WESTFIELD STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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

Financial Statements and Management's Discussion and Analysis

June 30, 2013 and 2012

CONTENTS

O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Westfield State University (an agency of the Commonwealth of Massachusetts) (the "University"), which comprise the statements of net position as of June 30, 2013 and 2012, the related statements of revenues and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We also audited the financial statements of Westfield State Foundation, Inc. (the "Foundation") as of June 30, 2013 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. We did not audit the financial statements of the Foundation for the year ended June 30, 2012. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for, is based solely on the report of the other auditors

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Westfield State University as of June 30, 2013 and 2012, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-15 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 audit 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.

Supplementary Schedules

Our audits were conducted for the purpose of forming opinions on the Company's basic financial statements. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, 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 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 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.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

November 25, 2013

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

Management's Discussion and Analysis (Unaudited)

Introduction

This section of the Westfield State University annual financial report presents management's discussion and analysis of the financial activities of Westfield State University for the fiscal year ended June 30, 2013, with comparative information for the years ended June 30, 2012 and 2011. For financial reporting purposes, Westfield State University's reporting entity consists of Westfield State University and its discretely presented component unit, Westfield State Foundation, Inc. Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the basic financial statements and notes thereto. The financial statements, footnotes and this discussion are the responsibility of management.

Westfield State University is a comprehensive public institution of higher learning with approximately 5,600 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers 32 undergraduate majors in both the traditional arts and sciences and in professional fields with over 60 options for discipline-specific or interdisciplinary minors and concentrations. There are also 36 graduate-level degree and certificate programs offered by the Division of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State University to providing quality educational programs.

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

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

Westfield State University Overall financial activities of Westfield State University and its component unit, the Foundation	
Primary Institution (the "University") Financial activities of Westfield State University	**Component Unit (the "Foundation")** Financial activities of Westfield State Foundation, Inc.

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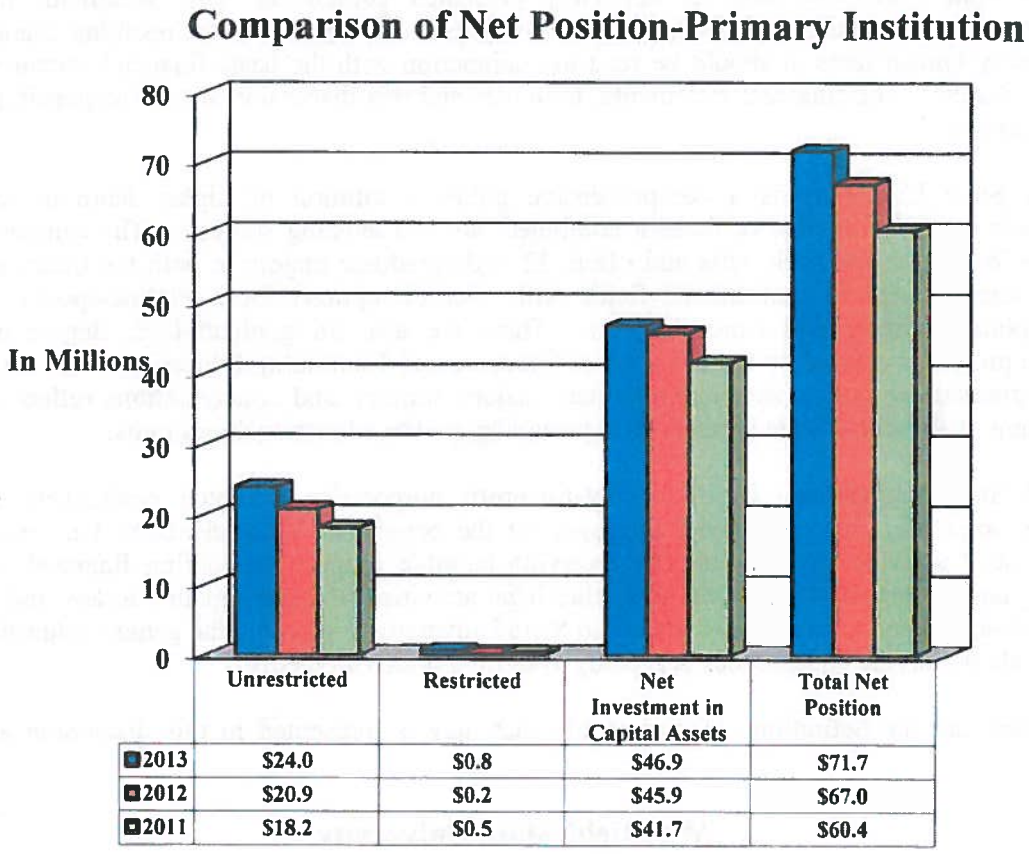
Management's Discussion and Analysis (Unaudited) - Continued

