

**FRAMINGHAM STATE
UNIVERSITY**

(an agency of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2022

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

**Financial Statements
and Supplemental Information**

June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Framingham State University
Framingham, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Framingham State University (an agency of the Commonwealth of Massachusetts) (the "University"), as of and for the years ending June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Framingham State University and its discretely presented component unit as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Framingham State University Foundation, Inc. (the "Foundation") as discussed in Note 1. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the University adopted new accounting guidance, GASB Statement Number 87, *Leases*. The adoption of this pronouncement required the University to restate beginning net position.

As discussed in Note 2 to the financial statements, the University restated net position for a correction of errors for revenue received in advance and accrued workers' compensation.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other

matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information


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

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The residence hall fund and residence hall damage fund activity shown on pages 103 to 105, and the statistical section on pages 106-110, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the 2022 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2022 financial statements. The residence hall fund and residence hall damage fund information and the statistical section have not been subjected to the auditing procedures applied in the audit of the 2022 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2022



Framingham

State University

FRAMINGHAM STATE UNIVERSITY
FY2022 Financial Statements
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022, 2021 and 2020
Unaudited

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and results of operations of Framingham State University (the "University") for the years ended June 30, 2022 (Fiscal Year 2022); June 30, 2021 (Fiscal Year 2021); and, June 30, 2020 (Fiscal Year 2020). This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, as separately provided.

These financial statements continue to reflect the significant impact of implementation of Governmental Accounting Standards Board Statement Number 68 (GASB 68) and Number 75 (GASB 75) that requires accounting for pension and other post-employment benefits (OPEB) liabilities on public institutions' financial statements. These liabilities are included in institutions' financial statements even though, in Massachusetts, these payment liabilities are retained by the state and are not ultimately an obligation of the institution where the liability was accrued. The impact of including these liabilities on institutions' financial statements is essentially a reduction in reported Unrestricted Net Position and Total Net Position. As such, this MD&A includes both the Statement of Net Position that includes these liabilities as well as Net Position Adjusted for Pension and OPEB obligations as the latter is more reflective of the financial condition of the university.

Further, new this year, these statements also account for a new standard (GASB 87) that requires lessees to recognize lease liabilities on their statements as right of use assets. For FSU, these are largely attributable to the use of the residence halls that are owned by the Massachusetts State College Building Authority. The implementation of this standard has a significant impact (>\$100M) on both lease liabilities and associated capital asset accounting. This change is reflected in both the FY2021 restated financial statements (to reflect this adjustment) and the FY22 financial statements. Implementation of GASB 87 does make trend analysis difficult as prior years' statements (including FY2020) do not account for this significant adjustment.

To assist the reader of the MD&A, key items/context will be noted in text boxes in each section.

SUMMARY

Framingham State University's Fiscal Year 2022 financial statements reflect the significant continuing impact of the Covid-19 pandemic on institutional operations; the impact of covid relief funding as well as bond restructurings; the impact of new accounting standards; and, the impact of FY2022 reductions in investments' net income:

Operations Financial Impact:

- Operating Revenues of \$54.3 million represent an increase of +\$4.4 million from FY2021
- Operating Expenses of -\$113.3 million represent a net increase in expenditures of +\$2.1 million from FY2021
- Non-Operating Revenues and Capital & Endowment Income of \$46.6 million represent a net decrease of -\$17.9 million from FY2021 that included changes in state and federal covid relief funding and investments net income.
- **Change in FY2022 Net Position was -\$10.1M (versus a restated FY2021 Change in Net Position of +\$5.7M and a pre-restated FY2021 Change in Net Position of +\$13.1M)**

This activity is reflected in the following FY2022 Statement of Revenues and Expenditures Summary:

FY2022 Statement of Revenues and Expenditures Impact-Arranged Summary

with **highlighted** investment returns impact

Operations Results	<u>FY2022</u>
Total Operating Revenues	\$54,329,877
Total Operating Expenses	(\$113,293,806)
Operating Loss	(\$58,963,929)
Non-Operating Revenues: Net State Appropriations; Gifts; Net Investments Income	\$46,569,491
Capital and Endowment Additions	<u>\$2,314,064</u>
Change in Net Position	(\$10,080,374)
Impact of Investments Net Income/(Loss)	(\$7,074,873)
Net Income/(Loss) - Adjusted for Investments Net Loss	(\$3,005,501)

Prior to accounting for the negative impact of FY2022 investment returns, FY2022 Net Income/(Loss) (recognizing that there are various factors that impact Net Income) would have been approximately -\$3.0 million which represents approximately what was budgeted (based on 5% of a rolling three-year average of investment balances) for anticipated FY2022 investment earnings that did not materialize.

FY2022 Net Position was significantly impacted by, among other factors, negative Investments Net Income of -\$7.1M; the opposite occurred in FY2021 with Investments Net Income of +\$13.5M. Over a two-year period (FY2022 and FY2021), *aggregate* Investments Net Income has been positive and near budgeted expectations.

FY2022 FINANCIAL STATEMENTS HIGHLIGHTS

- The University’s total assets at the end of Fiscal Year 2022 were \$332.1 million (a decrease of -\$17.1 million, or -4.9% from restated FY2021), liabilities were \$191.9 million (a decrease of -\$27.0M million, or -12.3%, from FY2021) and there were \$22.9 million in net deferred outflow/inflow of resources (primarily associated with booked pension and OPEB obligations).

Net Position (including the impact of accounting standard changes), which represents the residual interest in the University’s assets after liabilities and deferred inflows/outflows, decreased -\$10.1 million, or -7.9%, from \$127.4 million in Fiscal Year 2021 to \$117.4 million in Fiscal Year 2022.

- **Unrestricted net position total \$32.3 million (a decrease of \$-0.2M from FY2021). Restricted net position and net investment in capital assets accounts total \$85.0 million (a decrease of -\$9.9 million from FY2021) and include: \$81.3 million net investment in capital assets, \$2.8 million in scholarship reserves, and \$0.9 million in other restricted accounts.**
- The aggregate impact of the accounting of pension and OPEB liabilities as well as associated deferred outflows/inflows for pension and OPEB obligations totaled \$43.6 million in FY2022; \$46.3 million in FY2021; and \$44.2M in FY2020. This impact is ultimately reflected in a reduction in Unrestricted Net Position. **Adjusted Unrestricted Net Position – backing out pension and OPEB liabilities that are not ultimately the university’s future responsibility - was \$75.9 million at the end of FY2022.**

Unrestricted Net Position, adjusted for Pension and OPEB liabilities, decreased from \$78.8M in FY2021 to \$75.9M in FY2022 (or -\$2.9M).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The *Statement of Changes in Net Position* presents information summarizing how the University's net position changed during the most recent two fiscal years.

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

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

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

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

FINANCIAL ANALYSIS

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and deferred outflows of resources less liabilities and deferred inflows of resources of the University. The difference between these amounts – net position – is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. A condensed comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2022, June 30, 2021 and June 30, 2020 is as follows:

University Accounts

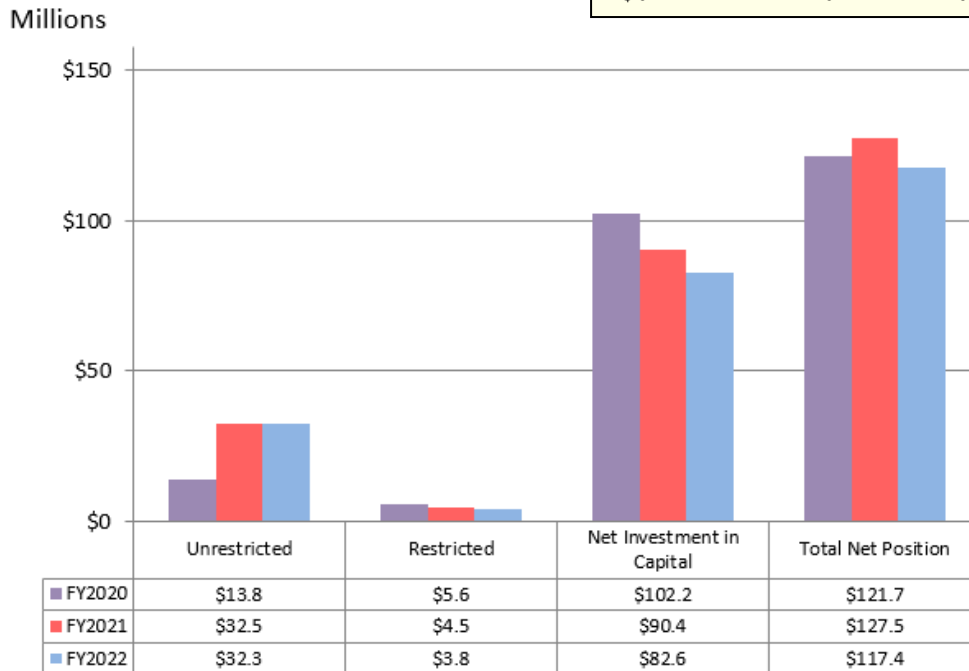
	(In Thousands)	Restated	
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$46,508	\$54,300	\$44,997
Capital Assets	\$231,669	\$244,188	\$130,785
Other Noncurrent Assets	<u>\$53,953</u>	<u>\$50,785</u>	<u>\$42,768</u>
Total Assets	<u>\$332,130</u>	<u>\$349,273</u>	<u>\$218,550</u>
Total Deferred Outflows of Resources	<u>\$7,436</u>	<u>\$13,466</u>	<u>\$11,497</u>
Current Liabilities	\$20,171	\$18,036	\$17,680
Noncurrent Liabilities	<u>\$171,732</u>	<u>\$200,843</u>	<u>\$75,628</u>
Total Liabilities	<u>\$191,903</u>	<u>\$218,879</u>	<u>\$93,308</u>
Total Deferred Inflows of Resources	<u>\$30,312</u>	<u>\$16,429</u>	<u>\$15,047</u>
Net Position:			
Net Investment in Capital Assets	\$81,257	\$90,354	\$102,216
Restricted	\$3,766	\$4,586	\$5,639
Unrestricted	<u>\$32,328</u>	<u>\$32,491</u>	<u>\$13,837</u>
Total Net Position	<u>\$117,351</u>	<u>\$127,431</u>	<u>\$121,692</u>

Changes in Capital Assets and Lease Liabilities from FY020 to FY2021 reflect the significant impact of GASB 87.

The University's net position as of June 30, 2022 reflects changes resulting from operations as well as the impact of bond restructuring savings; Covid-relief funding; changes in GASB accounting standards and associated charges; and, the impact of negative investments returns.

Trend Analysis: Net Position

Unadjusted Unrestricted Net Position fell -\$0.2M from FY2021 to FY2022.



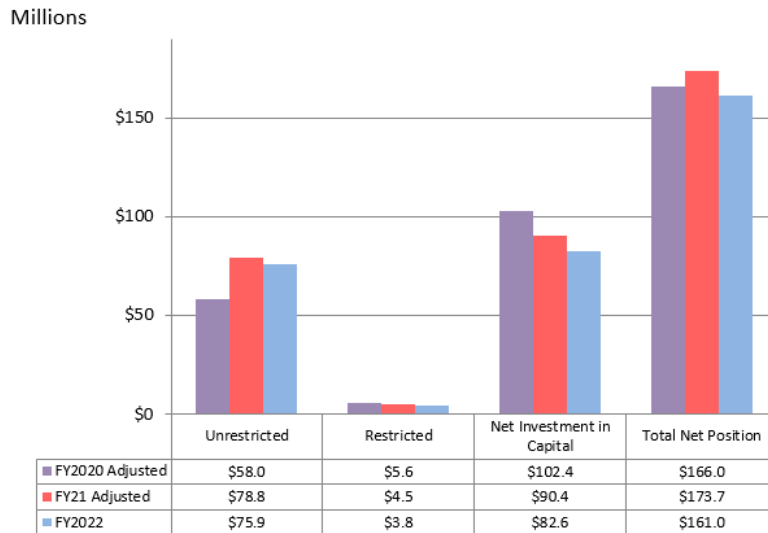
Total Net Position (including Pension/OPEB and Lease assessments impact) decreased -\$10.1 million, or -7.9%, from the end of FY2021 to the end of FY2022 while Unrestricted Net Position decreased -\$0.2M.

Net Impact of Accounting for Pension and OPEB Obligations

<i>(In Thousands)</i>	<u>FY2022</u>	<u>Restated FY2021</u>	<u>FY2020</u>
Pension and OPEB Liabilities:			
Net Pension Liability	\$8,826	\$19,378	\$14,703
Net OPEB Liability	<u>\$15,497</u>	<u>\$24,934</u>	<u>\$27,718</u>
Allocated Pension/OPEB Liability	\$24,323	\$44,312	\$42,421
Net Deferred Outflows/Inflows:			
Deferred Outflows for Pensions	(\$2,920)	(\$5,771)	(\$3,955)
Deferred Outflows for OPEB	(\$4,232)	(\$7,325)	(\$7,543)
Deferred Inflows for Pensions	\$8,602	\$1,833	\$2,694
Deferred Inflows for OPEB	\$17,821	\$13,251	\$10,594
Net Deferred Outflows/Inflows	<u>\$19,271</u>	<u>\$1,988</u>	<u>\$1,791</u>
Net Impact of Accounting for Pension and OPEB Obligations:	\$43,594	\$46,300	\$44,212
<i>Unrestricted Net Position: Pre-Adj.</i>	<u>\$32,328</u>	<u>\$32,491</u>	<u>\$13,837</u>
Unrestricted Net Position Adjusted for Pension and OPEB Obligations:	\$75,922	\$78,791	\$58,049
<i>Total Net Position: Pre-Adjustment</i>	<u>\$117,351</u>	<u>\$127,431</u>	<u>\$121,692</u>
Total Net Position Adjusted for Pension and OPEB Obligations:	\$160,945	\$173,731	\$165,904

The impact of the accounting for Pension (GASB 68) and OPEB (GASB 75) obligations on both Unrestricted Net Position and Total Net Position was \$43.6 million in FY2022, \$46.3 million in FY2021, and \$44.2M in FY020. Adjusted Net Position – backing out the impact of Pension and OPEB obligations – is as follows:

**Trend Analysis: Adjusted Net Position
Revised to Net Out impact of Pension (GASB 68) and OPEB (GASB 75) Obligations**

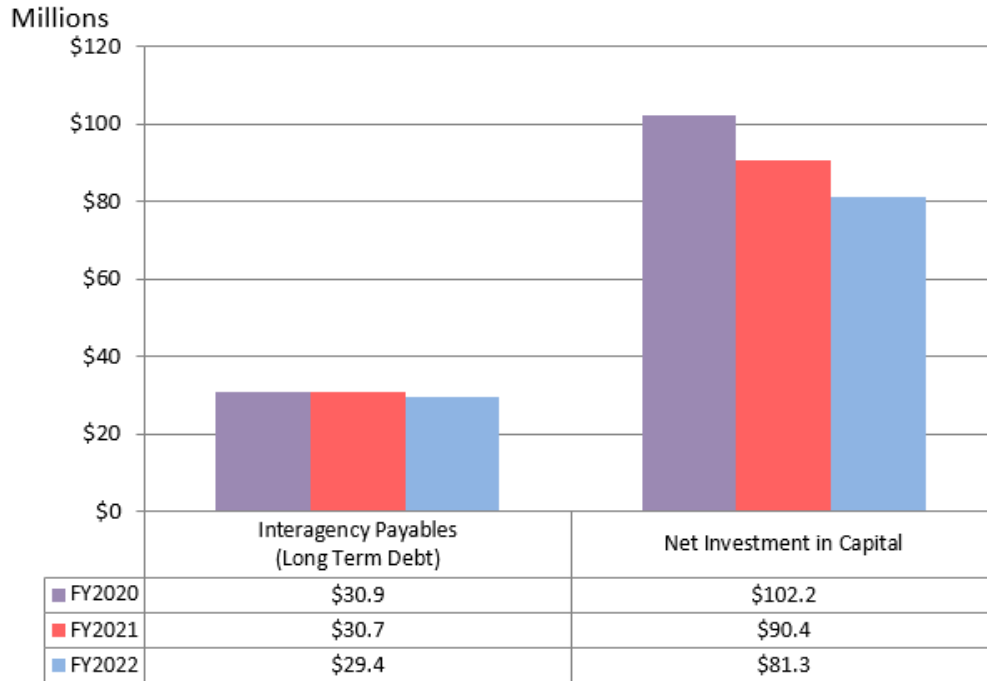


Adjusted Unrestricted Net Position experienced a -\$2.9M decrease from FY2021 to FY2022 after experiencing a large increase over the prior year.

Capital Assets and Long-Term Debt

It should be noted that “Net Position: Net Investment in Capital Assets” represents a conservative accounting (cost approach) of the University’s capital assets. This figure is net of related debt and net of accumulated depreciation and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those assets. Capital Assets figures also represent new GASB accounting standards related to leases. **The University has \$29.4 million in aggregate interagency payables (predominantly long-term capital debt) as of the close of FY2022 (a decrease of -\$1.3M million over FY2021). Net Investment in Capital Assets was \$81.3 million at the end of FY2022.**

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



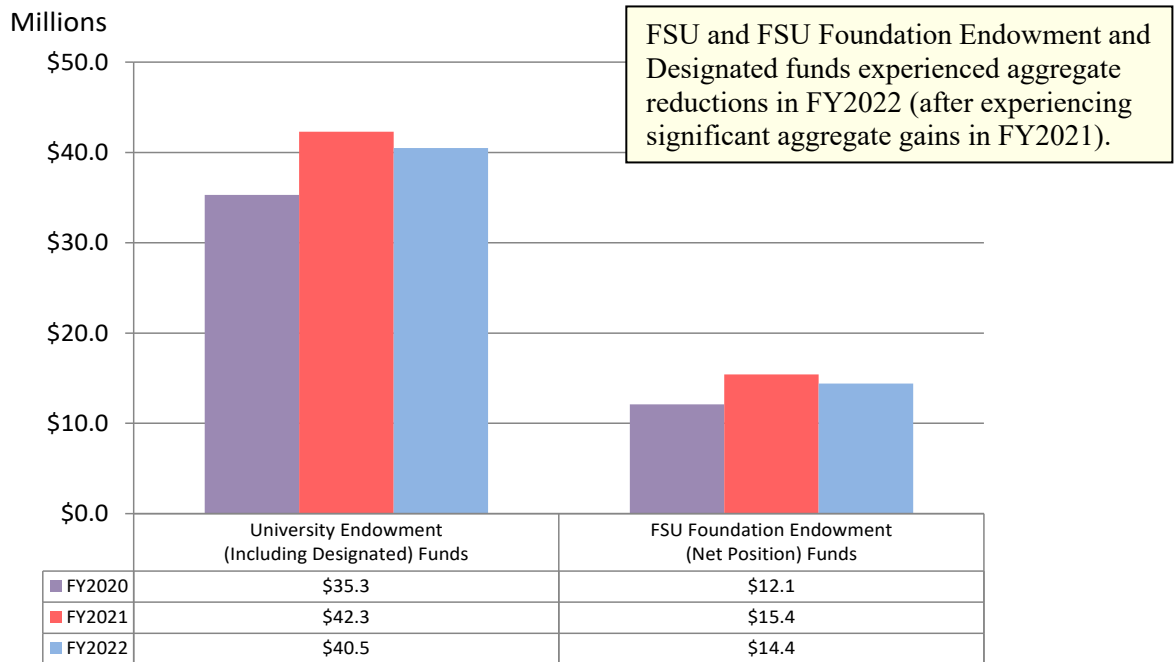
Long Term Debt reflects a -\$1.3M decrease from FY2021 to FY2022

Endowment Funds

A portion of the restricted net position includes endowment funds held by the University. The University itself has a very small designated endowment; \$1.3 million of non-expendable restricted funds. An additional \$1.5 million, at June 30, 2022, in restricted scholarship funds (designated as “expendable” but in practice allocations are limited to proceeds) acts as “quasi-endowment” funds.

