|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                            | <u>2005</u>               |                           | <u>2004</u>               |                           |
|                            | <u>Cost</u>               | <u>Fair Value</u>         | <u>Cost</u>               | <u>Fair Value</u>         |
| Cash and cash equivalents: |                           |                           |                           |                           |
| Bank accounts              | 275,478                   | 275,478                   | 92,953                    | 92,953                    |
| Short-term investments:    |                           |                           |                           |                           |
| Multi-Strategy Equity Fund | 1,596,090                 | 2,209,194                 | 1,585,941                 | 2,032,618                 |
| Multi-Strategy Bond Fund   | 902,251                   | 993,348                   | 804,633                   | 852,778                   |
| Real Estate Security Fund  | 359,575                   | 485,945                   | 323,763                   | 343,325                   |
| Short-term Fund            | <u>470,925</u>            | <u>470,925</u>            | <u>460,483</u>            | <u>460,483</u>            |
|                            | <b><u>\$3,604,319</u></b> | <b><u>\$4,434,890</u></b> | <b><u>\$3,267,773</u></b> | <b><u>\$3,782,157</u></b> |

The carrying amount of the College's deposits held by The State Treasurer is \$420,603 at June 30, 2005 and \$625,082 at June 30, 2004. 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 \$1,205,304 at June 30, 2005 and \$1,168,334 at June 30, 2004. 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, 2005 and 2004 is summarized as follows:

|                                | <u>2005</u>      | <u>2004</u>      |
|--------------------------------|------------------|------------------|
| Student accounts receivable    | 704,391          | 643,376          |
| Grants receivable              | 46,402           | 30,373           |
| Other receivables              | <u>224,907</u>   | <u>196,715</u>   |
| Total                          | <u>975,700</u>   | <u>870,464</u>   |
| Less allowance                 | <u>(489,611)</u> | <u>(446,542)</u> |
| Total accounts receivable, net | <u>486,089</u>   | <u>423,922</u>   |

Loans receivable of \$916,909 at June 30, 2005 and \$937,058 at June 30, 2004 consist of Federal Perkins Loan Program funds:

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

|                                       | <u>2005</u>      | <u>2004</u>      |
|---------------------------------------|------------------|------------------|
| Perkins loans receivable – current    | 211,379          | 213,028          |
| Perkins loans receivable - noncurrent | <u>1,014,571</u> | <u>1,037,624</u> |
| Total                                 | 1,225,950        | 1,250,652        |
| Less allowance for doubtful accounts  | <u>(309,041)</u> | <u>(313,594)</u> |
| Total loans receivable, net           | <u>916,909</u>   | <u>937,058</u>   |

The composition of the Foundation's accounts receivable at June 30, 2005 and 2004 is summarized as follows:

|                                       | <u>2005</u>     | <u>2004</u>     |
|---------------------------------------|-----------------|-----------------|
| Contributions receivable - current    | 145,665         | 217,237         |
| Contributions receivable - noncurrent | 98,251          | 384,063         |
| Less discount                         | <u>(21,848)</u> | <u>(79,360)</u> |
| Total accounts receivable, net        | <u>222,068</u>  | <u>521,940</u>  |

**6. Related Party Transactions:**

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

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

**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 \$43,744,309 (unaudited) at June 30, 2005 and \$24,778,772 (unaudited) at June 30, 2004. Liabilities of the Building Authority consist principally of long-term debt obligations scheduled to mature through 2043 amounting to approximately \$148,901,000 (unaudited) at June 30, 2005 and \$152,486,000 (unaudited) at June 30, 2004 guaranteed by the Commonwealth which includes \$35,645,000 for a new dorm located at Westfield State College and \$3,977,500 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 rates, rents, fees and other charges with respect to such facilities sufficient to pay principal and interest on the Building Authority's debt obligations based on occupancy rates of the dormitories.

The College's proportionate share of principal and interest on the debt obligations for the year ended June 30, 2005 amounted to \$2,744,803 (\$1,356,970, Fall Semester, 2004 and \$1,387,833, Spring Semester 2005). For the year ended June 30, 2004, the College's proportionate share of principal and interest on the debt obligations amounted to \$2,563,974.