Primary Institution Financial Highlights

Graphically displayed, the comparative changes in net position by category for the fiscal years ended June 30, 2013, 2012 and 2011 are shown below:



- The University's financial position improved during the fiscal year ended June 30, 2013, with a $4.7 million or 7.0% increase in total net position. Net position, which represents the residual interest in the University's assets after liabilities are deducted, increased to $71.7 million from $67.0 million in 2012. The University's financial position also improved during the fiscal year ended June 30, 2012, with a $6.6 million or 10.9% increase in total net position, (to $67.0 million from $60.4 million in 2011).

Primary Institution Financial Highlights - Continued

- Expenses incurred during fiscal year 2013 totaled $97.6 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled $102.3 million resulting in an increase in net position of $4.7 million. Expenses incurred during fiscal year 2012 totaled $96.0 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled $102.6 million resulting in an increase in net position of $6.6 million as compared to an increase of $6.3 million for the year ended June 30, 2011.

- The increase in total net position during the fiscal year ended June 30, 2013 was attributable partially to the recognition of state capital appropriation in the amount of $1.8 million and partially due to increased revenue more than offsetting increased expenses. The increase in total net position during the fiscal year ended June 30, 2012 was attributable primarily to the recognition of state capital appropriation revenue in the amount of $4.4 million for the major building renovations to Ely Campus Center which was in progress at June 30, 2012.

Overview of the Financial Statements

Westfield State 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*. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The statements are designed to present all the activities of Westfield State University and consolidate the activities into one total.

The Financial Statements:

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

The *Statement of Revenues and Expenses* presents Westfield State University's results of operations and other non-operating revenues.

The *Statement of Changes in Net Position* presents information that shows how Westfield State University's net position changed during the most recent fiscal year.

Overview of the Financial Statements - Continued

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

The financial statements can be found on pages 16-20 of this financial report.

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 21-44 of this financial report.

Other Information

In addition to the financial statements and accompanying footnotes, this financial report also contains certain required supplementary information concerning the Westfield State University Building Authority trust fund. This supplementary information can be found on pages 45-46 of this financial report.

Financial Analysis of Westfield State University as a Whole

Westfield State University's financial position increased during the year with a combined (University and Foundation) increase in net position of $5.2 million for the year ended June 30, 2013 as compared to an increase of $6.7 million for the year ended June 30, 2012 and a $7.2 million increase for the year ended June 30, 2011.

WESTFIELD STATE UNIVERSITY
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Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

Westfield State University's Condensed Statements of Net Position
As of June 30, 2013, 2012 and 2011