Further, the Board of Trustees has designated unrestricted net position with end of FY2022 value of \$37.7 million as quasi-endowment (included in “Core Investment” funds in the University’s annual approval of its Cash Management and Investment Policy). **Aggregate endowment and designated quasi-endowment funds held by the University total \$40.5 million (representing a decrease of -\$1.8 million, or -4.3%, from FY2021).** The University invests these assets, along with other cash holdings, in the Massachusetts Municipal Depository Trust (MMDT), the Common Fund, Eaton Vance, Brown Advisory, and Boston Trust. The University budgets 5% of the three-year-rolling-average of contingency and core investment fund balances in support of university operations.

Trend Analysis: Endowment (Including Designated) Funds



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position represents the University’s results from operations. A condensed summary of the University’s revenues, expenses and changes in net position for the years ended June 30, 2022 and June 30, 2021 is as follows:

<i>(In Thousands)</i>	<u>FY2022</u>	<u>Restated FY2021</u>	<u>FY2020</u>
Operating Revenues:			
Tuition and Fees	\$37,543	\$41,444	\$45,306
Less Scholarships	<u>(\$9,313)</u>	<u>(\$8,800)</u>	<u>(\$9,920)</u>
Net Student Tuition & Fees	\$28,230	\$32,644	\$35,386
Federal Grants and Contracts	\$7,477	\$7,253	\$7,911
State and Local Grants & Contracts	\$745	\$770	\$821
Private Grants	\$1,265	\$1,085	\$2,807
Sales and Services	\$1,539	\$480	\$1,719
Auxiliary Enterprises	\$12,912	\$6,417	\$13,064
Other Revenues	<u>\$3,113</u>	<u>\$1,296</u>	<u>\$1,341</u>
Total Operating Revenues	\$54,330	\$49,945	\$63,049
Operating Expenses:			
Instruction	(\$33,003)	(\$33,698)	(\$35,228)
Research	(\$89)	(\$104)	(\$108)
Academic Support	(\$14,627)	(\$15,013)	(\$15,579)
Student Services	(\$14,065)	(\$14,004)	(\$14,532)
Institutional Support	(\$12,469)	(\$12,122)	(\$12,083)
Operation/Maintenance of Plant	(\$14,091)	(\$14,180)	(\$14,715)
Depreciation	(\$13,530)	(\$13,718)	(\$7,446)
Auxiliary Enterprises	(\$5,350)	(\$4,577)	(\$13,918)
Scholarships	<u>(\$6,070)</u>	<u>(\$3,769)</u>	<u>(\$741)</u>
Total Operating Expenses	(\$113,294)	(\$111,185)	(\$114,350)
Operating Loss	<u>(\$58,964)</u>	<u>(\$61,240)</u>	<u>(\$51,301)</u>

FSU’s discount rate (institution-funded Aid over Gross Tuition and Fees Revenues) increased from 21% in FY2021 to 25% in FY2022; while non-institution-funded Scholarships also significantly increased.

Auxiliary Enterprises revenues reflect covid-related occupancy changes.

Net-Operating Revenues/(Expenses):			
State Appropriations (net)	\$50,648	\$45,364	\$44,146
Gifts	\$587	\$537	\$454
Other Income - MSCBA	\$0	\$0	\$589
Net Investment Income	(7,075)	\$13,451	\$2,814
State Capital Appropriation/Grants	\$875	\$1,716	\$29
Interest/Issuance Costs on Debt	(\$7,399)	(\$7,414)	(\$1,251)
State and Federal Grants	\$9,272	\$9,827	\$1,257
Transfers (to)/from State Agencies	\$1,025	\$385	\$27
Other non-operating revenues	\$951	\$3,113	\$0
Net Non-Operating Revenues	<u>\$48,884</u>	<u>\$66,979</u>	<u>\$48,065</u>
Change in Net Position	<u>(\$10,080)</u>	<u>\$5,739</u>	<u>(\$3,236)</u>

Due to the nature of public higher education accounting as it pertains to state appropriations, institutions incur a loss from operations before accounting for state support. State appropriations supplement University operations and act as a subsidy for operations not covered by operating revenues. Under GASB, appropriations are considered non-operating revenue. The following schedule illustrates the University's incurred losses from operations as well as change in net position for Fiscal Years ended June 30, 2022, June 30, 2021 and June 30, 2020:

Schedule of Loss from Operations and Change in Net Position

Change in Non-Operating Other Revenues was largely associated with changes in investments performance in FY2022 versus FY2021.

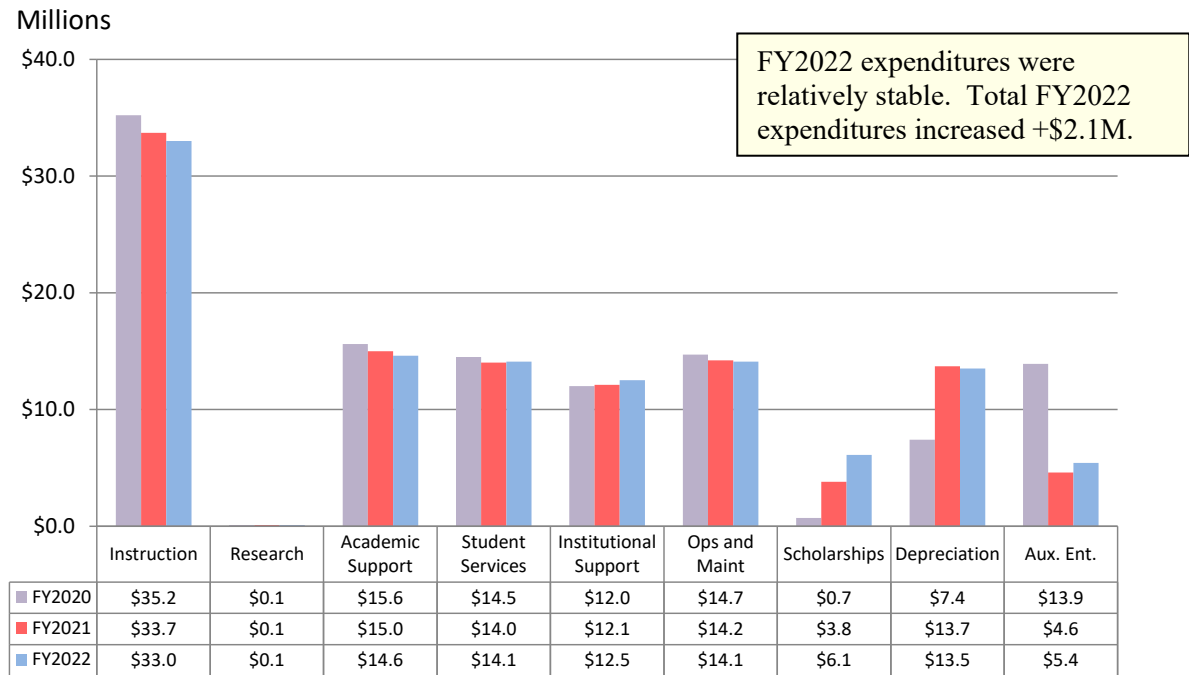
	<u>FY2022</u>	<u>Restated FY2021</u>	<u>FY2020</u>
(In Thousands)			
Tuition and Fees Revenue, Net	\$28,230	\$32,644	\$35,386
Other Operating Revenue	<u>\$26,100</u>	<u>\$17,301</u>	<u>\$27,663</u>
Total Operating Revenue	\$54,330	\$49,945	\$63,043
Operating Expenses	<u>(\$113,294)</u>	<u>(\$111,185)</u>	<u>(\$114,350)</u>
Operating Loss	<u>(\$58,964)</u>	<u>(\$61,240)</u>	<u>(\$51,301)</u>
Net State Appropriations	\$50,648	\$45,364	\$44,146
Net Other Revenue/(Expenses)	<u>(\$1,764)</u>	<u>\$21,615</u>	<u>\$3,919</u>
Change in Net Position	<u>(\$10,080)</u>	<u>\$5,739</u>	<u>\$3,236</u>
Net Position End of Fiscal Year	\$117,351	\$127,431	\$121,692

Net (unadjusted) position at the beginning of Fiscal Year 2022 was \$127.4 million. Net position at the end of Fiscal Year 2022 was \$117.4 million; representing a -\$10.1 million, or -7.9%, decrease.

Revenues and Expenditures

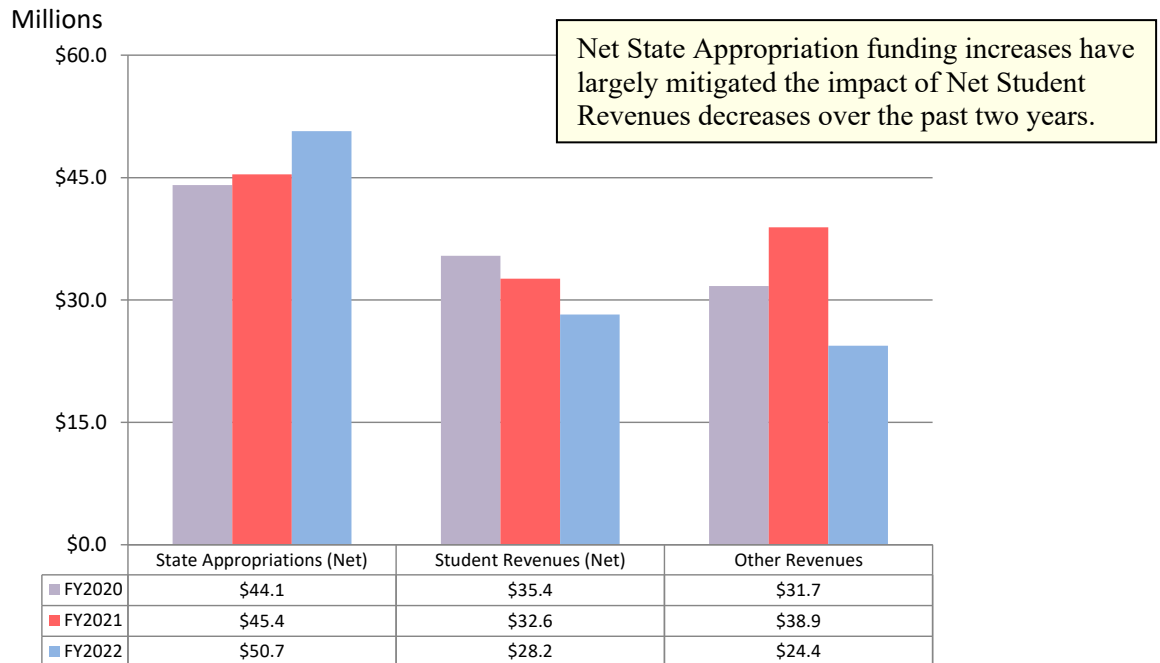
From FY2021 to FY2022, Operating expenses by functional category were relatively stable with Scholarships expenses seeing the largest increase of +\$2.3M. Aggregate FY2022 Operating Expenses increased a total of +\$2.1 million, or +1.9%, from FY2021.

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



From FY2021 to FY2022, net state appropriations (including state support for retroactive salary increases costs as well as for fringe benefits) increased by +\$5.3 million (+11.6%); student net revenues decreased by -\$4.4 million (-13.5%); and, other net revenues decreased a total of -\$14.5 million (-37.3%). Changes in other net revenues include the impact of a decrease in investments net income.

Trend Analysis: State Appropriations, Student and Other Revenues

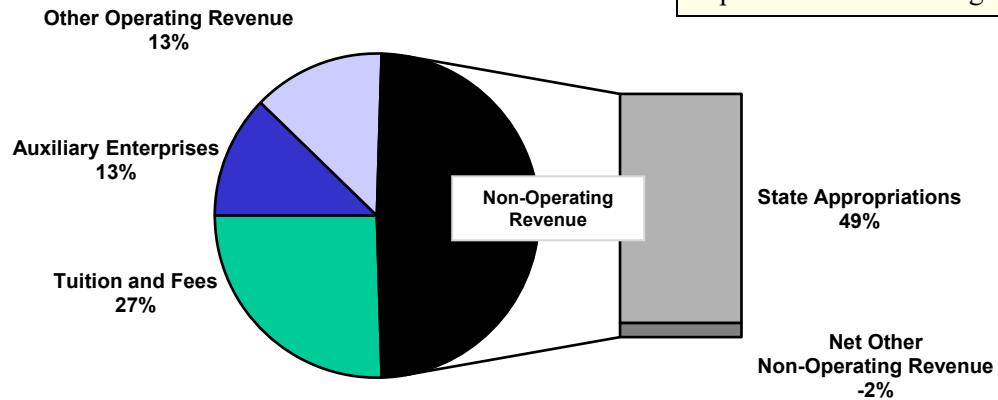


Revenues Illustration

The following is an illustration of revenues by source (both operating and non-operating), which were used to fund the University's activities for the year ended June 30, 2022.

Fiscal Year 2022 Revenues

Total Revenues: \$103.2M



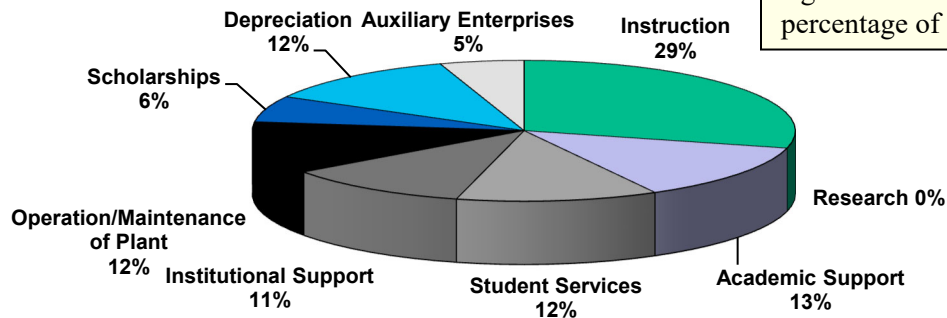
State Appropriations as a percent of total revenues (49%) represents a decades-high rate.

Fiscal Year 2022 Net State Appropriation support as a percent of total revenues (including fringe benefits support) was 49% while Tuition and Fees revenues represented 27% of total revenues and Other Revenue represented 24% of total revenues.

Expenditures Illustration

A graphic of the University's functional expenditures for FY2022 is as follows:

Total Expenditures: \$113.3M



FY2022 Scholarship expenditures had the only significant change as a percentage of total expenditures.

FY2022 functional expenditures as a percent of total expenditures were similar to FY2021 levels with the exception of Scholarships that increased its share percentage by 3%.

Statement of Cash Flows

The Statement of Cash Flows provides information about the University's financial results, by reporting the major sources and uses of cash. A condensed summary of the statement of cash flows for Fiscal Years 2022, 2021 and 2020 is as follows:

Statement of Cash Flows

<i>(In Thousands)</i>	<u>FY2022</u>	<u>Restated FY2021</u>	<u>FY2020</u>
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Operations	\$53,671	\$48,972	\$64,063
Cash Expended for Operations	<u>(\$89,907)</u>	<u>(\$82,044)</u>	<u>(\$91,885)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(\$36,236)</u>	<u>(\$33,072)</u>	<u>(\$27,822)</u>
<i>Cash Flows from Non-Capital Financing Activities:</i>			
State Appropriations	\$37,010	\$33,259	\$32,620
Tuition Remitted to the Commonwealth	(\$127)	(\$100)	(\$123)
Grants and Payments Received	\$8,857	\$9,412	\$1,432
Gifts and Endowment	<u>\$587</u>	<u>\$537</u>	<u>\$453</u>
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>\$46,327</u>	<u>\$43,108</u>	<u>\$34,372</u>
<i>Cash Flows from Capital & Related Financing Activities:</i>			
State Capital Appropriations	\$875	\$1,716	\$29
Perkins Loan Program Net Funds Received	(\$259)	(\$219)	(\$388)
Fees paid for bond issuance	(\$37)	\$0	\$0
Principal payments on lease liabilities	(\$2,200)	\$0	\$0
Payments for Capital Assets	(\$1,010)	(\$2,291)	(\$3,238)
Advance on capital improvements from SCA operator	\$1,200	\$0	\$0
Commission advance from SCA operator	\$675	\$0	\$0
Interagency Principal Payments	(\$1,059)	(\$354)	(\$1,413)
Interest Paid on Debt	(\$6,626)	(\$4,353)	(\$1,311)
Transfers of Funds To/From State Agencies	<u>\$1,025</u>	<u>\$385</u>	<u>\$27</u>
Net Cash Provided/(Used) by Capital and Related Activities	<u>(\$7,416)</u>	<u>(\$5,116)</u>	<u>(\$6,294)</u>
<i>Cash Flows from Investing Activities:</i>			
Purchase/Sale (Net) of Marketable Securities	(\$4,734)	(\$352)	(\$222)
Earnings on Investments	\$830	\$560	\$578
Net Cash Provided/(Used) by Investing Activities	<u>(3,904)</u>	<u>\$208</u>	<u>\$356</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>(\$1,229)</u>	<u>\$5,128</u>	<u>\$612</u>

Cash and cash equivalents at the beginning of Fiscal Year 2022 were \$36.6 million and at the end of the fiscal year were \$35.4 million; reflecting a -\$1.2 million, or -3.4%, decrease.

Of note: the Framingham State University Board of Trustees have discussed allocating up to \$5.0 million of cash reserves over the next few years, as necessary, to address anticipated future operating deficits and provide time to adjust operations in line with revised enrollment levels.

FACTORS THAT MAY AFFECT THE FUTURE

While Framingham State University's current financial condition remains strong, the institution has had to respond to changing operational circumstances including a significant decline in enrollment. Undergraduate enrollment is now more than one-third lower than peak enrollment levels. This has had, and will continue to have, significant revenue implications. Further, difficulty in refilling certain positions, coupled with selective personnel reductions, changing work environments, leadership transitions, and hardships brought on by the pandemic have impacted the institution's faculty and staff in various ways. All of these factors will require careful planning as the University continues to respond to its changing environment.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Framingham State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Vice President, Framingham State University, 100 State Street, P.O. Box 9101, Framingham, MA 01701-9101.

FRAMINGHAM STATE UNIVERSITY
(AN AGENCY OF THE COMMONWEALTH OF MASSACHUSETTS)

Statements of Net Position

June 30, 2022 and 2021

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	<u>University</u>		<u>Component Unit</u> <u>Foundation</u>	
	<u>2022</u>	Restated <u>2021</u>	<u>2022</u>	<u>2021</u>
Current Assets:				
Cash and cash equivalents	\$ 19,251,071	\$ 24,538,024	\$ 819,390	\$ 871,330
Restricted cash and cash equivalents	650,350	982,335	-	-
Investments in marketable securities	22,056,970	24,384,588	9,279,071	10,964,829
Accounts receivable, net	3,409,714	3,482,993	-	-
Contributions receivable, net	-	-	340,396	53,138
Loans receivable - current portion	193,476	1,368	-	-
Other current assets	<u>946,109</u>	<u>910,343</u>	<u>22,727</u>	<u>21,251</u>
Total Current Assets	<u>46,507,690</u>	<u>54,299,651</u>	<u>10,461,584</u>	<u>11,910,548</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	15,536,130	11,146,665	-	-
Endowment investments	-	-	3,759,052	3,429,993
Investment in marketable securities	37,695,288	38,538,513	-	-
Contributions receivable, net	-	-	168,300	29,116
Loans receivable, net of current portion	721,520	1,100,483	-	-
Capital assets, net	<u>231,668,809</u>	<u>244,187,842</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>285,621,747</u>	<u>294,973,503</u>	<u>3,927,352</u>	<u>3,459,109</u>
Total Assets	<u>332,129,437</u>	<u>349,273,154</u>	<u>14,388,936</u>	<u>15,369,657</u>
Deferred Outflows of Resources:				
Deferred outflows for pensions	2,919,789	5,771,559	-	-
Deferred outflows for OPEB	4,232,100	7,325,332	-	-
Deferred outflow from loss on bond refunding	<u>284,167</u>	<u>369,317</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>7,436,056</u>	<u>13,466,208</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 339,565,493</u>	<u>\$ 362,739,362</u>	<u>\$ 14,388,936</u>	<u>\$ 15,369,657</u>

See accompanying notes to the financial statements.