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**7. 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, 2005 is summarized as follows:

|                                       | -----COLLEGE-----            |                    |                  |                          |                           |
|---------------------------------------|------------------------------|--------------------|------------------|--------------------------|---------------------------|
|                                       | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Disposals</u> | <u>Reclassifications</u> | <u>Ending<br/>Balance</u> |
| Capital assets not being depreciated: |                              |                    |                  |                          |                           |
| Land                                  | 1,223,862                    | -                  | -                | -                        | 1,223,862                 |
| Construction in progress              | 114,067                      | -                  | -                | (114,067)                | -                         |
| <b>Total not being depreciated</b>    | <b>1,337,929</b>             | <b>-</b>           | <b>-</b>         | <b>(114,067)</b>         | <b>1,223,862</b>          |
| Capital assets being depreciated:     |                              |                    |                  |                          |                           |
| Buildings and building improvements   | 44,275,464                   | 2,310,545          | -                | 114,067                  | 46,700,076                |
| Land improvements                     | 1,151,437                    | 48,313             | -                | -                        | 1,199,750                 |
| Equipment and furnishings             | 11,996,342                   | 1,675,336          | (333,957)        | -                        | 13,337,721                |
| Library books                         | 6,491,697                    | 96,066             | -                | -                        | 6,587,763                 |
| Vehicles                              | 619,824                      | 81,327             | -                | -                        | 701,151                   |
| <b>Total being depreciated</b>        | <b>64,534,764</b>            | <b>4,211,587</b>   | <b>(333,957)</b> | <b>114,067</b>           | <b>68,526,461</b>         |
| Less accumulated depreciation:        |                              |                    |                  |                          |                           |
| Buildings and building improvements   | (22,306,653)                 | (1,131,232)        | -                | -                        | (23,437,885)              |
| Land improvements                     | (57,572)                     | (59,988)           | -                | -                        | (117,560)                 |
| Equipment and furnishings             | (7,776,587)                  | (1,451,998)        | 324,460          | -                        | (8,904,125)               |
| Library books                         | (6,232,761)                  | (157,198)          | -                | -                        | (6,389,959)               |
| Vehicles                              | (397,886)                    | (86,828)           | -                | -                        | (484,714)                 |
| <b>Total accumulated depreciation</b> | <b>(36,771,459)</b>          | <b>(2,887,244)</b> | <b>324,460</b>   | <b>-</b>                 | <b>(39,334,243)</b>       |
| <b>Capital assets, net</b>            | <b>29,101,234</b>            | <b>1,324,343</b>   | <b>(9,497)</b>   | <b>-</b>                 | <b>30,416,080</b>         |

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**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              | -                | -                | -                        | 360,877        |
| 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        |
| Less accumulated depreciation:        |                      |                  |                  |                          |                |
| Land and Buildings                    | (44,542)             | (3,772)          | -                | -                        | (48,314)       |
| Furniture and fixtures                | (34,617)             | -                | -                | -                        | (34,617)       |
| Total accumulated depreciation        | (79,159)             | (3,772)          | -                | -                        | (82,931)       |
| Capital assets, net                   | 447,479              | (3,772)          | -                | -                        | 443,707        |

**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, 2005 and 2004:

|       | <u>Capital Leases</u> |                 |              |                  |                 |              |
|-------|-----------------------|-----------------|--------------|------------------|-----------------|--------------|
|       | <u>2005</u>           |                 |              | <u>2004</u>      |                 |              |
|       | <u>Principal</u>      | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2005  |                       |                 |              | 227,284          | 45,292          | 272,576      |
| 2006  | 270,863               | 42,972          | 313,835      | 237,940          | 34,636          | 272,576      |
| 2007  | 284,029               | 29,806          | 313,835      | 249,096          | 23,480          | 272,576      |
| 2008  | 266,875               | 16,590          | 283,465      | 229,813          | 12,393          | 242,206      |
| 2009  | 158,325               | 4,037           | 162,362      | 119,000          | 2,103           | 121,103      |
| 2010  | 7,770                 | 114             | 7,884        |                  |                 |              |
| Total | 987,862               | 93,519          | 1,081,381    | 1,063,133        | 117,904         | 1,181,037    |

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**9. Leases (continued):**

Total rent expense under cancelable operating lease agreements was approximately \$135,000 and \$138,000 for the years ended June 30, 2005 and 2004, respectively.

**10. Notes Payable:**

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

In May 2003, the College entered into a five-year, 3.25% loan agreement for \$2,000,000 with Woronoco Savings Bank to be used for the purchase of an administrative computer system. During 2005 this note was extended to a six-year loan. The outstanding balance on this note was \$1,477,064 and \$1,157,191 at June 30, 2005 and 2004, respectively.