	Primary Institution			Component Unit-Foundation		
	2013	2012	2011	2013	2012	2011
Current Assets	$ 43,343,566	$ 41,596,383	$ 36,164,922	$ 503,214	$ 619,522	$ 601,191
Non-current Assets						
Capital Assets, net	62,678,088	58,718,100	47,386,394	473,242	485,834	838,905
Other	1,188,150	1,290,104	1,245,427	5,182,312	4,515,961	4,452,276
Total Assets	107,209,804	101,604,587	84,796,743	6,160,442	5,621,317	5,892,372
Current Liabilities	15,215,038	13,488,245	12,582,135	696,487	660,828	1,072,497
Non-current Liabilities	18,574,869	19,495,445	10,966,450	-	-	-
Total Liabilities	33,789,907	32,983,690	23,548,585	695,487	660,828	1,072,497
Deferred Inflows of Resources	1,737,997	1,643,997	865,822	-	-	-
Net Position						
Invested in Capital Assets, net of related debt	46,849,019	45,883,403	41,712,298	473,242	485,834	838,905
Restricted: Nonexpendable	-	-	-	3,151,274	3,072,929	2,958,716
Restricted: Expendable	800,376	238,913	505,307	2,346,872	1,791,709	1,858,735
Unrestricted	24,032,505	20,854,584	18,164,731	(507,433)	(389,983)	(836,481)
Total Net Position	71,681,900	66,976,900	60,382,336	5,463,955	4,960,489	4,819,875
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 107,209,804	$ 101,604,587	$ 84,796,743	$ 6,159,442	$ 5,621,317	$ 5,892,372

Net position invested in capital assets, net of related debt, represents the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. By far the largest portion of the University's net position (65% at June 30, 2013, 69% at June 30, 2012, 69% at June 30, 2011), is net position invested in capital assets which are buildings and equipment utilized by students, faculty and administration; consequently, these assets are not available for future spending. The $1.0 million increase as of June 30, 2013 and the $4.1 million increase as of June 30, 2012 reflects the University's continued development and renewal of its capital assets in accordance with its long-range plan.

Financial Analysis of Westfield State University as a Whole - Continued

An additional portion of the University's net position (1% at June 30, 2013, 2012 and 2011), are restricted expendable which represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. The remaining balance of unrestricted net position (34% at June 30, 2013, 30% at June 30, 2012 and 2011) may be used to meet the University's ongoing obligations.

WESTFIELD STATE UNIVERSITY
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Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

Westfield State University's Condensed Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2013, 2012 and 2011

	Primary Institution			Component Unit-Foundation		
	2013	2012	2011	2013	2012	2011
Operating Revenues:						
Tuition and fees	$ 46,239,640	$ 44,196,990	$ 39,818,365			
Residence and dining fees	22,001,854	22,241,065	20,846,560			
Less: scholarships and fellowships	(8,575,734)	(7,983,530)	(7,854,008)			
Federal, state and private grants and contracts	9,974,054	9,448,951	13,112,352	$ 607,392	$ 538,838	$ 445,780
Auxiliary operations	3,387,743	3,387,225	2,436,694	-	-	-
Other sources	1,046,221	1,011,457	836,244	72,540	124,761	64,550
Total operating revenues	74,073,778	72,302,158	69,196,207	691,014	663,599	510,330
Less: operating expenses	96,978,708	95,793,160	88,855,189	843,554	624,789	778,676
Operating (loss) income	(22,904,930)	(23,491,002)	(19,658,982)	(152,540)	38,810	(268,346)
Non-operating revenues (expenses):						
State appropriation, net	26,154,240	25,494,134	25,389,047			
Net investment income	311,925	350,752	343,507	666,374	56,364	745,529
Gain (loss) on disposal of assets	(26,094)	(36,761)	(31,674)	-	70,847	(64,353)
Other expenses	(629,427)	(157,406)	(67,272)	-	(15,504)	(16,176)
Total net non-operating revenues	25,810,644	25,650,719	25,633,608	666,374	111,707	665,000
Income before other revenues (expenses)	2,905,714	2,159,717	5,974,626	513,834	150,517	396,654
Related entity transfers	(714)	9,903	(481,026)	714	(9,903)	481,026
State capital appropriations	1,800,000	4,424,944	852,318	-	-	-
Increase in net position	4,705,000	6,594,564	6,345,918	514,548	140,614	877,680
Net position - beginning of year	66,976,900	60,382,336	54,036,418	4,960,489	4,819,875	3,942,195
Net position - end of year	$ 71,681,900	$ 66,976,900	$ 60,382,336	$ 5,475,037	$ 4,960,489	$ 4,819,875