Liabilities, Deferred Outflows of Resources, and Net Position

	<u>University</u>		<u>Component Unit Foundation</u>	
	<u>2022</u>	Restated <u>2021</u>	<u>2022</u>	<u>2021</u>
Current Liabilities:				
Interagency payables - current portion	\$ 2,451,640	\$ 1,219,991	\$ -	\$ -
Accounts payable and accrued liabilities	2,833,424	5,157,876	257,814	5,720
Accrued workers' compensation - current portion	115,388	113,823	-	-
Compensated absences - current portion	4,069,026	3,807,357	-	-
Lease liability - current portion	5,126,273	2,232,565	-	-
Faculty payroll accrual	3,976,173	3,453,887	-	-
Revenue received in advance	1,083,283	1,464,534	-	-
Deposits	249,228	266,580	-	-
Other current liabilities	266,278	319,850	-	-
	<u>20,170,713</u>	<u>18,036,463</u>	<u>257,814</u>	<u>5,720</u>
Total Current Liabilities				
	<u>20,170,713</u>	<u>18,036,463</u>	<u>257,814</u>	<u>5,720</u>
Noncurrent Liabilities:				
Interagency payables, net of current portion	26,984,700	29,541,090	-	-
Accrued workers' compensation, net of current portion	841,782	821,989	-	-
Compensated absences, net of current portion	2,412,363	2,271,689	-	-
Loan payable - federal financial assistance programs	1,053,252	1,312,727	-	-
Lease liability, net of current portion	116,117,464	122,583,954	-	-
Net pension liability	8,826,167	19,377,541	-	-
Net OPEB liability	15,496,701	24,934,354	-	-
	<u>171,732,429</u>	<u>200,843,344</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities				
	<u>171,732,429</u>	<u>200,843,344</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>191,903,142</u>	<u>218,879,807</u>	<u>257,814</u>	<u>5,720</u>
Deferred Inflows of Resources:				
Service concession arrangement	2,550,149	1,344,000	-	-
Deferred inflows for pensions	8,602,360	1,833,280	-	-
Deferred inflows for OPEB	17,821,012	13,251,417	-	-
Deferred inflows for leases	1,338,346	-	-	-
	<u>30,311,867</u>	<u>16,428,697</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources				
	<u>30,311,867</u>	<u>16,428,697</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	81,257,358	90,354,146	-	-
Restricted for:				
Non-expendable:				
Scholarships and academic purposes	1,317,249	1,224,785	3,759,052	3,429,993
Expendable:				
Scholarships	1,513,294	2,533,143	3,654,806	3,069,497
Academic purposes	-	-	12,579	229,969
Research	857,636	658,123	-	-
Loans	77,112	170,123	-	-
Unrestricted	32,327,835	32,490,538	6,704,685	8,634,478
	<u>117,350,484</u>	<u>127,430,858</u>	<u>14,131,122</u>	<u>15,363,937</u>
Total Net Position				
	<u>117,350,484</u>	<u>127,430,858</u>	<u>14,131,122</u>	<u>15,363,937</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 339,565,493</u>	<u>\$ 362,739,362</u>	<u>\$ 14,388,936</u>	<u>\$ 15,369,657</u>

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses

For the Years Ended June 30,

	<u>University</u>		<u>Component Unit Foundation</u>	
	<u>2022</u>	Restated <u>2021</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:				
Student tuition and fees	\$ 37,542,720	\$ 41,444,412	\$ -	\$ -
Less: Scholarship allowances	<u>(9,312,836)</u>	<u>(8,800,319)</u>	<u>-</u>	<u>-</u>
Net Student Tuition and Fees	28,229,884	32,644,093	-	-
Federal grants and contracts	7,477,398	7,252,762	-	-
State and local grants and contracts	745,254	770,481	-	-
Private grants	1,265,181	1,084,638	-	-
Sales and services of educational departments	1,538,555	480,154	-	-
Gifts and contributions	-	-	467,663	296,990
Auxiliary enterprises:				
Residential life	12,912,073	6,416,628	-	-
Other operating revenues	<u>2,161,532</u>	<u>1,296,445</u>	<u>59,342</u>	<u>91,693</u>
Total Operating Revenues	<u>54,329,877</u>	<u>49,945,201</u>	<u>527,005</u>	<u>388,683</u>
Operating Expenses:				
Educational and general:				
Instruction	33,003,682	33,697,546	-	-
Research	88,682	103,921	-	-
Academic support	14,626,918	15,012,665	-	-
Student services	14,064,732	14,003,429	-	-
Institutional support	12,469,195	12,122,064	297,621	266,801
Operations and maintenance of plant	14,091,704	14,180,312	-	-
Depreciation	13,529,307	13,718,898	-	-
Scholarships	6,069,732	3,769,231	1,256,955	932,495
Auxiliary enterprises:				
Residential life	<u>5,349,854</u>	<u>4,577,383</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>113,293,806</u>	<u>111,185,449</u>	<u>1,554,576</u>	<u>1,199,296</u>
Operating Loss	<u>\$ (58,963,929)</u>	<u>\$ (61,240,248)</u>	<u>\$ (1,027,571)</u>	<u>\$ (810,613)</u>

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses - Continued

For the Years Ended June 30,

	<u>University</u>		<u>Component Unit Foundation</u>	
	<u>2022</u>	Restated <u>2021</u>	<u>2022</u>	<u>2021</u>
Non-operating Revenues (Expenses):				
Federal grants	\$ 8,857,228	\$ 9,411,724	\$ -	\$ -
State appropriations, net	50,648,041	45,364,246	-	-
Gifts	587,007	537,187	-	-
Investment income (loss), net of investment expense	(7,074,873)	13,451,042	(1,410,914)	3,096,480
Interest expense	(7,398,707)	(7,413,635)	-	-
Other non-operating revenue	<u>950,795</u>	<u>3,113,287</u>	<u>-</u>	<u>-</u>
Net Non-operating Revenues before Capital and Endowment Additions	<u>46,569,491</u>	<u>64,463,851</u>	<u>(1,410,914)</u>	<u>3,096,480</u>
Increase (Decrease) in Net Position before Capital and Endowment Additions	<u>(12,394,438)</u>	<u>3,223,603</u>	<u>(2,438,485)</u>	<u>2,285,867</u>
State capital appropriations	875,064	1,716,087	-	-
Transfers from state agencies	1,025,000	385,366	-	-
Capital grants	414,000	414,000	-	-
Private gifts for endowment purposes	<u>-</u>	<u>-</u>	<u>1,205,670</u>	<u>1,023,294</u>
Total Capital and Endowment Additions	<u>2,314,064</u>	<u>2,515,453</u>	<u>1,205,670</u>	<u>1,023,294</u>
Increase (Decrease) in Net Position	<u>\$ (10,080,374)</u>	<u>\$ 5,739,056</u>	<u>\$ (1,232,815)</u>	<u>\$ 3,309,161</u>

See accompanying notes to the financial statements.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2022 and 2021

	<u>University</u>				
	<u>Net Investment in Capital Assets</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2020	\$ 102,215,570	\$ 3,414,473	\$ 2,224,885	\$ 13,836,874	\$ 121,691,802
Changes in net position	<u>(5,103,584)</u>	<u>(53,084)</u>	<u>(1,000,100)</u>	<u>19,245,873</u>	<u>13,089,105</u>
Balance at June 30, 2021, as previously reported	\$ 97,111,986	\$ 3,361,389	\$ 1,224,785	\$ 33,082,747	\$ 134,780,907
Change in Accounting Principle - See Note 2	(6,757,840)	-	-	368,536	(6,389,304)
Prior period adjustment related to revenue received in advance - See Note 2	-	-	-	(482,733)	(482,733)
Prior period adjustment related to accrued workers' compensation - See Note 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>(478,012)</u>	<u>(478,012)</u>
Balance at June 30, 2021, as restated	90,354,146	3,361,389	1,224,785	32,490,538	127,430,858
Changes in net position	<u>(9,096,788)</u>	<u>(913,347)</u>	<u>92,464</u>	<u>(162,703)</u>	<u>(10,080,374)</u>
Balance at June 30, 2022	<u>\$ 81,257,358</u>	<u>\$ 2,448,042</u>	<u>\$ 1,317,249</u>	<u>\$ 32,327,835</u>	<u>\$ 117,350,484</u>
	<u>Foundation</u>				
	<u>Net Investment in Capital Assets</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2020	\$ -	\$ 2,416,608	\$ 2,901,264	\$ 6,736,904	\$ 12,054,776
Changes in net position	<u>-</u>	<u>882,858</u>	<u>528,729</u>	<u>1,897,574</u>	<u>3,309,161</u>
Balance at June 30, 2021	-	3,299,466	3,429,993	8,634,478	15,363,937
Changes in net position	<u>-</u>	<u>367,919</u>	<u>329,059</u>	<u>(1,929,793)</u>	<u>(1,232,815)</u>
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 3,667,385</u>	<u>\$ 3,759,052</u>	<u>\$ 6,704,685</u>	<u>\$ 14,131,122</u>

See accompanying notes to the financial statements.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2022</u>	<u>Restated 2021</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 27,638,593	\$ 31,337,693
Research grants and contracts	8,222,652	8,023,243
Private grants	1,265,181	1,084,638
Payments to suppliers	(23,423,419)	(16,915,331)
Payments to utilities	(3,682,233)	(3,225,072)
Payments to employees	(54,161,394)	(53,901,280)
Payments for benefits	(2,570,107)	(4,232,569)
Payments to students	(6,069,732)	(3,769,231)
Collection of loans to students	186,855	332,832
Auxiliary enterprise receipts - residential life	12,912,073	6,416,628
Receipts from sales and services of educational departments	1,283,704	480,154
Other receipts	<u>2,161,532</u>	<u>1,296,445</u>
Net Cash Applied to Operating Activities	<u>(36,236,295)</u>	<u>(33,071,850)</u>
Cash Flows from Noncapital Financing Activities:		
Federal grants	8,857,228	9,411,724
State appropriations	37,010,200	33,259,190
Tuition remitted to the Commonwealth of Massachusetts	(126,959)	(100,039)
Gifts from grants for other than capital purposes	<u>587,007</u>	<u>537,187</u>
Net Cash Provided by Noncapital Financing Activities	<u>46,327,476</u>	<u>43,108,062</u>
Cash Flows from Capital and Related Financing Activities:		
State capital appropriations	875,064	1,716,087
Perkins Loan Program funds returned to the federal government	(259,475)	(219,264)
Fees paid for bond issuance	(36,715)	-
Principal payments on lease liabilities	(2,200,119)	-
Payments for capital assets	(1,010,274)	(2,290,925)
Advance on capital improvements from service concession arrangement operator	1,200,000	-
Commission advance from service concession arrangement operator	675,000	-
Interagency principal payments	(1,059,096)	(354,209)
Interest paid on debt	(6,626,009)	(4,353,248)
Net transfers of funds (to)/from state agencies	<u>1,025,000</u>	<u>385,364</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(7,416,624)</u>	<u>(5,116,195)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of marketable securities	18,577,453	18,885,574
Purchase of marketable securities	(23,311,686)	(19,237,410)
Earnings on investments	<u>830,203</u>	<u>559,529</u>
Net Cash Provided by (Applied to) Investing Activities	<u>(3,904,030)</u>	<u>207,693</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,229,473)	5,127,710
Cash and Cash Equivalents, Beginning of Year	<u>36,667,024</u>	<u>31,539,314</u>
Cash and Cash Equivalents, End of Year	\$ <u>35,437,551</u>	\$ <u>36,667,024</u>

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2022</u>	<u>Restated</u> <u>2021</u>
Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	\$ (58,963,929)	\$ (61,240,248)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	13,529,307	13,718,898
Amortization of deferred inflows of resources	(80,000)	-
Commission advances recognized as income	(174,851)	-
Bad debt expense	265,966	267,063
Fringe benefits paid by the Commonwealth of Massachusetts	13,764,800	12,170,659
Change in net pension liability and deferred inflows and outflows for pensions	(930,524)	1,996,618
Change in net OPEB liability and deferred inflows and outflows for OPEB	(1,774,826)	89,772
Changes in assets and liabilities:		
Accounts receivable, net	(192,687)	177,100
Loans to students	186,855	332,832
Other current assets	(35,766)	273,288
Accounts payable and accrued liabilities	(2,324,452)	810,655
Accrued workers' compensation	21,358	510,109
Compensated absences	402,343	(268,532)
Faculty payroll accrual	522,286	(414,985)
Revenue received in advance	(381,251)	(1,427,553)
Deposits	(17,352)	(55,946)
Other current liabilities	<u>(53,572)</u>	<u>(11,580)</u>
Net Cash Applied to Operating Activities	<u>\$ (36,236,295)</u>	<u>\$ (33,071,850)</u>
Reconciliation of Cash and Equivalent Balances:		
Current assets:		
Cash and equivalents	\$ 19,251,071	\$ 25,538,024
Restricted cash and equivalents	650,350	982,335
Noncurrent assets:		
Restricted cash and equivalents	<u>15,536,130</u>	<u>10,146,665</u>
Total Cash and Equivalents	<u>\$ 35,437,551</u>	<u>\$ 36,667,024</u>
Schedule of Noncash Investing, Capital and Financing Activities:		
Acquisition of capital assets	\$ 1,010,274	\$ 2,325,361
Payments made by MSCBA	<u>-</u>	<u>(34,436)</u>
Payments for Capital Assets	<u>\$ 1,010,274</u>	<u>\$ 2,290,925</u>
Unrealized Gain (Loss) on Marketable Securities	<u>\$ (10,504,736)</u>	<u>\$ 12,806,547</u>
Fringe Benefits paid by the Commonwealth of Massachusetts	<u>\$ 13,764,800</u>	<u>\$ 12,170,659</u>
Deferred outflow from loss on bond refunding	<u>\$ 68,034</u>	<u>\$ 389,835</u>
Noncash change in lease liability	<u>\$ (1,372,663)</u>	<u>\$ 19,978</u>
Capital Grants - Amortization of Deferred Inflows of Resources - Service Concession Arrangements	<u>\$ 668,851</u>	<u>\$ 414,000</u>

See accompanying notes to the financial statements.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies**

Organization

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

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

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

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Organization - continued

Framingham State University Foundation Supporting Organization, Inc. (the "Foundation Supporting Organization") was organized on October 22, 2012 for the exclusive benefit of the Foundation and all of its educational and charitable activities. The Foundation Supporting Organization is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As of June 30, 2022, the Foundation Supporting Organization has not had any activity. The financial information of the Foundation Supporting Organization is consolidated into the financial statements of the Foundation. The Foundation and Foundation Supporting Organization are collectively referred to hereinafter as the "FSU Foundation".

During the year ended June 30, 2022, the FSU Foundation distributed scholarships in the amount of \$1,256,955 directly to students of the University and incurred an additional \$297,621 in support of its mission in other ways. During the year ended June 30, 2021, the FSU Foundation distributed scholarships in the amount of \$932,495 directly to students of the University and incurred an additional \$266,801 in support of its mission in other ways. Complete financial statements for the FSU Foundation can be obtained from the office of the Executive Vice President, Administration, Finance and Technology, Framingham State University, 100 State Street, P.O. Box 9101, Framingham, MA 01701-9101.

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus ("COVID-19") as a pandemic. During the year ended June 30, 2022, COVID-19 had a significant effect on the University's operations in response to government requirements and observing safety measures. During the year ended June 30, 2021, the University implemented limitations on the number of students allowed to live in dormitories, which led to decrease in dormitory revenue.

In response to the pandemic, the Federal government provided to the University Higher Education Emergency Relief Funds ("HEERF") and funds for the Strengthening Institution Program ("SIP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

COVID-19 - Continued

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The Department of Education has extended the deadline to spend the student and institutional award through June 30, 2023 and also extended the deadline to spend the SIP award through June 30, 2023. As of June 30, 2022, the University has \$2,967,937 of unspent ARPA funds, including \$509,434 of unspent SIP funds. As of June 30, 2022, the entire allocation of CARES and CRRSAA have been spent.

The University has been awarded the following HEERF funds as of June 30, 2022:

	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CARES	\$ 1,948,876	\$ 1,948,875	\$ -	\$ 3,897,751
CRRSAA	1,948,876	4,407,497	-	6,356,373
ARPA	5,680,487	5,635,244	509,434	11,825,165
Total	\$ 9,578,239	\$ 11,991,616	\$ 509,434	\$ 22,079,289

The University has recognized the following funds as non-operating Federal grants for the year ended June 30, 2022, and the cumulative total grants recognized:

	For the Year Ended June 30, 2022				For the Year Ended June 30, 2021			
	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CARES	\$ -	\$ -	\$ -	\$ -	\$ 1,527,676	\$ 1,527,675	\$ -	\$ 3,055,351
CRRSAA	-	-	-	-	1,948,876	4,407,497	-	6,356,373
ARPA	5,680,487	3,176,741	-	8,857,228	-	-	-	-
Total	\$ 5,680,487	\$ 3,176,741	\$ -	\$ 8,857,228	\$ 3,476,552	\$ 5,935,172	\$ -	\$ 9,411,724

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation

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

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

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

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

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Continued

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

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

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

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

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

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

Use of Estimates

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

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Use of Estimates - Continued

include the accrual for employee compensated absences, the accrual for workers' compensation liability, net pension and OPEB liabilities, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

Cash and Equivalents and Investments

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

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

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

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

- (i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Cash and Equivalents and Investments - Continued

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

At June 30, 2022 and 2021, the University had \$62,557 and \$59,292, respectively, in endowment income available by authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

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

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

FSU Foundation's investments include marketable debt and equity securities which are carried at their readily determinable market values. Realized and unrealized gains and losses are included in revenue. Investment income and gains are reported as increases in net assets without donor restriction unless a donor or law restricts their use. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Cash and Equivalents and Investments - Continued

FSU Foundation maintains cash and an investment pool that is available for use by all funds. Each fund's portion is reflected in the financial statements under cash and cash equivalents and investments. Earnings on cash and investments of net assets without donor restriction net position are reflected in the fund in which the assets are recorded.

Accounts Receivable

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

Loans receivable consist, primarily, of the Federal Perkins Loan Program ("Perkins"). The Federal Government provides the majority of the funds to support this program. Loan payments received from students made under the Perkins program provided by the Federal Government are refundable to the Federal Government upon the ending (liquidation) of the University's participation in the program. The amount due to the Federal Government upon liquidation is included as a noncurrent liability in the accompanying financial statements.

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

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Capital Assets

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

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

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

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

The University, in accordance with a management and services agreement between the MSCBA and the Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by the MSCBA to pay principal and interest due on its long-term debt obligations.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Capital Assets - Continued

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. There were no outstanding contract commitments as of June 30, 2022.

In accordance with generally accepted accounting principles, the FSU Foundation has elected to not record its art collection as an asset on the statements of net position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept encumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collection.

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, each year. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20% of amounts earned by those University employees with 10 or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance (see Note 9).