The Foundation has a 5% note payable to a bank, due in 2006, that is payable in semi-annual payments of interest on the unpaid balance plus level principal payments of \$37,500. The note is collateralized by a power-of-sale first mortgage on the land located at 880 Russell Road Westfield, Massachusetts. The outstanding balance on this note was \$92,400 at June 30, 2005 and \$154,000 at June 30, 2004.

Future principal and interest payments are as follows:

**Notes Payable-College**

|              | <u>2005</u>      |                 |                  | <u>2004</u>      |                 |                  |
|--------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|              | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
| 2005         |                  |                 |                  | 281,430          | 33,910          | 315,340          |
| 2006         | 359,463          | 42,681          | 402,144          | 290,845          | 24,495          | 315,339          |
| 2007         | 371,321          | 30,823          | 402,144          | 300,575          | 14,764          | 315,339          |
| 2008         | 383,570          | 18,574          | 402,144          | 284,341          | 4,719           | 289,061          |
| 2009         | 362,710          | 5,922           | 368,632          |                  |                 |                  |
| <b>Total</b> | <b>1,477,064</b> | <b>98,000</b>   | <b>1,575,064</b> | <b>1,157,191</b> | <b>77,888</b>   | <b>1,235,079</b> |

**Notes Payable-Foundation**

|              | <u>2005</u>      |                 |               | <u>2004</u>      |                 |                |
|--------------|------------------|-----------------|---------------|------------------|-----------------|----------------|
|              | <u>Principal</u> | <u>Interest</u> | <u>Total</u>  | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
| 2005         |                  |                 |               | 61,600           | 7,011           | 68,611         |
| 2006         | 61,600           | 3,897           | 65,497        | 61,600           | 3,897           | 65,497         |
| 2007         | 30,800           | 783             | 31,583        | 30,800           | 783             | 31,583         |
| <b>Total</b> | <b>92,400</b>    | <b>4,680</b>    | <b>97,080</b> | <b>154,000</b>   | <b>11,691</b>   | <b>165,691</b> |

**WESTFIELD STATE COLLEGE**  
(A Component Unit of the Commonwealth of Massachusetts)  
Notes to Financial Statements  
June 30, 2005

**11. Bonds Payable:**

In August 2002, the College, through MHEFA (Massachusetts Health and Educational Facilities Authority), issued \$5,816,000 of MHEFA's tax-exempt revenue bonds. The bond principal is repayable in varying annual installments with the last installment due and payable on June 15, 2022. The bonds incur variable interest, payable monthly, at a rate determined by Flagship Bank and Trust Company. The interest rate on the bonds averaged 1.63% and 1.03% and interest expense was \$93,457 and \$55,251 for the years ended June 30, 2005 and 2004, respectively. Interest income earned on unspent bond proceeds was \$10,173 and \$6,950 for the years ended June 30, 2005 and 2004, respectively. At June 30, 2005, \$5,313,074 was outstanding on the bonds and at June 30, 2004, \$5,491,105 was outstanding on the bonds.

The College has a \$5,887,704 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 \$10,925 and \$44,234 at June 30, 2005 and 2004, respectively.

Future principal payments and estimated interest payments on outstanding bonds as of June 30, 2005 and 2004 are as follows:

|                     | <u>2005</u>      |                 |                  | <u>2004</u>      |                 |                  |
|---------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
|                     | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
| 2005                |                  |                 |                  | 178,031          | 84,511          | 262,542          |
| 2006                | 188,689          | 82,060          | 270,749          | 188,689          | 82,060          | 270,749          |
| 2007                | 199,985          | 79,461          | 279,446          | 199,985          | 79,461          | 279,446          |
| 2008                | 211,148          | 76,707          | 287,855          | 211,148          | 76,707          | 287,855          |
| 2009                | 224,596          | 73,800          | 298,396          | 224,596          | 73,800          | 298,396          |
| 2010                | 238,041          | 70,707          | 308,748          | 238,041          | 70,707          | 308,748          |
| 2011 and thereafter | 4,250,615        | 527,490         | 4,778,105        | 4,250,615        | 527,490         | 4,778,105        |
| <b>Total</b>        | <b>5,313,074</b> | <b>910,225</b>  | <b>6,223,299</b> | <b>5,491,105</b> | <b>994,736</b>  | <b>6,485,841</b> |