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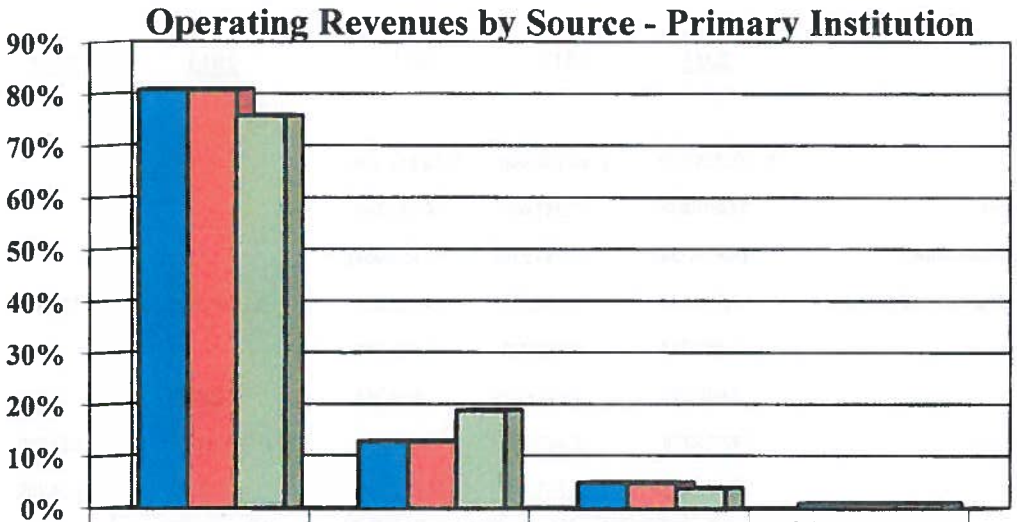
Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

The following is a graphic illustration of operating revenues by source, which were used to fund the University's operating activities for the years ended June 30, 2013, 2012 and 2011.



	Tuition and fees, residence and dining fees, net	Federal, state and private gifts, grants and contracts	Auxiliary operations	Other sources
2013	81%	13%	5%	1%
2012	81%	13%	5%	1%
2011	76%	19%	4%	1%

The University's operating revenues consist primarily of tuition and fee and residence and dining fee revenue. Tuition and fee revenue increased $2.0 million or 4.6% during the fiscal year ended June 30, 2013 and $4.4 million or 11% during the fiscal year ended June 30, 2012. The primary factors relating to the increase during fiscal year 2013 were an increase in fee revenue due to the increase in the wellness center fee ($0.4 million impact), an increase in the Division of Graduate and Continuing Education tuition and fees of $0.9 million, offset by decreases due to lower than expected enrollment of $1.0 million further offset by the increase in the general fee of $405 per student ($1.7 million impact). For fiscal year ended June 30, 2012, the increase in the general fee of $355 per student combined with higher student enrollment ($2.3 million impact), the increase in fee revenue from the new capital improvement fee ($.5 million impact) and the increase in the Division of Graduate and Continuing Education tuition and fees of $1.6 million contributed to the increase.

Financial Analysis of Westfield State University as a Whole - Continued

Tuition and fees received by the University include the following:

	June 30, 2013	June 30, 2012	June 30, 2011
Tuition	**$ 12,135,190**	$ 11,427,086	$ 9,716,318
Student Fees:			
General fees	**24,223,500**	23,022,758	21,033,216
Student activity fees	**1,491,552**	1,105,403	1,079,144
Capital improvement fees	**438,960**	450,321	-
Technology fees	**7,257,024**	7,434,261	7,275,251
Miscellaneous fees	**693,414**	757,161	714,436
Total	**$ 46,239,640**	$ 44,196,990	$ 39,818,365

Residence and dining fee revenue generated by the auxiliary operations of the University's food service provider and building authority trust funds was $22,001,854, $22,241,065, and $20,846,560, for the years ended June 30, 2013, 2012 and 2011, respectively. The decrease in revenues for the year ended June 30, 2013 in the amount of $239,211 or -1.1% is attributable to the decrease in the number of students living on campus during fiscal year 2013. At June 30, 2012 residence and dining fee revenue increased $1,394,505 or 6.7%.