Student Fees

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

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Student Fees - Continued

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

Scholarship allowances and expenses for the years ended June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Federal scholarships	\$ 11,462,227	\$ 9,607,727
University scholarships	3,416,982	2,591,426
University scholarships (residential life)	388,245	274,555
Endowment scholarships	<u>115,114</u>	<u>95,842</u>
 Total	 <u>\$ 15,382,568</u>	 <u>\$ 12,569,550</u>

Revenues Received in Advance

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

Bond Premiums

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

Interest Expense and Capitalization

Interest costs on debt related to capital assets were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed during the construction period.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Pension Plan

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

OPEB Plan

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

Fringe Benefits

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

Tax Status

The University is an agency of the Commonwealth of Massachusetts and is, therefore, exempt from Federal and State income taxes.

Future Governmental Accounting Pronouncements

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. The objective of this statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligor, not to recognize the liability unless it is more likely than not that the government issuer will service the debt.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 1 - **Summary of Significant Accounting Policies - Continued**

Future Governmental Accounting Pronouncements - Continued

GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-to-use-asset and a corresponding liability would be recognized for SBITAs.

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement 101 – *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

Management has not completed its review of the requirements of these statements and their applicability.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 2 - **Prior Period Adjustments**

Implementation of Newly Effective Accounting Standard

As of July 1, 2020, the College implemented GASB 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

There was no change to net position as of July 1, 2020, upon the implementation of GASB 87, since the adjustment for the right to use assets of \$124,796,541 was completely offset by the adjustment for the lease liability. At June 30, 2020 there were no right to use assets or lease liabilities.

Correction of Previously Issued Financial Statements

Management discovered corrections of previously issued financial statements for the recognition of revenue received in advance and accrued workers' compensation calculations. These errors did not affect net position at July 1, 2020.

The prior period adjustments for the implementation of GASB 87 and the correction of the errors as of and for the year ended June 30, 2021 is as follows:

	Previously Reported	Adjustment for Leases	Revenue Received in Advance Adjustment	Accrued Workers' Compensation Adjustment	Restated
As of June 30, 2021:					
Right of use asset, net	\$ -	118,427,215	-	-	\$ 118,427,215
Accrued workers' compensation					
- current portion	\$ 78,742	-	-	35,081	\$ 113,823
Accrued workers' compensation					
- net of current portion	\$ 379,058	-	-	442,931	\$ 821,989
Revenue received in advance	\$ 981,801	-	482,733	-	\$ 1,464,534
Lease liability	\$ -	124,816,519	-	-	\$ 124,816,519
Net position	\$ 134,780,907	(6,389,304)	(482,733)	(478,012)	\$ 127,430,858
Year Ended June 30, 2021:					
Student tuition and fee revenue	\$ 41,927,145	-	(482,733)	-	\$ 41,444,412
Depreciation expense	\$ 7,349,572	6,369,326	-	-	\$ 13,718,898
Interest expense on lease liabilities payable	\$ -	6,279,152	-	-	\$ 6,279,152
Operating expenses (excluding depreciation)	\$ 100,134,426	(3,145,887)	-	478,012	\$ 97,466,551
Other non-operating revenue	\$ -	3,113,287	-	-	\$ 3,113,287

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments**

Cash and equivalents - unrestricted and restricted - include the following at June 30, 2022 and 2021:

	2022		
	<u>Current</u>	<u>Current</u>	<u>Noncurrent</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>
Cash and money market accounts*	\$ 15,097,138	\$ 650,350	\$ 12,931,678
Massachusetts State Treasurer**	4,153,933	-	1,227,036
Cash and equivalents held by MSCBA***	-	-	1,377,416
Total	<u>\$ 19,251,071</u>	<u>\$ 650,350</u>	<u>\$ 15,536,130</u>
	2021		
	<u>Current</u>	<u>Current</u>	<u>Noncurrent</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>
Cash and money market accounts*	\$ 21,552,719	\$ 982,335	\$ 8,372,161
Massachusetts State Treasurer**	2,985,305	-	1,320,566
Cash and equivalents held by MSCBA***	-	-	1,453,938
Total	<u>\$ 24,538,024</u>	<u>\$ 982,335</u>	<u>\$ 11,146,665</u>

* This amount includes cash and equivalents held at MMDT in the amounts of \$17,660,937 and \$17,849,555 at June 30, 2022 and 2021, respectively.

** This amount is held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$3,640,553 and \$2,241,668 at June 30, 2022 and 2021, respectively, for University funds. In addition, the University has recorded cash held for the benefit of the University by the Massachusetts State Treasurer in the amounts of \$1,740,416 and \$2,064,203 at June 30, 2022 and 2021, respectively, to pay year-end liabilities. The latter balances represent amounts paid from State appropriations subsequent to the fiscal year-end.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

*** This amount consists of cash and equivalents which are restricted by the Massachusetts State College Building Authority (“MSCBA”) for the funding of certain construction projects at the University and payments to retire bonds (see Note 12). The University does not have access to these funds except by the authorization of MSCBA. In fiscal year 2021, a portion of the funds were used by MSCBA as debt service due to the ongoing COVID-19 pandemic. Interest earned on debt service reserve funds is used on a current basis to offset annual debt service payments.

Investments held with the Commonwealth’s State Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust (“MMDT”) are reported at amortized cost. The MMDT is an investment pool for political subdivisions in the Commonwealth that was designed as a legal means to safely invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high-quality money market instruments. The MMDT, an instrumentality of the State Treasurer, is not a bank, savings institution, or financial institution, and is not subject to FDIC insurance. MMDT operates as a qualifying external investment pool and is valued by MMDT’s management on an amortized cost where the net asset value is \$1 per share.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. The cash balances at each banking institution are insured by the FDIC up to \$250,000. At June 30, 2022 and 2021, the University had uninsured bank balances totaling approximately \$10,741,000 and

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Custodial Credit Risk - Continued

\$12,787,000, respectively. As of June 30, 2022 and 2021, the University's uninsured bank balances of \$10,741,000 and \$12,787,000, respectively, are fully collateralized under an agreement with Bank of America.

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

FSU Foundation's cash balances are insured by the FDIC up to \$250,000. At June 30, 2022 and 2021, FSU Foundation had uninsured cash and cash equivalent balances of \$384,766 and \$162,232, respectively.

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

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

	<u>2022</u>	<u>2021</u>
U.S. Treasury notes and government securities	\$ 5,633,326	\$ 4,794,756
Corporate debt securities	2,875,160	2,694,998
Equity securities	19,774,554	19,851,325
Money market funds	578,687	717,055
Mutual funds	12,667,751	14,615,955
Commonfund (pooled investment funds)	<u>18,222,780</u>	<u>20,249,012</u>
	<u>59,752,258</u>	<u>62,923,101</u>
Less: insured amounts	<u>500,000</u>	<u>500,000</u>
Total Subject to Custodial Credit Risk	<u>\$ 59,252,258</u>	<u>\$ 62,423,101</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk

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

As of June 30, 2022 and 2021, the fair values of the University's deposits held at the MMDT were \$17,660,937 and \$17,849,555, respectively. At June 30, 2022, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 73% at 30 days or less; 21% at 31-90 days; 4% at 91-180 days; and 2% at 181 days or more. At June 30, 2022 and 2021, 100% of the MMDT's cash portfolio had a First-Tier credit quality rating.

The University's funds held at MSCBA are invested in various cash accounts which are fully collateralized by securities in the name of MSCBA and various marketable securities. The University's MSCBA funds held were \$1,377,416 and \$1,453,938 at June 30, 2022 and 2021, respectively.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk - continued

The University's investments in marketable securities are represented by the following at June 30, 2022 and 2021:

	2022		2021	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury notes and government securities	\$ 6,104,574	\$ 5,633,326	\$ 4,695,245	\$ 4,794,756
Corporate debt securities	3,055,839	2,875,160	2,628,097	2,694,998
Equity securities	14,552,622	19,774,554	9,947,985	19,851,325
Money market funds	578,687	578,687	717,055	717,055
Mutual funds	13,110,380	12,667,751	12,030,529	14,615,955
Commonfund (pooled investment funds):				
Multi-Strategy Bond Fund	1,097,254	1,134,706	1,100,949	1,270,602
Intermediate Term Fund	2,136,750	2,022,139	2,139,868	2,101,003
Equity Index Fund	<u>5,760,895</u>	<u>15,065,935</u>	<u>5,767,889</u>	<u>16,877,407</u>
Total	<u>\$ 46,397,001</u>	<u>\$ 59,752,258</u>	<u>\$ 39,027,617</u>	<u>\$ 62,923,101</u>

The University's investment balances as of June 30, 2022 and 2021 include \$37,695,288 and \$38,538,513, respectively, which represent unrestricted net position designated by the Board of Trustees (see Note 16). These amounts consist of an original designated investment of \$13,500,000 plus accumulated investment income earned thereon. No additional investments were designated in fiscal years 2022 and 2021.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - Cash and Equivalents, and Investments - Continued

Credit Risk - continued

At June 30, 2022, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Notes and Government Securities	\$ 5,633,326	\$ 429,785	\$ 1,431,645	\$ 3,771,896	\$ -
Corporate Debt Securities	<u>2,875,160</u>	<u>156,505</u>	<u>2,019,265</u>	<u>699,390</u>	<u>-</u>
Total	\$ 8,508,486	\$ 586,290	\$ 3,450,910	\$ 4,471,286	\$ -

Investment Type	Fair Value	Credit Rating											
		AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	NR	
U.S. Treasury Notes and Government Securities	\$ 5,633,326	\$ 5,633,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Debt Securities	<u>2,875,160</u>	<u>-</u>	<u>219,903</u>	<u>-</u>	<u>112,756</u>	<u>360,987</u>	<u>346,682</u>	<u>522,657</u>	<u>988,691</u>	<u>279,524</u>	<u>43,960</u>	<u>-</u>	<u>-</u>
Total	\$ 8,508,486	\$ 5,633,326	\$ 219,903	\$ -	\$ 112,756	\$ 360,987	\$ 346,682	\$ 522,657	\$ 988,691	\$ 279,524	\$ 43,960	\$ -	\$ -

At June 30, 2021, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Notes and Government Securities	\$ 4,794,756	\$ 253,160	\$ 1,336,404	\$ 3,205,192	\$ -
Corporate Debt Securities	<u>2,694,998</u>	<u>-</u>	<u>1,663,348</u>	<u>1,031,650</u>	<u>-</u>
Total	\$ 7,489,754	\$ 253,160	\$ 2,999,752	\$ 4,236,842	\$ -

Investment Type	Fair Value	Credit Rating											
		AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	NR	
U.S. Treasury Notes and Government Securities	\$ 4,794,756	\$ 4,794,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Debt Securities	<u>2,694,998</u>	<u>-</u>	<u>210,842</u>	<u>-</u>	<u>140,176</u>	<u>233,030</u>	<u>192,297</u>	<u>997,831</u>	<u>627,508</u>	<u>261,546</u>	<u>31,768</u>	<u>-</u>	<u>-</u>
Total	\$ 7,489,754	\$ 4,794,756	\$ 210,842	\$ -	\$ 140,176	\$ 233,030	\$ 192,297	\$ 997,831	\$ 627,508	\$ 261,546	\$ 31,768	\$ -	\$ -

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - Cash and Equivalents, and Investments - Continued

Credit Risk - continued

The following is a summary of the funds included within cash and equivalents and investments:

Type of Cash Equivalent or Investment	Fund Name	Investment Value		Investment Description	Investment Objective	Weighted Average Maturity		Effective Duration		Average Credit Quality Rating	
		2022	2021			2022	2021	2022	2021	2022	2021
Money market funds	State Street Institutional U.S. Government Money Market	\$ 121,176	\$ 484,477	Invests in U.S. Government securities and securities issued by the Government National Mortgage Association ("GNMA")	Maximize current income consistent with the preservation of capital and liquidity, and the maintenance of a stable \$1.00 per share net asset value	16 days	23 days	N/A	N/A	AAAm	AAAm
Money market funds	First American Government Obligation Fund	\$ 457,511	\$ 232,578	Invests primarily in U.S. Government securities and repurchase agreements collateralized by such obligations	Maximize current income and daily liquidity	7 days	18 days	N/A	N/A	AAAm	AAAm
Mutual funds	MMDT Short Term Bond Portfolio	\$ 2,310,651	\$ 2,269,876	Invests in a diversified portfolio of investment-grade, short-term, fixed-income securities	Generate long-term performance exceeding the Barclays 1-5 Year Government/Credit Bond Index	2.7 years	2.6 years	2.5 years	2.3 years	AAA	AAA
Pooled investment funds	Commonfund Intermediate Term Fund	\$ 2,022,139	\$ 2,101,003	Invests in high-quality fixed-income securities with maturities generally ranging from 1-3 years. The fund may, however, invest in high-quality fixed-income securities with maturities ranging from one day to 30 years.	Exceed the performance of the Merrill Lynch 1-3 Year Treasury Index	2.6 years	2.1 years	2.0 years	1.5 years	AA	AA
Pooled investment funds	Commonfund Multi-Strategy Bond Fund	\$ 1,134,706	\$ 1,270,602	Invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed-income portfolio. The majority of the fund's assets are invested in traditional core strategies with diversification achieved through exposure to global bonds, inflation-indexed bonds, high yield bonds, private debt and other credit-oriented strategies and relative value/absolute return strategies.	Exceed the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index	N/A	N/A	6.6 years	6.4 years	A+	A+
Pooled investment funds	Commonfund Equity Fund	\$ 15,065,935	\$ 16,877,407	Invests in equity securities across strategies in proportions that are considered to be optimal for a fully diversified equity portfolio.	Replicate the returns of the S&P 500 Index	N/A	N/A	N/A	N/A	N/A	N/A

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk - continued

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

FSU Foundation's investments are included at their fair values and consist of the following at June 30, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Notes and Government Securities	\$ 1,474,924	\$ 1,350,124	\$ 1,148,961	\$ 1,167,832
Corporate debt securities	565,359	530,190	490,695	513,341
Equity securities	3,760,090	5,508,660	2,967,855	5,735,737
Money market funds	326,569	326,569	168,324	168,323
Mutual funds	<u>5,421,083</u>	<u>5,322,580</u>	<u>5,441,578</u>	<u>6,809,589</u>
Total	<u>\$ 11,548,025</u>	<u>\$ 13,038,123</u>	<u>\$ 10,217,413</u>	<u>\$ 14,394,822</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk - continued

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

	<u>2022</u>	<u>2021</u>
Current Assets:		
Investments	\$ 9,279,071	\$ 10,964,829
Noncurrent Assets:		
Endowment investments	<u>3,759,052</u>	<u>3,429,993</u>
Total	<u>\$ 13,038,123</u>	<u>\$ 14,394,822</u>

At June 30, 2022, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>	
U.S. Treasury Notes and Government Securities	\$ 1,350,124	\$ 73,142	\$ 119,992	\$ 1,152,939	\$ 4,051	AAA
Corporate Debt Securities	<u>530,190</u>	<u>127,520</u>	<u>217,133</u>	<u>185,537</u>	<u>-</u>	Varies
Total	<u>\$ 1,880,314</u>	<u>\$ 200,662</u>	<u>\$ 337,125</u>	<u>\$ 1,338,476</u>	<u>\$ 4,051</u>	

At June 30, 2021, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>	
U.S. Treasury Notes and Government Securities	\$ 1,167,832	\$ -	\$ 152,750	\$ 1,008,918	\$ 6,164	AAA
Corporate Debt Securities	<u>513,341</u>	<u>-</u>	<u>267,169</u>	<u>246,172</u>	<u>-</u>	Varies
Total	<u>\$ 1,681,173</u>	<u>\$ -</u>	<u>\$ 419,919</u>	<u>\$ 1,255,090</u>	<u>\$ 6,164</u>	

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk - continued

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

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

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

- Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

- Level 3 Unobservable inputs that are not corroborated by observable market data.

Mutual funds, money market funds, and equity securities are valued at daily closing prices as reported by the fund. These investments are classified as Level 1 and are deemed to be actively traded. Corporate bonds are valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager. Corporate bonds are classified as Level 2. U.S. Treasury notes and government securities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs and classified as Level 2. The Multi-Strategy Bond Fund, the Intermediate Fund, and the Equity Index Fund are valued at the net asset value ("NAV") of the shares held at fiscal year-end.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk - continued

As a practical expedient to estimate the fair value of the University's interests, certain investments in commingled funds are reported at the net asset value ("NAV") determined by the fund managers. Because these investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, and such differences could be material. As of June 30, 2022 and 2021, the University had no plans or intentions to sell such investments as amounts different from NAV.

The University's investments at fair value measurement are as follows at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
U.S. Treasury Notes and				
Government Securities	\$ -	\$ 5,633,326	\$ -	\$ 5,633,326
Corporate Debt Securities	-	2,875,160	-	2,875,160
Equity Securities	19,774,554	-	-	19,774,554
Money Market Funds	578,687	-	-	578,687
Mutual Funds	<u>12,667,751</u>	<u>-</u>	<u>-</u>	<u>12,667,751</u>
	<u>\$ 33,020,992</u>	<u>\$ 8,508,486</u>	<u>\$ -</u>	<u>41,529,478</u>
Investments measured at the net asset value ("NAV"):				
Multi-Strategy Bond Fund				1,134,706
Intermediate Term Fund				2,022,139
Equity Index Fund				<u>15,065,935</u>
Total Investments Measured at the NAV				<u>18,222,780</u>
Total Investments Measured at Fair Value				<u>\$ 59,752,258</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk - continued

The University's investments at fair value measurement are as follows at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
U.S. Treasury Notes and Government Securities	\$ -	\$ 4,794,756	\$ -	\$ 4,794,756
Corporate Debt Securities	-	2,694,998	-	2,694,998
Equity Securities	19,851,325	-	-	19,851,325
Money Market Funds	717,055	-	-	717,055
Mutual Funds	<u>14,615,955</u>	<u>-</u>	<u>-</u>	<u>14,615,955</u>
	<u>\$ 35,184,335</u>	<u>\$ 7,489,754</u>	<u>\$ -</u>	<u>42,674,089</u>
Investments measured at the net asset value ("NAV"):				
Multi-Strategy Bond Fund				1,270,602
Intermediate Term Fund				2,101,003
Equity Index Fund				<u>16,877,407</u>
Total Investments Measured at the NAV				<u>20,249,012</u>
Total Investments Measured at Fair Value				<u>\$ 62,923,101</u>

The University's investments measured at the net asset value ("NAV") are as follows at June 30, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible</u>	<u>Redemption Notice Period</u>
Commonfund (pooled investment funds):				
Multi-Strategy Bond Fund	\$ 1,134,706	\$ -	Monthly	5 days
Intermediate Term Fund	2,022,139	-	Monthly	5 days
Equity Index Fund	<u>15,065,935</u>	<u>-</u>	Daily	Daily by 3 p.m. EST
Total Investments Measured at the NAV	<u>\$ 18,222,780</u>	<u>\$ -</u>		

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

Credit Risk - continued

The University's investments measured at the net asset value ("NAV") are as follows at June 30, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible</u>	<u>Redemption Notice Period</u>
Commonfund (pooled investment funds):				
Multi-Strategy Bond Fund	\$ 1,270,602	\$ -	Monthly	5 days
Intermediate Term Fund	2,101,003	-	Monthly	5 days
Equity Index Fund	<u>16,877,407</u>	<u>-</u>	Daily	Daily by 3 p.m. EST
Total Investments Measured at the NAV	<u>\$ 20,249,012</u>	<u>\$ -</u>		