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

Long-term liabilities at June 30, 2005 consist of:

|                           | -----FOUNDATION----- |                  |                   |                |                |
|---------------------------|----------------------|------------------|-------------------|----------------|----------------|
|                           | <u>Beginning</u>     |                  |                   | <u>Ending</u>  | <u>Current</u> |
|                           | <u>Balance</u>       | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>Portion</u> |
| Leases and notes payable: |                      |                  |                   |                |                |
| Notes payable             | 154,000              | -                | (61,600)          | 92,400         | 61,600         |

**WESTFIELD STATE COLLEGE**  
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Notes to Financial Statements  
June 30, 2005

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

|  | -----COLLEGE-----           |                  |                   |                          |                           |
|--|-----------------------------|------------------|-------------------|--------------------------|---------------------------|
|  | Beginning<br><u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending<br><u>Balance</u> | Current<br><u>Portion</u> |
| Leases, notes, and bonds payable:            |                             |                  |                   |                          |                           |
| Lease obligations                            | 1,063,133                   | 179,886          | (255,157)         | 987,862                  | 270,863                   |
| Notes payable                                | 1,157,191                   | 649,441          | (329,568)         | 1,477,064                | 359,463                   |
| Bonds payable                                | 5,491,105                   | -                | (178,031)         | 5,313,074                | 188,689                   |
| <b>Total leases, notes and bonds payable</b> | <b>7,711,429</b>            | <b>829,327</b>   | <b>(762,756)</b>  | <b>7,778,000</b>         | <b>819,015</b>            |
| Other long-term liabilities:                 |                             |                  |                   |                          |                           |
| Compensated absences                         | 2,456,126                   | 226,197          | -                 | 2,682,323                | 1,755,736                 |
| Employee retirement liability                | 299,135                     | -                | (182,671)         | 116,464                  | 58,232                    |
| Workers' compensation                        | 552,535                     | -                | (24,597)          | 527,938                  | 95,029                    |
| Grants refundable                            | 994,606                     | -                | -                 | 994,606                  | -                         |
|  | <b>4,302,402</b>            | <b>226,197</b>   | <b>(207,268)</b>  | <b>4,321,331</b>         | <b>1,908,997</b>          |
| <b>Total long-term liabilities</b>           | <b>12,013,831</b>           | <b>1,055,524</b> | <b>(970,024)</b>  | <b>12,099,331</b>        | <b>2,728,012</b>          |

**13. 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 \$1,260,000 and \$847,000 for the years ended June 30, 2005 and 2004, respectively. The Commonwealth's portion of fringe benefits paid by the Commonwealth on behalf of certain state funded employees of the College was approximately \$4,912,000 and \$3,941,000 for the years ended June 30, 2005 and 2004, 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 \$527,938 and \$552,535 as of June 30, 2005 and 2004, respectively. Such amount has been included under the caption "Accrued liability for employee compensation and benefits, and accounts payable and accrued liabilities" in the accompanying statement of net assets. The undiscounted amount represents the College's estimate of the ultimate liability for medical and indemnity costs on outstanding claims. Worker's compensation costs assessed by the Commonwealth were approximately \$145,000 and \$162,000 for the years ended June 30, 2005 and 2004, respectively.



**WESTFIELD STATE COLLEGE**  
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Notes to Financial Statements  
June 30, 2005

**14. 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 \$428,000 for the year ended June 30, 2005 and \$101,000 for year ended June 30, 2004. The annuity portion of the SERS is funded by employees who contribute a percentage of their regular compensation. Annual covered payroll approximated 89.6% and 89.3% of annual total payroll for the College for 2005 and 2004, respectively.

**15. Restatement of Foundation Net Assets:**

The financial statement balances for the Westfield State College Foundation, Inc., which are reported as a discrete component unit of the College, have been restated from those previously reported at June 30, 2004. Certain misclassifications of restricted funds resulted in an incorrect allocation of investment income to those funds, as described below. Additionally, a conditional promise to give of \$75,000 was previously reported in pledges receivable. Accordingly, an adjustment has been made to the 2004 financial statements to correct these error.

|   | <u>Invested in<br/>capital assets, net<br/>of related debt</u> | <u>Restricted-<br/>Expendable</u> | <u>Restricted-<br/>Non-<br/>expendable</u> | <u>Unrestricted</u> | <u>Total</u>     |
|---|--|-----------------------------------|--|---------------------|------------------|
| 2004 Net assets, as previously reported | 293,479  | 761,660                           | 1,954,340                                  | 1,468,191           | 4,477,670        |
| Adjustments to correct for errors       | -  | <u>231,836</u>                    | <u>(9,102)</u>                             | <u>(297,734)</u>    | <u>(75,000)</u>  |
| 2004 Net assets, restated               | <u>293,479</u>   | <u>993,496</u>                    | <u>1,945,238</u>                           | <u>1,170,457</u>    | <u>4,402,670</u> |