FSU Foundation Credit Risk

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Mutual funds and money market accounts are valued at the net asset value ("NAV") of the shares held at fiscal year-end, which are traded daily. U.S. Treasury notes and government securities, corporate debt securities, and municipal securities are valued at their quoted prices from the markets in which they are traded. Equity securities are valued at daily closing prices.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Cash and Equivalents, and Investments - Continued**

FSU Foundation Credit Risk - continued

FSU Foundation's investments at fair value measurement are as follows at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes and Government Securities	\$ 1,297,788	\$ 52,336	\$ -	\$ 1,350,124
Corporate Debt Securities	-	530,190	-	530,190
Equity Securities	5,508,660	-	-	5,508,660
Money Market Funds	326,569	-	-	326,569
Mutual Funds	<u>-</u>	<u>5,322,580</u>	<u>-</u>	<u>5,322,580</u>
 Total Investments Measured at Fair Value	 <u>\$ 7,133,017</u>	 <u>\$ 5,905,106</u>	 <u>\$ -</u>	 <u>\$ 13,038,123</u>

FSU Foundation's investments at fair value measurement are as follows at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes and Government Securities	\$ 1,112,944	\$ 54,888	\$ -	\$ 1,167,832
Corporate Debt Securities	-	513,341	-	513,341
Equity Securities	5,735,737	-	-	5,735,737
Money Market Funds	168,323	-	-	168,323
Mutual Funds	<u>-</u>	<u>6,809,589</u>	<u>-</u>	<u>6,809,589</u>
 Total Investments Measured at Fair Value	 <u>\$ 7,017,004</u>	 <u>\$ 7,377,818</u>	 <u>\$ -</u>	 <u>\$ 14,394,822</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 4 - **Accounts Receivable**

The University's accounts receivable includes the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Student accounts receivable	\$ 3,913,627	\$ 5,413,754
Grants receivable	477,213	105,790
Parking fines receivable	360,071	322,196
Commissions receivable	-	8,392
Due from Warren Center	-	6,489
Due from the FSU Foundation	<u>177,460</u>	<u>5,679</u>
	4,928,371	5,862,300
Less: allowance for doubtful accounts	<u>(1,518,657)</u>	<u>(2,379,307)</u>
 Total	 <u>\$ 3,409,714</u>	 <u>\$ 3,482,993</u>

The FSU Foundation has an offsetting payable to the University in the amount of \$177,460 and \$5,879 at June 30, 2022 and 2021, respectively. This balance is recorded within the FSU Foundation's accounts payable and accrued liabilities line on the accompanying Statements of Net Position.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Loans Receivable and Payable**

Loans receivable and payable consist entirely of the Federal Perkins Loan Program (“Perkins”). The Federal Government originally provided the majority of the funds to support these programs. The portion of the Perkins Programs provided by the Federal Government is refundable to the Federal Government upon the ending (“liquidation”) of the University’s participation in the programs. The amounts due to the Federal Government upon liquidation by the University are \$1,053,252 and \$1,312,727 at June 30, 2022 and 2021, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

The federal law authorizing the disbursement of Perkins loans expired on September 30, 2017. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to undergraduate students. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to graduate students who received them prior to October 1, 2016.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 6 - **Capital Assets**

Capital assets activity of the University for the year ended June 30, 2022 is as follows:

	(Restated) Totals <u>June 30, 2021</u>	<u>Additions</u>	Reclassification* and <u>Reductions</u>	Totals <u>June 30, 2022</u>
Capital Assets:				
Non-Depreciable Capital Assets:				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	<u>309,313</u>	<u>960,259</u>	<u>(1,029,260)</u>	<u>240,312</u>
Total Non-Depreciable Assets	<u>3,510,528</u>	<u>960,259</u>	<u>(1,029,260)</u>	<u>3,441,527</u>
Depreciable Capital Assets:				
Land improvements	11,135,315	-	-	11,135,315
Buildings	112,006,448	-	-	112,006,448
Building improvements	88,281,104	-	1,029,260	89,310,364
Equipment	7,476,991	50,015	-	7,527,006
Leased equipment	126,235	-	-	126,235
Leased real estate	<u>124,670,306</u>	<u>-</u>	<u>-</u>	<u>124,670,306</u>
Total Depreciable Assets	<u>343,696,399</u>	<u>50,015</u>	<u>1,029,260</u>	<u>344,775,674</u>
Total Capital Assets	<u>347,206,927</u>	<u>1,010,274</u>	<u>-</u>	<u>348,217,201</u>
Less: accumulated depreciation				
Land improvements	5,618,609	482,644	-	6,101,253
Buildings	39,680,611	2,182,975	-	41,863,586
Building improvements	44,336,109	4,217,805	-	48,553,914
Equipment	7,014,430	242,240	-	7,256,670
Leased equipment	36,067	36,067	-	72,134
Leased real estate	<u>6,333,259</u>	<u>6,367,576</u>	<u>-</u>	<u>12,700,835</u>
Total Accumulated Depreciation	<u>103,019,085</u>	<u>13,529,307</u>	<u>-</u>	<u>116,548,392</u>
Capital Assets, Net	<u>\$ 244,187,842</u>	<u>\$ (12,519,033)</u>	<u>\$ -</u>	<u>\$ 231,668,809</u>

* At June 30, 2022, construction costs incurred for the University's various facility improvements were included in construction in progress and subsequently transferred to capital asset additions upon completion during the year ended June 30, 2022.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 6 - **Capital Assets - Continued**

Capital assets activity of the University for the year ended June 30, 2021 is as follows:

	(Restated) Totals <u>June 30, 2020</u>	<u>Additions</u>	Reclassification* and <u>Reductions</u>	(Restated) Totals <u>June 30, 2021</u>
Capital Assets:				
Non-Depreciable Capital Assets:				
Land	\$ 3,201,215	\$ -	\$ -	\$ 3,201,215
Construction in progress	<u>2,558,644</u>	<u>2,325,361</u>	<u>(4,574,692)</u>	<u>309,313</u>
Total Non-Depreciable Assets	<u>5,759,859</u>	<u>2,325,361</u>	<u>(4,574,692)</u>	<u>3,510,528</u>
Depreciable Capital Assets:				
Land improvements	11,135,315	-	-	11,135,315
Buildings	112,006,448	-	-	112,006,448
Building improvements	83,706,412	-	4,574,692	88,281,104
Equipment	7,476,991	-	-	7,476,991
Leased equipment	126,235	-	-	126,235
Leased real estate	<u>124,670,306</u>	<u>-</u>	<u>-</u>	<u>124,670,306</u>
Total Depreciable Assets	<u>339,121,707</u>	<u>-</u>	<u>4,574,692</u>	<u>343,696,399</u>
Total Capital Assets	<u>344,881,566</u>	<u>2,325,361</u>	<u>-</u>	<u>347,206,927</u>
Less: accumulated depreciation				
Land improvements	5,125,022	493,587	-	5,618,609
Buildings	37,497,636	2,182,975	-	39,680,611
Building improvements	40,165,156	4,170,953	-	44,336,109
Equipment	6,512,373	502,057	-	7,014,430
Leased equipment	-	36,067	-	36,067
Leased real estate	<u>-</u>	<u>6,333,259</u>	<u>-</u>	<u>6,333,259</u>
Total Accumulated Depreciation	<u>89,300,187</u>	<u>13,718,898</u>	<u>-</u>	<u>103,019,085</u>
Capital Assets, Net	<u>\$ 255,581,379</u>	<u>\$ (11,393,537)</u>	<u>\$ -</u>	<u>\$ 244,187,842</u>

* At June 30, 2021, construction costs incurred for the University's various facility improvements were included in construction in progress and subsequently transferred to capital asset additions upon completion during the year ended June 30, 2021.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 6 - **Capital Assets - Continued**

The University has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the University's financial statements for the years ended June 30, 2022 and 2021.

Note 7 - **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities include the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accounts payable - trade	\$ 702,314	\$ 1,432,507
Salaries and fringe benefits payable	<u>2,131,110</u>	<u>3,725,369</u>
	<u>\$ 2,833,424</u>	<u>\$ 5,157,876</u>

Note 8 - **Accrued Workers' Compensation**

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth's self-insured workers' compensation program were conducted as of June 30, 2022 and 2021. Based upon the Commonwealth's analyses, \$957,170 and \$935,812 (restated) of accrued workers' compensation has been recorded as a liability at June 30, 2022 and 2021, respectively.

Note 9 - **Accrued Compensated Absences**

Accrued compensated absences are comprised of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Vacation time payable	\$ 3,575,580	\$ 3,430,472
Sick time payable	<u>2,905,809</u>	<u>2,648,574</u>
	<u>\$ 6,481,389</u>	<u>\$ 6,079,046</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 10 - **Faculty Payroll Accrual**

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Framingham State University pay all faculty over the 12-month period from September through August. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's State appropriation. The total amount due at June 30, 2022 of \$3,976,173 will be paid from the University's fiscal 2021 State appropriations. The total amount due at June 30, 2021 of \$3,453,887 was paid from the University's fiscal 2022 State appropriations.

Note 11 - **Deferred Inflows of Resources from Service Concession Arrangement**

In September 2017, the University entered into a service concession arrangement with Sodexo, effective July 1, 2017 for a term of five years through June 30, 2022 with an option to extend the arrangement for five additional one-year periods upon mutual agreement of the parties. The new arrangement supersedes the previous arrangement and has been amended several times thereafter to modify its terms and the additional payments to the University for investments in improvements in or at the University as mutually agreed upon by the parties. Commencing on June 30, 2019, provided that the agreement remains in effect, the arrangement provided for payments to the University totaling \$280,000 to be made in four installments of \$70,000 per year for fiscal years 2019 through 2022. The University received the first payment during the year ended June 30, 2019 and the second payment during the year ended June 30, 2020. Based on amendments to the arrangement in fiscal years 2021 and 2022, the contributions were not made in those years. The latest amendment provides for additional payments to the University totaling \$280,000 to be made in four installments of \$70,000 per year for fiscal years 2024 through 2027. In addition, Sodexo is to pay the University a partnership bonus of \$300,000 in fiscal years 2025, 2026, and 2027 as described in the arrangement.

In addition, Sodexo paid the University a Partnership bonus of \$300,000 in October 2017 that is to be used at the discretion of the University. Sodexo agreed to pay the University specified percentages of 2.75% to 10% of specified sales receipts from the food services operation and various other contributions totaling \$41,500 per year as more fully described in the arrangement.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 11 - **Deferred Inflows of Resources from Service Concession Arrangement - Continued**

As a part of the arrangement, Sodexo provided an investment in two installments in the total amount of \$2,880,000 for improvements to the dining services facility, including the purchase of equipment. The University received the first installment of \$500,000 in October 2017. The University received the second installment of \$2,380,000, which was comprised of \$2,025,000 received in February 2018, and equipment purchased directly by Sodexo in the amount of \$355,000. Sodexo will amortize the investment over a period defined in the arrangement. All improvements and equipment purchased with the payments received from Sodexo shall remain the property of the University. The arrangement may be terminated by either party at any time, without cause, in accordance with the terms of the arrangement and per the Commonwealth of Massachusetts Standard Terms and Conditions.

The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of any payments made to the University by Sodexo. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by Sodexo. The amortization schedules assume that all funds will be received from Sodexo. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

Deferred inflows of resources from this service concession arrangement amounted to \$930,000 and \$1,344,000 at June 30, 2022 and 2021, respectively, which consists of the unamortized balances of the service concession arrangement with Sodexo. The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amount of \$414,000 has been recognized in capital grant revenue in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021.

The University reports the carrying value of the capital assets relating to the service concession arrangements of approximately \$2,448,000 and \$2,592,000 at June 30, 2022 and 2021, respectively. Depreciation on these capital assets amounted to \$144,000 for the years ended June 30, 2022 and 2021.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 11 - **Deferred Inflows of Resources from Service Concession Arrangement - Continued**

In February 2022, the University entered into a service concession arrangement with FLIK International Corp. (“FLIK”), effective April 1, 2022 for a term of 15 years through March 31, 2037 with an option to extend the arrangement for an additional one-year period upon mutual agreement of the parties. Commencing on April 1, 2022, provided that the agreement remains in effect, the arrangement provides for quarterly commission payments to the University. These payments shall be made to the University by FLIK International Corp. in quarterly installments based on 13% of top line revenue on all sales excluding the clubhouse, plus an additional 1% of top line revenue for clubhouse sales through 2036. In addition, FLIK International Corp. paid the University a first year commission guarantee of \$675,000 in April 2022. The commission guarantee will be reconciled quarterly against actual commissions due through March 2023.

As a part of the arrangement, FLIK will provide a capital investment in four installments in the total amount of \$4,600,000 for improvements to various sections of the Warren Conference Center. The University received the first installment of \$1,200,000 in April 2022. The University will receive the second installment of \$1,700,000 in fiscal year 2023, the third installment of \$1,200,000 in fiscal year 2024, and the final installment of \$500,000 in fiscal year 2033. All improvements and equipment purchased with the payments received from FLIK shall remain the property of the University. The arrangement may be terminated by either party at any time, without cause, in accordance with the terms of the arrangement and per the Commonwealth of Massachusetts Standard Terms and Conditions.

The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of any payments made to the University by FLIK International Corp. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by FLIK International Corp. The amortization schedules assume that all funds will be received from FLIK International Corp. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 11 - Deferred Inflows of Resources from Service Concession Arrangement - Continued

Deferred inflows of resources from this service concession arrangement amounts to \$1,620,149 at June 30, 2022, which consists of the unamortized balances of the capital investments with FLIK International Corp, which totals \$1,120,000, as well as the unused portion of the commission guarantee as of June 30, 2022, which totals \$500,149. There were no deferred inflows of resources from this service concession arrangement at June 30, 2021. The deferred inflow of resources from the capital investment is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amount of \$80,000 has been recognized in capital grant revenue in the accompanying statements of revenues and expenses for the year ended June 30, 2022. The deferred inflow of resources from the commission guarantee is being recognized quarterly based on sales. Under the arrangement, the University recognized commission income of \$174,851 during the year ended June 30, 2022. No commission income related to this arrangement was recognized during the year ended June 30, 2021.

Note 12 - Interagency Payables

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

The following table summarizes the University's Interagency payables as of June 30, 2022:

	<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rates (%)</u>	<u>Due Date</u>	<u>Effective Interest Rates (%)*</u>	<u>Interagency Payable Balance</u>	<u>Unamortized Bond Premiums</u>	<u>Total Interagency Payable</u>
MSCBA Series 2010B	12/17/2010	\$ 11,095,000	4.89-6.54	5/1/2035	6.35	\$ 11,095,000	\$ -	\$ 11,095,000
DCAMM CEIP Funds-Phase I	7/1/2011	373,537	4.50	1/1/2032	4.67	227,223	-	227,223
DCAMM CEIP Funds-Phase II	7/1/2011	3,711,166	4.00	1/1/2027	4.33	1,485,962	-	1,485,962
MSCBA Series 2011A	5/25/2011	447,000	2.00-5.00	5/1/2025	5.37	242,784	19,251	262,035
MSCBA Series 2014A	1/1/2014	3,185,000	2.00-5.00	5/1/2025	5.36	490,000	21,530	511,530
MSCBA Series 2014C	12/1/2014	680,000	3.00-5.00	5/1/2034	5.07	505,000	61,464	566,464
MSCBA Series 2016A	2/25/2016	5,311,000	4.00-5.00	5/1/2029	4.12	3,408,839	348,730	3,757,569
MSCBA Series 2019A	1/15/2019	1,225,000	3.00-5.00	5/1/2039	3.91	1,110,000	65,405	1,175,405
MSCBA Series 2019C	1/15/2019	8,683,000	3.00-5.00	5/1/2033	2.24	3,675,124	-	3,675,124
MSCBA Series 2020A	7/1/2020	4,162,277	3.00-5.00	5/1/2039	2.05	4,162,277	-	4,162,277
MSCBA Series 2022A	7/1/2021	<u>2,073,320</u>	5.00	5/1/2032	0.00	<u>2,073,320</u>	<u>444,431</u>	<u>2,517,751</u>
		<u>\$ 40,946,300</u>				<u>\$ 28,475,529</u>	<u>\$ 960,811</u>	<u>\$ 29,436,340</u>

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - Interagency Payables - Continued

The following table summarizes the University's Interagency payables as of June 30, 2021:

	<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rates (%)</u>	<u>Due Date</u>	<u>Effective Interest Rates (%)*</u>	<u>Interagency Payable Balance</u>	<u>Unamortized Bond Premiums</u>	<u>Total Interagency Payable</u>
MSCBA Series 2010B	12/17/2010	\$ 11,095,000	4.89-6.54	5/1/2035	6.35	\$ 11,095,000	\$ -	\$ 11,095,000
DCAMM CEIP Funds-Phase I	7/1/2011	373,537	4.50	1/1/2032	4.81	244,918	-	244,918
DCAMM CEIP Funds-Phase II	7/1/2011	3,711,166	4.00	1/1/2027	4.58	1,749,758	-	1,749,758
MSCBA Series 2011A	5/25/2011	447,000	2.00-5.00	5/1/2025	5.00	281,252	30,399	311,651
MSCBA Series 2012B	3/1/2012	725,000	3.00-5.00	5/1/2022	5.00	275,504	18,676	294,180
MSCBA Series 2012C	12/1/2012	4,155,000	2.00-5.00	5/1/2032	2.88	2,664,905	79,715	2,744,620
MSCBA Series 2014A	1/1/2014	3,185,000	2.00-5.00	5/1/2033	5.00	565,000	33,755	598,755
MSCBA Series 2014C	12/1/2014	680,000	3.00-5.00	5/1/2034	5.00	519,831	70,401	590,232
MSCBA Series 2016A	2/25/2016	5,311,000	4.00-5.00	5/1/2029	4.00	3,620,358	438,985	4,059,343
MSCBA Series 2019A	1/15/2019	1,225,000	3.00-5.00	5/1/2039	3.87	1,132,500	72,845	1,205,345
MSCBA Series 2019C	1/15/2019	8,683,000	3.00-5.00	5/1/2039	1.47	3,705,002	-	3,705,002
MSCBA Series 2020A	7/1/2020	<u>4,162,277</u>	3.00-5.00	5/1/2039	1.71	<u>4,162,277</u>	<u>-</u>	<u>4,162,277</u>
		<u>\$ 43,752,980</u>				<u>\$ 30,016,305</u>	<u>\$ 744,776</u>	<u>\$ 30,761,081</u>

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

MSCBA 2022A Bond Issuance

On July 1, 2021, the University's MSCBA Series 2012C bonds were refunded as part of the MSCBA's Refunding Revenue Bonds Series 2022A. The purpose of the issuance was to provide budgetary relief to the University. This was non-cash transaction to restructure the University's debt schedule and interest payments and resulted in an economic loss of \$409,745 and deferred gain on refunding of \$68,034. Through its agreement with MSCBA, the University repays this debt in semi-annual installments, starting on November 1, 2022 and ending on May 1, 2032, at an annual variable rate of 5.00%. A debt service fund is not required under this financing arrangement.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

MSCBA 2020A Bond Issuance

On July 1, 2020, the University's MSCBA Series 2019A, 2019C, 2016A, 2014C, 2014A, 2012B, 2012C, and 2011A bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the University. This was non-cash transaction to restructure the University's debt schedule and interest payments for several existing bond series resulting in an economic loss of \$1,244,120 and deferred loss on refunding of \$389,835. Through its agreement with MSCBA, the University repays this debt in semi-annual installments, starting on November 1, 2020 and ending on May 1, 2039, at an annual variable rate ranging from 1.044% to 2.972%. A debt service fund is not required under this financing arrangement.

MSCBA Series 2010B Bond Issuance

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

As of June 30, 2022 and 2021, MSCBA held debt service reserve funds in the amount of \$715,805, which are included in the accompanying statements of net position at June 30, 2022 and 2021, as noncurrent restricted cash and equivalents. Funds from the debt service reserve fund are scheduled to be released periodically in future years to assist with assessment payments. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. During fiscal year 2021, MSCBA used a portion of the debt service reserve funds to cover the fall assessment.

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

DCAMM Clean Energy Investment Program

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

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

MSCBA 2011A Bond Issuance

During May 2011, the refunding series 2011A Bonds refunded portions of the University's Series 2003A Bonds. The original funds from the 2003A Bonds, net of bond issue costs, were used during fiscal year 2004 for improvements to athletic fields and a new parking lot. Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting on May 1, 2011 and ending on May 1, 2025, at an annual variable rate ranging from 2.00% to 5.00%. A debt service fund is not required under this financing arrangement.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

MSCBA 2012B Bond Issuance

During March 2012, the refunding series 2012B Bonds refunded portions of the University's Series 2003A, 2005A, and 2006A Bonds. The original funds from the 2003A Bonds, net of bond issue costs and debt service reserve funds, were used during fiscal year 2004 for improvements to athletic fields and a new parking lot. The original funds from the 2005A Bonds and the 2006A Bonds, net of bond issue costs, reoffering premiums, and debt service reserve funds, were used in prior fiscal years for the renovation of the McCarthy Center (the "Project") at the University. Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting on May 1, 2012 and ending on May 1, 2022, at an annual variable rate ranging from 2.00% to 5.00%. The University repaid this bond in full during fiscal year 2022.

As of June 30, 2022 and 2021, MSCBA held debt service reserve funds in the amount of \$199,284, which are included in the accompanying statements of net position at June 30, 2022 and 2021, as noncurrent restricted cash and equivalents. Funds from the debt service reserve fund are scheduled to be released periodically in future years to assist with assessment payments. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. During fiscal year 2021, MSCBA used a portion of the debt service reserve funds to cover the fall assessment.

MSCBA 2012C Bond Issuance

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

As of June 30, 2021, MSCBA held debt service reserve funds related to the 2012C bond in the amount of \$51,781, which is included in the accompanying statements of net position at June 30, 2021, as noncurrent restricted cash and equivalents. There were no debt service reserve funds related to the 2012C bond at June 30, 2022 as the bond was refunded during the year. During fiscal year 2021, MSCBA used a portion of the debt service reserve funds to cover the fall assessment.

In accordance with an amended funding agreement among MSCBA, DCAMM and the University, the University transferred \$270,000 to DCAMM in July 2013 in association with the Hemenway Science Center project. As of June 30, 2018, DCAMM had expended the remaining funds.

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

On July 1, 2021, the University's MSCBA Series 2012C bonds were refunded as part of the MSCBA's Refunding Revenue Bonds Series 2022A.

MSCBA 2014A Bond Issuance

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

As of June 30, 2022 and 2021, the MSCBA held debt service reserve funds in the amount of \$144,063. The final principal payment is due on May 1, 2025. The University is required to make annual principal payments on the debt each May 1, commencing on May 1, 2015. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 2.00% to 5.00% over the term of the debt to maturity.

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2022 and 2021, as noncurrent restricted cash and equivalents. Funds from the debt service reserve fund are scheduled to be released periodically in future years to assist with assessment payments. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. During fiscal year 2021, MSCBA used a portion of the debt service reserve funds to cover the fall assessment.

MSCBA 2014C Bond Issuance

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

As of June 30, 2022 and 2021, the MSCBA held debt service reserve funds in the amount of \$33,198, which are included in the accompanying statements of net position at June 30, 2022 and 2021, as noncurrent restricted cash and equivalents. Funds from the debt service reserve fund are scheduled to be released periodically in future years to assist with assessment payments. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. During fiscal year 2021, MSCBA used a portion of the debt service reserve funds to cover the fall assessment.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

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

MSCBA 2016A Bond Issuance

During February 2016, the refunding series 2016A Bonds refunded portions of the University's Series 2008A and 2009A Bonds. The original funds from the 2008A Bonds were used for the renovation of the McCarthy Center. The original funds from the 2009A Bonds were used for a parking facility at the University and for a new roof on O'Connor Hall. Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting on May 1, 2016 and ending on May 1, 2029, at an annual variable rate ranging from 4.00% to 5.00%.

As of June 30, 2022 and 2021, MSCBA held debt service reserve funds in the amount of \$230,456, which are included in the accompanying statements of net position at June 30, 2022 and 2021, as noncurrent restricted cash and equivalents. Funds from the debt service reserve fund are scheduled to be released periodically in future years to assist with assessment payments. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. During fiscal year 2021, MSCBA used a portion of the debt service reserve funds to cover the fall assessment.

MSCBA 2019A Bond Issuance

During December 2018, the University signed a financing agreement to receive \$1,225,000. These bonds, net of a bond issue premium and bond issue costs, are being used for improvements to the University's Athletic fields and McCarthy Center. This obligation will be repaid solely by the University through University operations. The University also executed a management agreement with MSCBA, whereby MSCBA will provide management services to the University for the Project.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

MSCBA 2019C Bond Issuance

During January 2019, the refunding series 2019C Bonds refunded portions of the University's Series 2012B Bonds. Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting on May 1, 2019 and ending on May 1, 2033, at an annual variable rate ranging from 3.00% to 5.00%. A debt service fund is not required under this financing arrangement.

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

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Amortization of Bond Premium</u>	<u>Total Principal</u>	<u>Estimated Interest</u>	<u>Total</u>
2023	\$ 2,247,412	\$ 204,227	\$ 2,451,639	\$ 1,308,410	\$ 3,760,049
2024	2,415,762	166,812	2,582,574	1,197,785	3,780,359
2025	2,570,351	143,669	2,714,020	1,099,912	3,813,932
2026	3,171,657	118,197	3,289,854	993,364	4,283,218
2027	2,865,043	98,891	2,963,934	846,109	3,810,043
2028-2032	10,719,500	214,120	10,933,620	2,471,118	13,404,738
2033-2037	4,233,304	13,480	4,246,784	395,362	4,642,146
2038-2039	<u>252,500</u>	<u>1,415</u>	<u>253,915</u>	<u>13,538</u>	<u>267,453</u>
Total	<u>\$ 28,475,529</u>	<u>\$ 960,811</u>	<u>\$ 29,436,340</u>	<u>\$ 8,325,598</u>	<u>\$ 37,761,938</u>

Other Interagency Activity

The oversight of various capital projects on campus is provided by MSCBA. To fund these projects, the University provides equity contributions by advancing funds to the MSCBA, which are then held by MSCBA until used for the payment of the capital project costs. As of June 30, 2022 and 2021, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled \$54,610 and \$79,351, respectively, all of which is included in noncurrent restricted cash and equivalents in the accompanying 2022 and 2021 statements of net position.

As of June 30, 2022 and 2021, construction costs funded during the year by the University's equity contributions and bond issuance funds amounted to \$161,017 and \$486,327, respectively.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Interagency Payables - Continued**

<u>Project Number</u>	<u>Project Name</u>	<u>Amount Paid in</u> <u>2022</u>	<u>Amount Paid in</u> <u>2021</u>
FRC2257	May Hall	\$ 33,060	\$ -
FRC2255	Boiler Replacement	69,161	-
FRC2226	Pierce Hall	15,359	-
FRC2163	May Hall	41,651	-
FRC1959	May Hall	-	63,564
FRC1958	Campus Electrical Improvements	-	175,289
FRC1957	Crocker Hall	-	243,958
Various Miscellaneous Projects		<u>1,786</u>	<u>3,516</u>
		<u>\$ 161,017</u>	<u>\$ 486,327</u>

Note 13 - **Line of Credit**

On May 1, 2018, the University entered into an unsecured revolving line of credit agreement with MutualOne Bank which permits the University to borrow up to \$150,000 for a term of five years. The line of credit provides for interest at the floating rate of the Wall Street Journal Prime Rate plus 0.25% (25 basis points) for the life of the loan. At June 30, 2022 and 2021, the interest rate was 4.25% and 3.50%, respectively. Interest-only payments are required on any line of credit balances outstanding. As of June 30, 2022 and 2021, no amounts have been drawn on the line of credit.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 14 - **Leases**

A summary of the University's leases is as follows at June 30,:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>2022 Lease Liability</u>	<u>2021 Lease Liability</u>
MSCBA - Residence Halls	Various	6-22 years	\$37 - \$4,468,929	2.09 - 30.70%	\$ 121,189,263	\$ 124,726,041
Equipment lease	7/1/2020	18 months	\$3,043	0.69%	<u>54,474</u>	<u>90,478</u>
					<u>\$ 121,243,737</u>	<u>\$ 124,816,519</u>

The land on which the residence hall resides is leased by the Massachusetts State College Building Authority ("MSCBA") from the Commonwealth of Massachusetts. MSCBA has issued bonds to construct and refurbish the University's residence halls. The residence halls and their associated liabilities are reflected on the financial statements of MSCBA. MSCBA leases the residence halls to the University.

According to an agreement between the Commonwealth of Massachusetts and the University, the University is responsible for reimbursing MSCBA for debt service payments of the bonds that MSCBA has issued for the residence halls and operating costs related to them incurred by MSCBA.

The lease terms are completed when the final bond payments are made, which are scheduled between 2028 and 2044. The lease liabilities were calculated based upon the discounting of the future bond service payments using average interest rates ranging between 2.09% and 30.70%. If MSCBA refunds the bonds, any cost savings are passed through to the University. For the year ended June 30, 2022, \$2.6 million of the bonds were refunded. The difference in the lease liability due to the refunding was recognized as deferred outflow of resources.

Payments to MSCBA are due in semi-annual installments that coincide with the fall and spring academic semesters. For the year ended June 30, 2022, debt service payments and operating costs paid by the University were \$9,253,600 and \$1,548,640 respectively. For the year ended June 30, 2021, the Fall 2020 assessment payment was deferred until a later date due to COVID-19 and the assessment for the year only includes an assessment for Spring 2021. Debt service payments and operating costs paid by the University were \$3,513,400 and \$999,698, respectively, for the year ended June 30, 2021.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 14 - **Leases - Continued**

In December 2018, the University entered into a five-year lease agreement for two copiers. The lease can be renewed at the end of the term, but management does not anticipate renewing the lease for an additional term. Payments of \$3,043 are due monthly. The University's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. The University did not make payments for the lease other than the monthly payments for the years ended June 30, 2022 and 2021.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2022 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,126,273	\$ 6,196,329	\$ 11,322,602
2024	4,938,308	5,952,481	10,890,789
2025	5,089,549	5,687,231	10,776,780
2026	4,967,757	5,389,341	10,357,098
2027	5,627,966	5,045,550	10,673,516
2028-2032	32,090,463	18,382,639	50,473,102
2033-2037	31,034,550	10,641,447	41,675,997
2038-2042	25,665,380	3,534,355	29,199,735
2043-2044	<u>6,703,491</u>	<u>275,400</u>	<u>6,978,891</u>
 Total	 <u>\$ 121,243,737</u>	 <u>\$ 61,104,773</u>	 <u>\$ 182,348,510</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 15 - **Long-Term Liabilities**

Long-term liabilities activity for the year ended June 30, 2022 included the following:

	(Restated)			Totals June 30, 2022	
	Totals			Ending	Current
	June 30, 2021	Additions	Reductions	Balance	Portion
Interagency payables and lease liability:					
Interagency payables	\$ 30,761,081	\$ -	\$ 1,324,741	\$ 29,436,340	\$ 2,451,640
Lease liability	<u>124,816,519</u>	<u>-</u>	<u>3,572,782</u>	<u>121,243,737</u>	<u>5,126,273</u>
Total interagency payable and lease liability:	155,577,600	-	4,897,523	150,680,077	7,577,913
Other Liabilities:					
Compensated absences	6,079,046	402,343	-	6,481,389	4,069,026
Workers' compensation	935,812	21,358	-	957,170	115,388
Loan payable - federal financial assistance	1,312,727	-	259,475	1,053,252	-
Net pension liability	19,377,541	-	10,551,374	8,826,167	-
Net OPEB liability	<u>24,934,354</u>	<u>-</u>	<u>9,437,653</u>	<u>15,496,701</u>	<u>-</u>
Total Other Liabilities	<u>52,639,480</u>	<u>423,701</u>	<u>20,248,502</u>	<u>32,814,679</u>	<u>4,184,414</u>
Long-Term Obligations	<u>\$ 208,217,080</u>	<u>\$ 423,701</u>	<u>\$ 25,146,025</u>	<u>\$ 183,494,756</u>	<u>\$ 11,762,327</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 15 - **Long-Term Liabilities - Continued**

Long-term liabilities activity for the year ended June 30, 2021 included the following:

	Totals June 30, 2021				
	(Restated) Totals <u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	(Restated) Ending <u>Balance</u>	(Restated) Current <u>Portion</u>
Interagency payables and lease liability:					
Interagency payables	\$ 30,885,392	\$ 389,835	\$ 514,146	\$ 30,761,081	\$ 1,219,991
Lease liability	<u>124,796,541</u>	<u>19,978</u>	<u>-</u>	<u>124,816,519</u>	<u>2,232,565</u>
Total interagency payable and lease liability:	155,681,933	409,813	514,146	155,577,600	3,452,556
Other Liabilities:					
Compensated absences	6,347,578	-	268,532	6,079,046	3,807,357
Workers' compensation	425,703	510,109	-	935,812	113,823
Loan payable - federal financial assistance	1,531,991	-	219,264	1,312,727	-
Net pension liability	14,703,180	4,674,361	-	19,377,541	-
Net OPEB liability	<u>27,718,004</u>	<u>-</u>	<u>2,783,650</u>	<u>24,934,354</u>	<u>-</u>
Total Other Liabilities	<u>50,726,456</u>	<u>5,184,470</u>	<u>3,271,446</u>	<u>52,639,480</u>	<u>3,921,180</u>
Long-Term Obligations	<u>\$ 206,408,389</u>	<u>\$ 5,594,283</u>	<u>\$ 3,785,592</u>	<u>\$ 208,217,080</u>	<u>\$ 7,373,736</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 16 - **Net Position**

Unrestricted net position is comprised of net assets that are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net position are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Net position designated as unrestricted was \$39,801,383 and \$38,088,654 at June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, of the total designated unrestricted net position, \$37,695,288 and \$38,538,513, respectively, was designated by a vote of the Board of Trustees during fiscal 2006 as a quasi-endowment and the remainder has been designated by action of management for the purposes described above. Undesignated unrestricted net deficiency was \$(7,473,548) and \$(5,598,116) at June 30, 2022 and 2021, respectively.

The University's net investment in capital assets consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Non-depreciable capital assets	\$ 3,441,526	\$ 3,510,528
Depreciable capital assets	<u>228,227,283</u>	<u>240,677,314</u>
Total capital assets, net	231,668,809	244,187,842
Long-term debt related to capital assets		
Interagency payables	(143,102,164)	(152,125,044)
Current debt related to capital assets		
Interagency payables	(7,577,913)	(3,452,556)
Other:		
Debt service reserve	1,322,807	1,374,587
Deferred outflow for loss on bond refunding	284,165	369,317
Deferred inflows for leases	<u>(1,338,346)</u>	<u>-</u>
Total Investment in Capital Assets	<u>\$ 81,257,358</u>	<u>\$ 90,354,146</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 17 - **Net Assets Restricted by Donor**

FSU Foundation's statements of net position as of June 30, 2022 and 2021 reflect a net position with donor restrictions of \$7,426,437 and \$6,729,459, respectively. Of these amounts, \$12,579 and \$229,969 in fiscal years 2022 and 2021, respectively, are restricted by enabling legislation for the State Matching Funds Program.

Note 18 - **Operating Expenses**

The University's operating expenses for the years ended June 30, 2022 and 2021, on a natural classification basis, are comprised of the following:

	<u>2022</u>	<u>Restated 2021</u>
Salaries:		
Faculty	\$ 23,908,670	\$ 23,211,673
Exempt wages	21,460,058	20,840,316
Non-exempt wages	9,314,953	9,434,306
Benefits	14,053,258	18,731,195
Utilities	3,682,234	3,225,072
Supplies and other services	27,345,326	22,023,989
Depreciation	<u>13,529,307</u>	<u>13,718,898</u>
 Total Operating Expenses	 <u>\$ 113,293,806</u>	 <u>\$ 111,185,449</u>

Note 19 - **State Controlled Accounts**

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 20 - **Retirement Plan**

Defined Benefit Plan Description

Certain employees of the University participate in a cost-sharing, multiple-employer, defined benefit pension plan - the Massachusetts State Employees' Retirement System ("SERS") - administered by the Massachusetts State Board of Retirement (the "Board"), which is a public employee retirement system ("PERS"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees' Retirement System does not issue stand-alone financial statements. Additional information regarding the plan is contained in the Commonwealth's financial statements, which is available on-line from the Office of State Comptroller's website.

Benefit Provisions

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 are not eligible for retirement until they have reached age 60.

Contributions

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 20 - **Retirement Plan - Continued**

Contributions - Continued

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

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The Commonwealth does not require the University to contribute funding from its local trust funds for employees paid by State appropriations. Pension funding for employees paid from State appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$5,919,676, \$4,904,398, and \$4,600,624 for the years ended June 30, 2022, 2021 and 2020, respectively.

For employees covered by SERS but not paid from State appropriations, the University is required to contribute at an actuarially determined rate. The rate was 16.11%, 14.66%, and 14.08% of annual covered payroll for the fiscal years ended June 30, 2022, 2021 and 2020, respectively. The University contributed \$706,282, \$1,006,045, and \$1,220,464 for the fiscal years ended June 30, 2022, 2021 and 2020, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022 and 2021, the University reported a liability of \$8,826,167 and \$19,377,541, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 20 - **Retirement Plan - Continued**

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal years 2022 and 2021. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2022 and 2021 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022 and 2021, the University's proportion was 0.085% and 0.113%, respectively.

For the years ended June 30, 2022 and 2021, the University recognized pension benefit of \$224,242 and pension expense of \$3,002,664, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2022</u>	<u>2021</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 706,282	\$ 1,006,045
Differences between projected and actual investments earnings	-	1,065,192
Differences between expected and actual experience	304,556	616,565
Changes in proportion from Commonwealth	3,528	14,634
Changes in plan actuarial assumptions	601,715	1,098,678
Changes in proportion due to internal allocation	<u>1,303,708</u>	<u>1,970,445</u>
Total deferred outflows related to pension	<u>\$ 2,919,789</u>	<u>\$ 5,771,559</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 20 - **Retirement Plan - Continued**

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

	2022	2021
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between projected and actual investments earnings	\$ 3,460,369	\$ -
Differences between expected and actual experience	639,008	125,387
Changes in proportion from Commonwealth	27,886	47,230
Changes in proportion due to internal allocation	<u>4,475,097</u>	<u>1,660,663</u>
Total deferred inflows related to pension	<u>\$ 8,602,360</u>	<u>\$ 1,833,280</u>

The University's contributions of \$706,282 and \$1,006,045 made during the fiscal years ending 2022 and 2021, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ended <u>June 30,</u>	
2023	\$ (1,364,924)
2024	(1,340,382)
2025	(1,545,437)
2026	(1,915,152)
2027	<u>(222,958)</u>
	<u>\$ (6,388,853)</u>

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 20 - **Retirement Plan - Continued**

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Measurement date	June 30, 2021	June 30, 2020
Inflation on the first \$13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.15%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2021 and 2020, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 set forward 1 year for females
- Disability - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 set forward 1 year

The 2022 pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2020 and rolled forward to June 30, 2021. The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 2020 and rolled forward to June 30, 2020.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 20 - **Retirement Plan - Continued**

Actuarial Assumptions - Continued

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

Asset Class	2022		2021	
	Target Allocation	Long-Term Expected Real Rate of	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	4.8%	39.0%	4.8%
Core Fixed Income	15.0%	0.3%	15.0%	0.7%
Private Equity	13.0%	7.8%	13.0%	8.2%
Portfolio Completion Strategies	11.0%	2.9%	11.0%	3.2%
Real Estate	10.0%	3.7%	10.0%	3.5%
Value Added Fixed Income	8.0%	3.9%	8.0%	4.2%
Timberland/Natural Resources	4.0%	4.3%	4.0%	4.1%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.15% at June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 20 - **Retirement Plan - Continued**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30,:

	<u>2022</u>	<u>Current</u>	<u>2022</u>
	<u>1.00% Decrease</u>	<u>Discount Rate</u>	<u>1.00% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net Pension liability	\$ 13,509,753	\$ 8,826,167	\$ 4,976,625

	<u>2021</u>	<u>Current</u>	<u>2021</u>
	<u>1.00% Decrease</u>	<u>Discount Rate</u>	<u>1.00% Increase</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
Net Pension liability	\$ 25,531,109	\$ 19,377,541	\$ 14,319,789

Note 21 - **Other Post-Employment Benefits ("OPEB")**

Plan Description

As an agency of the Commonwealth, certain employees of the University participate in the Commonwealth's single-employer defined benefit-OPEB plan – the State Retirees' Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such healthcare and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

Plan Description - Continued

Management of the SRBT is vested with the Board of Trustees, which consists of seven members, including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor, and one person appointed by the State Treasurer. These members elect one person to serve as chair of the Board.