**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, 2005 and 2004 and for the years then ended, which references the work of other auditors, appears on pages iv and v of this document. Those 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*

September 20, 2005

**Westfield State College**  
**(A Component Unit of the Commonwealth of Massachusetts)**  
**Supplementary Information**  
**Building Authority Trust Fund**  
**Statement of Net Assets**  
**June 30, 2005 and June 30, 2004**

| <b>ASSETS</b>  | <u>2005</u>              | <u>2004</u>              |
|--|--------------------------|--------------------------|
| Current Assets   |                          |                          |
| Cash and cash equivalents                                | \$ 929,213               | \$ 785,794               |
| Accounts receivable, net                                 | 11,842                   | 17,448                   |
| Deposits held by State Treasurer                         | 167,280                  | 119,950                  |
| Commission receivable                                    | 790                      | 3,175                    |
| Prepaid expenses   | 425                      |                          |
| Total current assets                                     | <u>1,109,550</u>         | <u>926,367</u>           |
| Total assets   | <u><u>1,109,550</u></u>  | <u><u>926,367</u></u>    |
| <br>   |                          |                          |
| <b>LIABILITIES</b>                                       |                          |                          |
| Current Liabilities                                      |                          |                          |
| Accounts payable and accrued liabilities                 | 58,543                   | 42,229                   |
| Accrued employee compensation and benefits               | 266,161                  | 239,464                  |
| Deposits held  | 308,897                  | 272,122                  |
| Other liabilities  | 185                      |                          |
| Total current liabilities                                | <u>633,786</u>           | <u>553,815</u>           |
| Noncurrent Liabilities                                   |                          |                          |
| Accrued liability for employee compensation and benefits | 29,980                   | 23,145                   |
| Total noncurrent liabilities                             | <u>29,980</u>            | <u>23,145</u>            |
| Total liabilities  | <u><u>663,766</u></u>    | <u><u>576,960</u></u>    |
| <br>   |                          |                          |
| <b>NET ASSETS</b>  |                          |                          |
| Unrestricted   | <u>445,784</u>           | <u>349,407</u>           |
| Total net assets   | <u><u>\$ 445,784</u></u> | <u><u>\$ 349,407</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, 2005 and June 30, 2004**

| <b>Revenues</b>  | <u>2005</u>       | <u>2004</u>       |
|--|-------------------|-------------------|
| Operating Revenues   |                   |                   |
| Room rent  | \$ 6,725,923      | \$ 6,129,695      |
| Commissions-vending  | 31,526            | 29,121            |
| Commissions-laundry  | 39,632            | 34,387            |
| Deposits forfeited   | 46,146            | 63,541            |
| Other sources  | 68,068            | 66,370            |
| Total operating revenues   | <u>6,911,295</u>  | <u>6,323,114</u>  |
| <br><b>Expenses</b>  |                   |                   |
| Operating Expenses   |                   |                   |
| Employee compensation  | 1,697,297         | 1,466,632         |
| Employee related expenses  | 6,307             | 6,685             |
| Special employees  | 347,101           | 276,282           |
| Pension and insurance  | 482,178           | 367,792           |
| Administrative expenses  | 50,242            | 40,230            |
| Facility operations supplies   | 160,992           | 135,663           |
| Energy costs   | 840,000           | 839,778           |
| Consultant services  | 20,469            | 22,387            |
| Operational services   | 163,394           | 132,272           |
| Equipment purchase   | 48,896            | 30,444            |
| Equipment lease, rental and maintenance                              | 6,589             | 11,699            |
| Student travel   | 2,441             | 1,961             |
| Scholarships   | 59,000            |                   |
| Repairs and maintenance  | 185,209           | 382,416           |
| Annual payment to the Massachusetts State College Building Authority | 2,744,803         | 2,563,974         |
| Total operating expenses   | <u>6,814,918</u>  | <u>6,278,215</u>  |
| Increase in net assets   | 96,377            | 44,899            |
| Net Assets - beginning of year                                       | <u>349,407</u>    | <u>304,508</u>    |
| Net Assets - end of year   | <u>\$ 445,784</u> | <u>\$ 349,407</u> |