The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain healthcare and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the healthcare / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2022 and 2021, and as of the valuation date (January 1, 2021 and 2020), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

Contributions - Continued

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 7.65% and 7.70% of annual covered payroll for the fiscal years ended June 30, 2022 and 2021, respectively. The University contributed \$335,422 and \$528,286 for the fiscal years ended June 30, 2022 and 2021, respectively, equal to 100% of the required contribution for each year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022 and 2021, the University reported a liability of \$15,496,701 and \$24,934,354, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2021 and 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 and 2020, respectively. The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal years 2021 and 2020. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022 and 2021, the University's proportion was 0.097% and 0.121%, respectively.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

For the years ended June 30, 2022 and 2021, the University recognized OPEB benefit of \$1,414,355 and OPEB expense of \$647,179, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	2022	2021
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 335,422	\$ 528,286
Differences between expected and actual experience	395,583	688,140
Changes in OPEB plan actuarial assumptions	1,301,471	2,053,386
Differences between projected and actual earnings on OPEB plan investments	-	72,095
Changes in proportion from Commonwealth	17,375	37,789
Changes in proportion due to internal allocation	2,182,249	3,945,636
Total deferred outflows related to OPEB	\$ 4,232,100	\$ 7,325,332
	2022	2021
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between projected and actual earnings on OPEB plan investments	\$ 188,319	\$ -
Differences between expected and actual experience	2,727,914	615,464
Changes in OPEB plan actuarial assumptions	3,048,436	2,409,819
Changes in proportion from Commonwealth	67,307	84,681
Changes in proportion due to internal allocation	11,789,036	10,141,453
Total deferred inflows related to OPEB	\$ 17,821,012	\$ 13,251,417

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

The University's contributions of \$335,422 and \$528,286 made during the fiscal year 2022 and 2021, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as increases (decreases) in OPEB expense as follows:

Years Ended	
<u>June 30,</u>	
2023	\$ (3,412,379)
2024	(3,094,850)
2025	(3,075,181)
2026	(3,000,557)
2027	<u>(1,341,367)</u>
	<u>\$ (13,924,334)</u>

Actuarial Assumptions

The total OPEB liability for 2022 and 2021 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	June 30, 2021	June 30, 2020
Measurement date	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Salary increases	4.0% per year	4.0% per year
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 7.30%	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

Actuarial Assumptions - Continued

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year for both measurement dates June 30, 2021 and 2020.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have healthcare coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2021.
- 85% of current and future contingent eligible participants will elect healthcare benefits at age 55, or current age if later, for the measurement date June 30, 2021.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age		Retirement Age		
	2022		2021		
	Under 65	Age 65+	Under 65	Age 65+	
Indemnity	28.0%	96.0%	Indemnity	28.0%	96.0%
POS/PPO	60.0%	0.0%	POS/PPO	60.0%	0.0%
HMO	12.0%	4.0%	HMO	12.0%	4.0%

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

Actuarial Assumptions - Continued

The actuarial assumptions used in the January 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2019 and 2018 through December 31, 2020 and 2019, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2020 and 2019 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2022 and 2021 are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 and 2021 was 2.77% and 2.28%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.16% and 2.21%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date", when projected benefits are not covered by projected assets, is 2041 and 2028 for the fiscal years 2022 and 2021, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% and 7.15%, respectively, per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

2022		
1.00% Decrease	Current Discount Rate	1.00% Increase
1.77%	2.77%	3.77%
\$ 18,409,959	\$ 15,496,701	\$ 13,150,130
2021		
1.00% Decrease	Current Discount Rate	1.00% Increase
1.28%	2.28%	3.28%
\$ 29,964,127	\$ 24,934,354	\$ 20,960,222

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 21 - **Other Post-Employment Benefits ("OPEB") - Continued**

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

2022		
<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
\$ 12,688,612	\$ 15,496,701	\$ 19,156,584
2021		
<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
\$ 20,252,469	\$ 24,934,354	\$ 31,154,648

Note 22 - **Management Accounting and Reporting System**

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 22 - **Management Accounting and Reporting System - Continued**

State Appropriations

The University's State appropriations are comprised of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Gross State general appropriations	\$ 37,010,200	\$ 33,293,626
Gross State capital appropriations	875,064	1,716,087
Add: Fringe benefits for benefited employees on the Commonwealth payroll	13,764,800	12,170,659
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	<u>(126,959)</u>	<u>(100,039)</u>
Net State Appropriations	<u>\$ 51,523,105</u>	<u>\$ 47,080,333</u>

A reconciliation between the University and MMARS as of June 30, 2022 is as follows (unaudited):

Revenue per MMARS	\$ 115,921,000
Revenue per College	<u>110,612,155</u>
Difference	<u>\$ 5,308,845</u>

A timing difference occurred where \$5,308,845 was reported in MMARS in fiscal year 2022 and was reported by the college in fiscal year 2021.

\$50,648,041 and \$45,364,246 represent appropriations for maintenance and payroll during 2022 and 2021, respectively. \$875,064 and \$1,716,087 represent appropriations for capital improvements during 2022 and 2021, respectively. This amount is presented separately in the accompanying statements of revenues, expenses, and changes in net position.

FRAMINGHAM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 23 - **Risk Management, Commitments and Contingencies**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commonwealth is self-insured. In addition, the University maintains commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The separate insurance policies maintained by the University consist of Educator's Legal Liability, commercial crime, general liability, automobile liability, excess liability, and a foreign package policy. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded policy coverages in any of the past three years.

The University also participates in the Commonwealth's self-insured programs for employees' workers' compensation, healthcare and other insurance. The Commonwealth assesses the costs of workers' compensation and unemployment insurance to the University based on the University's actual experience (see Note 8). The Commonwealth manages workers' compensation as part of its general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws. The Commonwealth assesses the costs of healthcare insurance to the University through a fringe benefit rate and the liability for such coverage is borne by the Commonwealth. The Commonwealth's Group Insurance Commission manages health insurance and other benefits for the Commonwealth's active and retired employees (see Note 20).

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

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

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

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 23 - **Risk Management, Commitments and Contingencies - Continued**

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

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

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester and beyond due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there have been no settlements or court decisions on this matter. The University has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and would not be material to the University.

Note 24 - **Massachusetts State College Buiding Authority ("MSCBA")**

The MSCBA was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth as a public instrumentality for the general purpose of providing residence halls and other facilities for use by students of the state universities of the Commonwealth, as well as major construction projects on their campuses. The residence halls are leased from the MSCBA for various terms.

The University is charged a semi-annual revenue assessment that is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls, as well as debt service on instruments issued for dormitory and other major construction projects for the University. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations and certain MSCBA operating costs.

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 24 - **Massachusetts State College Buiding Authority (“MSCBA”) - Continued**

These obligations may include the costs of periodic renovations and improvements to the residence halls, as well as other major construction performed on campus, which has included athletic field construction and repair.

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the University for building leases mainly for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the University for the years ended June 30, 2022 and 2021 were \$10,802,240 and \$4,513,098, respectively. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset to a lease liability.

REQUIRED SUPPLEMENTARY INFORMATION

FRAMINGHAM STATE UNIVERSITY
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Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.085%	0.113%	0.100%	0.122%	0.117%	0.105%	0.112%	0.084%
Proportionate share of the collective net pension liability	\$ 8,826,167	\$ 19,377,541	\$ 14,703,180	\$ 16,139,945	\$ 14,961,538	\$ 14,519,987	\$ 12,702,384	\$ 6,196,704
University's covered payroll	\$ 6,862,517	\$ 8,668,068	\$ 8,296,128	\$ 9,470,289	\$ 9,166,553	\$ 8,001,513	\$ 6,724,042	\$ 6,191,363
University's proportionate share of the net pension liability as a percentage of its covered payroll	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 706,282	\$ 1,006,045	\$ 1,220,464	\$ 1,000,513	\$ 1,115,600	\$ 912,072	\$ 756,143	\$ 698,628
Contributions in relation to the statutorily required contribution	<u>(706,282)</u>	<u>(1,006,045)</u>	<u>(1,220,464)</u>	<u>(1,000,513)</u>	<u>(1,115,600)</u>	<u>(912,072)</u>	<u>(756,143)</u>	<u>(698,628)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 4,384,122	\$ 6,862,517	\$ 8,668,068	\$ 8,296,128	\$ 9,470,289	\$ 9,166,553	\$ 8,001,513	\$ 6,724,042
Contribution as a percentage of covered payroll	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to Required Supplementary Pension Information

June 30, 2022

Note 1 - **Changes in Pension Plan Benefit Terms and Assumptions**

Measurement date – June 30, 2021

The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement date – June 30, 2020

The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2019

The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2018

The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

- Disabled members – the amount reflects the same assumptions as for superannuation retirees, but with an age set forward of one year

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to Required Supplementary Pension Information - Continued

June 30, 2022

Note 1 - **Changes in Pension Plan Benefit Terms and Assumptions- - Continued**

Measurement date – June 30, 2017

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 and set forward 1 year for females
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 and set forward 1 year for females
- Disability – did not change

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0%, depending on group and length of service, to a range of 4.0% to 9.0%, depending on group and length of service.

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer to the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately 400 million as of June 30, 2016.

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (“ERI”) for certain members of SERS who, upon election of the ERI, retired effective June 30, 2015. As a result, the total pension liability of SERS increased by approximately \$230 million as of June 30, 2015.

FRAMINGHAM STATE UNIVERSITY
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Notes to Required Supplementary Pension Information - Continued

June 30, 2022

Note 1 - **Changes in Pension Plan Benefit Terms and Assumptions- - Continued**

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

Note 2 - **Other Information**

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

FRAMINGHAM STATE UNIVERSITY
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Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.097%	0.121%	0.152%	0.190%	0.166%
Proportionate share of the collective net OPEB liability	\$ 15,496,701	\$ 24,934,354	\$ 27,718,004	\$ 35,317,275	\$ 29,100,266
University's covered payroll	\$ 6,862,517	\$ 8,668,068	\$ 8,296,128	\$ 9,470,289	\$ 9,166,553
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	225.82%	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	10.70%	6.40%	6.96%	6.01%	5.39%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 335,422	\$ 528,286	\$ 632,231	\$ 729,569	\$ 844,642
Contributions in relation to the statutorily required contribution	<u>(335,422)</u>	<u>(528,286)</u>	<u>(632,231)</u>	<u>(729,569)</u>	<u>(844,642)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 4,384,122	\$ 6,862,517	\$ 8,668,068	\$ 8,296,128	\$ 9,470,289
Contribution as a percentage of covered payroll	7.65%	7.70%	7.29%	8.79%	8.92%

Notes:

Employers participating in the Massachusetts State Retirees' Benefit Trust are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

FRAMINGHAM STATE UNIVERSITY
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Notes to Required Supplementary OPEB Information

June 30, 2022

Note 1 - **Changes in OPEB Plan Benefit Terms and Assumptions**

Measurement date – June 30, 2021

Change in per Capita Claims Costs

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in Medical Trend Rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2021_b. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Investment Rate

The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates

The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate

The discount rate was increased to 2.77% (based upon a blend of the Bond Buyer Index rate (2.16%) as of the measurement date as required by GASB Statement 74.

Measurement date – June 30, 2020

Change in per Capita Claims Costs

Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in Medical Trend Rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2020_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax.

Change in Investment Rate

The investment rate of return decreased from 7.25% to 7.15%.

Change in Salary Scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS.

FRAMINGHAM STATE UNIVERSITY
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Notes to Required Supplementary OPEB Information - Continued

June 30, 2022

Note 1 - **Changes in OPEB Plan Benefit Terms and Assumptions - Continued**

Change in Discount Rate

The discount rate was decreased to 2.28% based upon a blend of the Bond Buyer Index rate (2.21%) as of the measurement date as required by GASB Statement 74.

Measurement date – June 30, 2019

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

The investment rate of return decreased from 7.35% to 7.25%.

Change in Trend on Future Costs

The original healthcare trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

Change in Discount Rate

The discount rate was decreased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.51%) as of the measurement date as required by GASB Statement 74.

Measurement date – June 30, 2018

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

Change in Mortality Rates

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members – would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year

Change in Discount Rate

The discount rate was increased to 3.95% based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

FRAMINGHAM STATE UNIVERSITY
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Notes to Required Supplementary OPEB Information - Continued

June 30, 2022

Note 1 - **Changes in OPEB Plan Benefit Terms and Assumptions - Continued**

Measurement date – June 30, 2017

Change in Discount Rate

The discount rate was increased to 3.63% based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

Note 2 - **Other Information**

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

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

SUPPLEMENTAL INFORMATION

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund (Unaudited)

Schedules of Net Position

June 30, 2022

	<u>Assets</u>	
	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Assets:		
Cash	\$ 8,353,587	\$ 569,612
Accounts receivable	<u>623,371</u>	<u>32,153</u>
Total Assets	<u><u>\$ 8,976,958</u></u>	<u><u>\$ 601,765</u></u>
	<u>Liabilities and Net Position</u>	
Liabilities:		
Accounts payable	\$ 7,409	\$ 3,743
Salaries and fringe benefits	57,223	-
Deferred revenue	-	1,300
Deposits	<u>60,001</u>	<u>-</u>
Total Liabilities	<u>124,633</u>	<u>5,043</u>
Net Position	<u>8,852,325</u>	<u>596,722</u>
Total Liabilities and Net Position	<u><u>\$ 8,976,958</u></u>	<u><u>\$ 601,765</u></u>

See Independent Auditors' Report.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund (Unaudited)

Schedules of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2022

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Operating Revenues:		
Student tuition and fees	\$ 12,587,543	\$ 61,151
Interest	231	-
Commissions	37,516	-
Rentals	218,176	-
Auxiliary service fees and other revenue	<u>7,457</u>	<u>-</u>
Total Operating Revenues	<u>12,850,923</u>	<u>61,151</u>
Operating Transfer in (external)	<u>7,198</u>	<u>-</u>
Operating Expenses:		
Regular employee compensation	1,464,183	-
Regular employee related expenses	4,140	-
Special employee/contract services	1,069,232	-
Pension and insurance	558,074	-
Administrative expenses	71,527	-
Facility operating supplies and related expenses	130,976	-
Consultant services	4,500	-
Operational services	40,082	-
Equipment purchases	1,468	-
Equipment lease - purchase, lease, rent, repair	588	23,860
Purchased client service and programs	423	-
Buildings improvements	456,649	-
Information technology	110,435	-
Scholarships	388,245	-
Loans and special payments	<u>1,413,731</u>	<u>-</u>
Total Operating Expenses	<u>\$ 5,714,253</u>	<u>\$ 23,860</u>

See Independent Auditors' Report.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund (Unaudited)

Schedules of Revenues, Expenses and Changes in Net Position - Continued

For the Year Ended June 30, 2022

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Operating Transfers Out (External):		
Electricity	\$ 1,763,831	\$ -
Health services reimbursement	70,000	-
Laundry and cleaning	50,000	-
General expenses	<u>2,500</u>	<u>-</u>
Total Operating Transfers Out (External)	<u>1,886,331</u>	<u>-</u>
Non-operating Revenues:		
HEERF funds	<u>820,000</u>	<u>-</u>
Increase in Net Position	6,077,537	37,291
Net Position, Beginning of Year	<u>2,774,788</u>	<u>559,431</u>
Net Position, End of Year	<u>\$ 8,852,325</u>	<u>\$ 596,722</u>

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

The above Statements of Revenues, Expenses and Changes in Net Position do not include loans and special payments of \$6,704,922, which were reversed in fiscal year 2022 as part of the adoption of GASB 87 - *Leases*. If these loans and special payments were included in this trust fund, net position at June 30, 2022 would have been \$2,147,403.

See Independent Auditors' Report.

FRAMINGHAM STATE UNIVERSITY
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Supplemental Statistical Information (Unaudited)

Schedule of Net Position by Category

	2013	(Restated) 2014 (2)	2015	2016	(Restated) 2017 (3)	2018	(Restated) 2019 (4)	2020	(Restated) 2021 (5)	2022
Net investment in capital assets	\$ 41,448,701	\$ 52,034,054	\$ 84,138,157	\$ 96,687,194	\$ 104,693,789	\$ 107,501,952	\$ 105,089,533	\$ 102,215,570	\$ 90,354,146	\$ 81,257,358
Restricted - expendable	3,805,464	3,905,599	2,516,075	2,562,269	3,118,277	2,820,618	2,933,947	3,414,473	3,361,389	2,448,042
Restricted - nonexpendable	1,925,721	1,970,057	1,996,750	2,045,582	2,088,572	2,158,255	2,200,614	2,224,885	1,224,785	1,317,249
Unrestricted	31,978,129	29,725,504	37,341,806	40,528,651	14,989,295	6,270,128	14,704,333	13,836,874	32,490,538	32,327,835
Total Net Position	\$ 79,158,015	\$ 87,635,214	\$ 125,992,788	\$ 141,823,696	\$ 124,889,933	\$ 118,750,953	\$ 124,928,427	\$ 121,691,802	\$ 127,430,858	\$ 117,350,484

Note: This schedule does not include the component unit, the Framingham State University Foundation, Inc.

Sources and Uses of Funds

	2013	(Restated) 2014 (2)	2015	2016	(Restated) 2017 (3)	2018	(Restated) 2019 (4)	2020	(Restated) 2021 (5)	2022
Source of Revenue:										
Student charges (net of scholarships)	\$ 33,455,320	\$ 33,641,345	\$ 33,785,799	\$ 34,420,617	\$ 35,394,918	\$ 35,227,444	\$ 36,297,978	\$ 35,385,907	\$ 32,644,093	\$ 28,229,884
Grants and contracts	6,706,251	7,480,144	9,933,830	12,284,096	9,882,318	8,030,560	10,270,352	11,538,029	9,107,881	9,487,833
Auxiliary enterprises	13,106,652	13,739,521	14,208,692	14,706,516	15,630,123	16,001,320	15,897,282	13,064,000	6,416,628	12,912,073
Other operating revenue	2,224,319	2,087,533	1,689,136	2,038,867	3,116,759	3,661,029	3,629,359	3,060,758	1,776,599	3,700,087
Total Operating Revenue	55,492,542	56,948,543	59,617,457	63,450,096	64,024,118	62,920,393	66,094,971	63,048,694	49,945,201	54,329,877
State support	27,584,390	30,676,068	32,664,050	35,477,537	37,022,123	37,753,236	42,832,614	44,146,319	45,364,246	50,648,041
Other non-operating revenue	5,464,306	12,847,215	37,068,748	22,754,343	16,882,314	5,397,172	9,876,081	5,168,737	29,028,693	12,709,094
Total Non-operating Revenue	33,048,696	43,523,283	69,732,798	58,231,880	53,904,437	43,150,408	52,708,695	49,315,056	74,392,939	63,357,135
Total Revenue	\$ 88,541,238	\$100,471,826	\$ 129,350,255	\$ 121,681,976	\$ 117,928,555	\$ 106,070,801	\$ 118,803,666	\$ 112,363,750	\$ 124,338,140	\$ 117,687,012
Functional Expense:										
Instruction	\$ 23,335,680	\$ 27,347,169	\$ 29,049,792	\$ 31,336,705	\$ 33,811,638	\$ 34,241,502	\$ 35,740,317	\$ 35,228,475	\$ 33,697,546	\$ 33,003,682
Research	-	90,386	1,508,571	1,630,714	1,732,248	112,467	109,407	107,840	103,921	88,682
Academic support	9,225,586	9,974,585	9,998,548	11,852,251	12,835,835	13,869,676	15,805,174	15,578,827	15,012,665	14,626,918
Student services	8,976,245	10,513,003	11,158,061	11,911,904	13,214,323	13,682,206	14,742,661	14,531,530	14,003,429	14,064,732
Institutional support	11,271,453	7,858,572	9,009,850	10,815,126	10,555,230	11,819,402	12,258,734	12,083,175	12,122,064	12,469,195
Operations and maintenance of plant	11,272,855	11,087,924	11,167,239	11,440,601	12,352,552	12,790,568	14,928,884	14,715,084	14,180,312	14,091,704
Scholarships	172,280	155,336	141,076	104,989	-	-	312,480	740,302	3,769,231	6,069,732
Sub-total	64,254,099	67,026,975	72,033,137	79,092,290	84,501,826	86,515,821	93,897,657	92,985,233	92,889,168	94,414,645
Depreciation enterprises	3,569,696	3,986,967	4,202,084	4,735,291	5,892,062	7,327,512	7,494,865	7,446,044	13,718,898	13,529,307
Auxiliary enterprises	10,982,802	11,907,599	12,099,652	10,395,641	13,601,357	13,866,466	13,834,073	13,918,270	4,577,383	5,349,854
Total Operating Expense	78,806,597	82,921,541	88,334,873	94,223,222	103,995,245	107,709,799	115,226,595	114,349,547	111,185,449	113,293,806
Restatement	-	7,112,594	-	-	29,763,265	-	-	-	-	-
Other Non-operating Expense	1,946,780	1,960,492	2,657,808	11,627,846	1,103,808	4,499,982	1,457,537	1,250,828	7,413,635	14,473,580
Total Non-operating Expense	1,946,780	9,073,086	2,657,808	11,627,846	30,867,073	4,499,982	1,457,537	1,250,828	7,413,635	14,473,580
Total Expense	\$ 80,753,377	\$ 91,994,627	\$ 90,992,681	\$ 105,851,068	\$ 134,862,318	\$ 112,209,781	\$ 116,684,132	\$ 115,600,375	\$ 118,599,084	\$ 127,767,386

- (1) These schedules do not include the component unit, Framingham State University Foundation, Inc.; total operating expense does not include depreciation.
- (2) FY14 has been restated based upon the new IPEDS allocation methodology deployed for FYE15.
- (3) FY17 has been restated to reflect the incorporation of GASB 75 post-employment benefits (OPEB).
- (4) FY19 has been restated to reflect the correction of an error on the calculation of OPEB.
- (5) FY21 has been restated to reflect the implementation of GASB 87 for leases as well as corrections of errors on the calculations of revenue received in advance and accrued workers compensation.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Supplemental Statistical Information (Unaudited)

Schedule of Capital Asset Information

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Land (acreage) (1)(7)(9)	51.28	53.00	54.00	143.18	143.18	145.16	145.16	145.16	145.16	135.87
Buildings (square feet):										
100 Instruction /classroom (6)	49,482	49,482	49,482	49,482	53,467	53,467	53,467	53,467	53,467	53,467
200 Labs (4)(7)	69,875	69,875	69,875	124,875	124,875	132,875	132,875	132,875	132,875	132,875
300 Administrative (6)	83,857	83,857	94,325	94,325	119,262	119,262	119,262	119,262	119,262	119,262
400 Study facilities (6)	54,565	54,565	54,565	54,565	58,862	58,862	58,862	58,862	58,862	58,862
52x Athletic	49,709	49,709	53,449	53,449	53,449	53,449	53,449	53,449	53,449	53,449
5xx Other Special Use (1)(6)(7)(8)	8,852	31,706	31,706	114,106	122,506	138,506	138,506	139,601	139,601	139,601
600 General Use (6)	56,311	56,311	56,311	56,311	76,023	76,023	76,023	76,023	76,023	76,023
700 Support facilities (2)(6)(9)	138,165	138,165	138,165	154,425	156,785	156,785	156,785	156,785	156,785	129,835
000 Unclassified	-	-	-	-	-	-	-	-	-	-
Unassigned/unassignable (6)	154,688	154,688	154,688	154,688	164,397	164,397	164,397	164,397	164,397	164,397
Total Square Feet	665,504	688,358	702,566	856,226	929,626	953,626	953,626	954,721	954,721	927,771
Residence Halls (5)(6)(8)	469,645	539,045	539,045	545,795	562,728	562,728	562,728	561,633	561,633	561,633
Rental space (10)	6,613	6,613	6,613	6,613	-	-	-	-	-	-
Dormitories - # of residents (3)	<u>2013</u> 1,946	<u>2014</u> 1,940	<u>2015</u> 1,890	<u>2016</u> 1,876	<u>2017</u> 1,875	<u>2018</u> 1,838	<u>2019</u> 1,803	<u>2020</u> 726	<u>2021</u> 1,305	<u>2022</u> 1,315

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

- (1) FY16 Added the Warren Conference Center
- (2) FY16 Added 2 Perini Buildings
- (3) Residence Hall # of residents is based upon the average of the Spring and Fall occupancy the calendar year, e.g. 2017 = Spring 2017 + Fall 2017.
- (4) FY16 Added Hemenway Labs
- (5) FY17 Add West Hall/move O'Connor
- (6) FY17 Add O'Connor
- (7) FY18 Add Maynard Building, 14 Vernon Street
- (8) FY20 Adjusted by 1,095 sf for Egaming facility -from Dorm to Special Use
- (9) Sold Mt. Wayte lot , Sold Mayhew & Mt. Wayte
- (10) Lease Mt. Wayte - storage

See Independent Auditors' Report.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Supplemental Statistical Information (Unaudited)

Schedule of Tuition and Mandatory Fees

	Academic Year											
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<i>Resident Undergraduate</i>												
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	9,550	10,130	10,410	10,410
<i>Total</i>	\$ 7,065	\$ 7,580	\$ 8,080	\$ 8,080	\$ 8,320	\$ 8,700	\$ 9,340	\$ 9,920	\$ 10,520	\$ 11,100	\$ 11,380	\$ 11,380
<i>Non-Resident Undergraduate</i>												
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	9,550	10,130	10,410	10,410
<i>Total</i>	\$ 13,145	\$ 13,660	\$ 14,160	\$ 14,160	\$ 14,400	\$ 14,780	\$ 15,420	\$ 16,000	\$ 16,600	\$ 17,180	\$ 17,460	\$ 17,460
<i>Resident Graduate</i>												
Tuition	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680	\$ 1,680
Mandatory Fees	6,095	6,610	7,110	7,110	7,350	7,730	8,370	8,950	9,550	10,130	10,410	10,410
<i>Total</i>	\$ 7,770	\$ 8,285	\$ 8,785	\$ 8,785	\$ 9,025	\$ 9,405	\$ 10,045	\$ 10,625	\$ 11,230	\$ 11,805	\$ 12,090	\$ 12,090

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

See Independent Auditors' Report.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Supplemental Statistical Information (Unaudited)

Schedule of Admissions, Enrollment, and Degrees

Admissions-Freshman (1):

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Applications	4,542	6,254	6,985	6,902	6,665	6,189	7,525	7,438	6,879	6,882	6,400	5,738
Applications accepted	3,016	3,668	3,733	3,903	4,110	4,239	4,866	4,946	4,874	5,030	5,059	4,737
Accepted as a percentage of applications	66%	59%	53%	57%	62%	68%	65%	66%	71%	73%	79%	83%
Students enrolled (2)	1,237	1,442	1,407	1,341	1,338	1,358	1,242	1,289	1,137	1,156	888	813
Enrolled as a percentage of accepted	41%	39%	38%	34%	33%	32%	26%	26%	23%	23%	18%	17%

(1) Includes all undergraduate admissions including transfer students.

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

Enrollment:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Full-time equivalent	4,288	4,710	4,909	4,942	4,996	4,881	4,732	4,537	4,405	4,333	3,983	3,598
Unduplicated credit headcount	5,953	6,415	6,506	6,429	6,499	6,398	5,977	5,691	5,565	5,463	4,876	4,495
Percent undergraduate (3)	65%	67%	69%	71%	71%	70%	73%	73%	71%	71%	72%	71%
Percent graduate	35%	33%	31%	29%	29%	30%	27%	27%	29%	29%	28%	29%

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

Student Population Demographics (4):

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Percentage of men	30%	31%	32%	32%	32%	33%	35%	35%	36%	37%	37%	38%
Percentage of women	70%	69%	68%	68%	68%	67%	65%	65%	64%	63%	63%	62%
Percentage of African-American	5%	6%	6%	6%	6%	7%	8%	9%	9%	11%	12%	12%
Percentage of White	86%	84%	82%	83%	82%	77%	74%	71%	69%	66%	64%	63%
Percentage of Latino	5%	6%	8%	8%	9%	10%	10%	12%	14%	14%	15%	17%
Percentage of Other (5)	4%	4%	4%	3%	3%	7%	8%	8%	8%	9%	9%	8%
<20	20%	22%	21%	21%	20%	24%	25%	24%	24%	25%	21%	25%
20 to 30	51%	50%	53%	54%	55%	51%	52%	53%	52%	51%	56%	52%
31 to 40	13%	12%	12%	11%	12%	12%	11%	11%	12%	12%	12%	12%
41 and Over	16%	16%	14%	14%	14%	13%	12%	12%	12%	12%	12%	11%

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

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

Degrees Granted:

	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>
Bachelor's	728	703	735	795	908	968	1,012	914	850	824	777	718
Master's	430	546	426	538	414	496	453	469	445	477	435	500

See Independent Auditors' Report.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Supplemental Statistical Information (Unaudited)

Schedule of Employment

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Faculty - Primary Instruction ^{/1/2}	257	261	312	318	366	529	530	536	519	471	481	459
Part-time	96	97	136	136	174	143	140	143	133	129	126	128
Part-time CE Instructors	-	-	-	-	-	182	185	187	177	135	158	144
Full-time	161	164	176	182	192	204	205	206	209	207	197	187
Staff and Administrators	276	293	310	315	314	322	334	340	346	351	351	334
Part-time	7	7	9	9	10	8	8	9	9	9	9	6
Full-time	269	286	301	306	304	314	326	331	337	342	342	328
Total Employees	533	554	622	633	680	851	864	876	865	822	842	793
Part-time	103	104	145	145	184	333	333	339	319	273	293	278
Full-time	430	450	477	488	496	518	531	537	546	549	549	515

^{/1} Includes Instruction, Research and Public Service

^{/2} As of 2015, Part-time Faculty also includes all Continuing Education part-time instructors.

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

See Independent Auditors' Report.

**FRAMINGHAM STATE
UNIVERSITY**

(an agency of the Commonwealth of Massachusetts)

**INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY THE UNIFORM GUIDANCE AND *GOVERNMENT*
AUDITING STANDARDS AND RELATED
INFORMATION**

JUNE 30, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Framingham State University
Framingham, Massachusetts

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Framingham State University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Framingham State University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

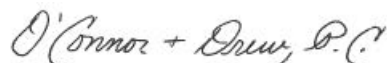
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University, as of and for the year ended June 30, 2022. We issued our report thereon dated October 11, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2022



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Framingham State University
Framingham, Massachusetts

We have audited, 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, the financial statements of Framingham State University (the "University"), which comprise the statement of net position as of June 30, 2022, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 11, 2022.

Our report includes a reference to other auditors who audited the financials statements of Framingham State University Foundation, Inc. (the "Foundation") as described in our report on Framingham State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report of Compliance and Other Matters

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

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2022

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

	Assistance Listing Number	University Internal Fund Number	Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER						
U.S. Department of Education:						
Direct Awards:						
Federal Supplemental Educational Opportunity Grant	84.007	S03003	N/A	N/A	\$ 138,767	\$ -
Federal Work-Study Program	84.033	S03004	N/A	N/A	126,216	-
Federal Direct Student Loan:	84.268	Y05001	N/A	N/A	16,086,699	-
Federal Perkins Loan Program (beginning of year	84.038	L01002	N/A	N/A	1,101,851	-
Federal Perkins Loan Program (current year expenditure	84.038	L01002	N/A	N/A	124,644	-
Federal Pell Grant Program	84.063	S03000	N/A	N/A	5,597,179	-
Total Student Financial Assistance Cluster					<u>23,175,356</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER						
U.S. Department of Agriculture:						
Direct Awards:						
Agriculture Research - Basic and Applied Research (USDA Test/Phenolic Quorum Compounds)	10.001	G01518	N/A	N/A	78,156	-
U.S. Department of Defense:						
Direct Awards:						
Basic Scientific Research - Natick Labs Botanical Extraction	12.431	G01520	N/A	N/A	34,217	-
National Aeronautics and Space Administration:						
Pass-through Awards:						
Integrated Astrophysics STEM Learning & Literacy Program	43.001	G01515	Smithsonian Astrophysical Observatory	SV6-86013	23,760	-
Total Research and Development Cluster					<u>136,133</u>	<u>-</u>
AGING CLUSTER						
Department of Health and Human Services:						
Pass-through Awards:						
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Center	93.044	G01525	BayPath Elder Services (from Executive Office of Elder Affairs)	3B-21-01	8,151	-
NON-CLUSTER						
U.S. Department of Agriculture:						
Pass-through Awards:						
Child and Adult Food Program Meal Pattern Training Grant	10.536	G01540	Massachusetts Department of Education	F1817N7604	42,782	-
State Administrative Expenses for Child Nutrition (John Stalker Institute of Food and Nutrition)	10.560	G01521	Massachusetts Department of Education	F2121N2533	660,000	-
Team Nutrition Grants (John Stalker Prof. Live Set Training)	10.574	G01528	Massachusetts Department of Education	F1918N3503	171,506	-
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools (John Stalker Institute - Train the Trainer)	93.981	G01522	Massachusetts Department of Education	F8DP006432	5,024	-
Subtotal - Pass-through Awards					<u>879,312</u>	<u>-</u>
U.S. Department of Education:						
Direct Awards:						
Open Textbooks Pilot Program	84.116T	G01538	N/A	N/A	18,578	-
English Language Acquisition State Grants (PROPELL: Producing Reading and Oral proficiency in ELLs)	84.365Z	G01517	N/A	N/A	432,050	-
COVID-19: Higher Education Emergency Relief Fund - Student portion	84.425E	G01531	N/A	N/A	5,680,487	-
COVID-19: Higher Education Emergency Relief Fund - Institutional portion	84.425F	G01530	N/A	N/A	3,176,741	-
Subtotal - Higher Education Emergency Relief Fund					<u>8,857,228</u>	<u>-</u>
Subtotal - Direct Awards					<u>9,307,856</u>	<u>-</u>

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2022

	Assistance Listing Number	University Internal Fund Number	Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Through to Subrecipients
NON-CLUSTER - CONTINUED						
National Endowment for the Humanities:						
Direct Awards:						
National Endowment for the Arts Big Rea	45.024	G01535	Arts Midwest	00030090 (1866149-52-C-20)	\$ 19,970	\$ -
Digital Humanities Fellowship	45.162	G01545	N/A	N/A	64,165	-
Investigating Race Through Digital Humanities Approache	45.169	G01544	N/A	N/A	2,040	-
Museums for America	45.301	G01532	N/A	N/A	10,115	-
					<u>96,290</u>	<u>-</u>
Small Business Administration:						
Direct Awards:						
Shuttered Venue Operators Grant	59.075	G01541	N/A	N/A	74,143	-
U.S. Corporation for National and Community Service:						
Pass-through Awards:						
Museums for America	94.006	G01542	Massachusetts Service Alliance	A-22-FP-043154529	41,852	-
Total Non-Cluster					<u>10,399,453</u>	<u>-</u>
Total Federal Funds					<u>\$ 33,719,093</u>	<u>\$ -</u>

*Subtotal of Assistance Listing 84.425 programs is \$8,857,228

See accompanying notes to the Schedule of Expenditure of Federal awards.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the University under programs of the Federal Government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - **Federal Student Loan Programs**

Perkins Loan Program

The Federal Perkins Loan Program (“Perkins”) is administered directly by the University and balances and transactions relating to this program are included in the University’s basic financial statements. During the year ended June 30, 2022, there were no loans advanced under the Perkins program. During the year ended June 30, 2022, \$1,750 of administrative costs were incurred. As of June 30, 2022, gross loan balances receivable under Perkins were \$914,996.

There was no federal capital contribution or match by the University during the current year.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2022

Note 4 - **Federal Student Loan Programs - Continued**

Direct Student Loan Program

The University disbursed \$16,086,699 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the University under the program as of June 30, 2022. The University is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	<u> x </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	<u> x </u> no
Noncompliance material to the financial statements noted?	_____ yes	<u> x </u> no

Federal Awards

Type of auditors’ report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
• Material weaknesses identified?	_____ yes	<u> x </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	<u> x </u> no
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ yes	<u> x </u> no

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2022

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Non-Cluster:	
State Administrative Expenses for Child Nutrition (John Stalker Institute of Food and Nutrition)	10.560
Education Stabilization Fund:	
COVID-19: Higher Education Emergency Relief Fund - Student portion	84.425E
COVID-19: Higher Education Emergency Relief Fund - Institutional portion	84.425F
COVID-19: Higher Education Emergency Relief Fund - Strengthening Institutions Program (SIP)	84.425M

Dollar threshold used to distinguish between
type A and type B programs:

\$1,011,573

Auditee qualified as a low-risk auditee?

 x yes no

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2022

Section II – Financial Statement Findings:

None noted.

FRAMINGHAM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs:

None noted.



Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Finding number: 2021-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
Assistance Listing #: 84.268
Award year: 2021

Condition

The Federal Government requires the College to report student enrollment changes to the National Student Loan Data System (“NSLDS”) within 60 days.

Award Year 2021: During our testing, we noted 1 student, out of a sample of 40, whose status change was never reported to NSLDS.

Current Year Status:

Corrective action was implemented during the year.



Management's Summary Schedule of Prior Audit Findings - Continued

Year Ended June 30, 2022

Finding number: 2021-002
Federal agency: U.S. Department of Education
Programs: Federal Direct Student Loans
Assistance Listing #: 84.268
Award year: 2021

Condition

Federal regulations require the University to report Federal Direct Loan disbursements made to students to the Federal Government's Common Origination and Disbursement System ("COD") within 15 days of the funds being disbursed to the student with an accurate disbursement date.

Award Year 2021: During our testing, we noted 1 student, out of a sample of 40, was reported with an incorrect disbursement date to COD.

Current Year Status:

Corrective action was implemented during the year.