Major grants and contracts awarded to Westfield State University for the years ended June 30, 2013, 2012 and 2011 included the following:

U.S. Department of Education - Student Support Services $264,284 (in 2013 and 2012) $272,739 (in 2011)
U.S. Department of Education - College Work Study $368,333 (in 2013, 2012 and 2011)
U.S. Department of Education - SEOG $295,448 (in 2013, 2012 and 2011)

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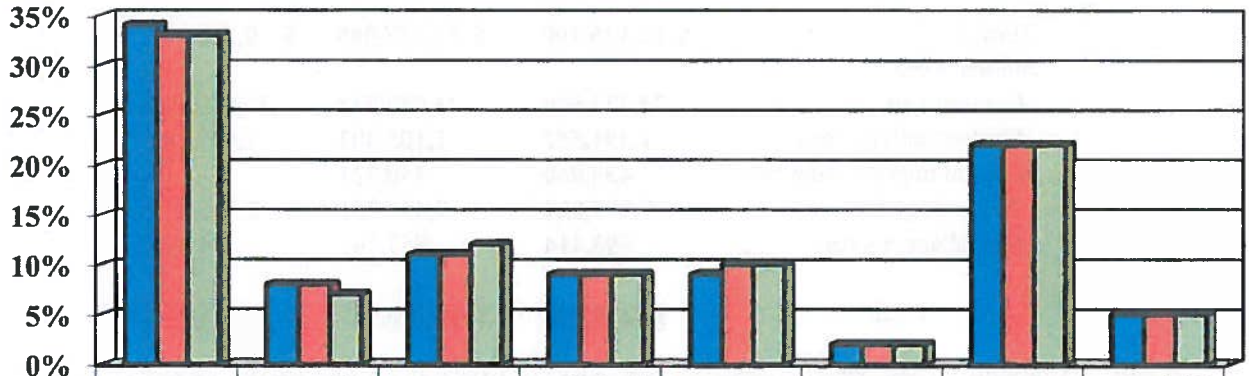
Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

The following is a graphic illustration of operating expenses by function for the years ended June 30, 2013, 2012, and 2011.

Operating Expenses by Function - Primary Institution



	Instruction	Academic support	Student services	Institutional support	Operation and maintenance of plant	Scholarships	Auxiliary operations	Depreciation
2013	34%	8%	11%	9%	9%	2%	22%	5%
2012	33%	8%	11%	9%	10%	2%	22%	5%
2011	33%	7%	12%	9%	10%	2%	22%	5%

A summary of the University's expenses by functional classification for the years ended June 30, 2013, 2012, and 2011 is as follows:

	2013	2012	2011
Instruction	$ **32,423,039**	$ 31,608,287	$ 29,528,540
Public service	**331,509**	355,860	384,753
Academic support	**7,551,975**	7,550,553	6,412,455
Student services	**10,954,610**	10,820,387	10,197,395
Institutional support	**9,009,040**	8,687,090	8,259,786
Operation and maintenance of plant	**9,055,817**	9,384,651	8,959,572
Scholarships and fellowships	**2,069,704**	1,960,052	1,628,929
Auxiliary operations	**20,986,478**	21,083,104	19,374,795
Depreciation	**4,596,536**	4,343,176	4,108,964
Total	$ **96,978,708**	$ 95,793,160	$ 88,855,189

The University's total operating expenses increased during fiscal year ended June 30, 2013 by $1,185,548 or 1.2% as compared to a 7.8% increase for the fiscal year ended June 30, 2012.

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Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

Westfield State University's Condensed Statements of Cash Flows
For the years ended June 30, 2013, 2012 and 2011

	Primary Institution			Component Unit-Foundation		
	2013	2012	2011	2013	2012	2011
Cash received from operating activities	$ 101,961,819	$ 101,148,376	$ 94,847,203	$ 862,811	$ 738,277	$ 644,105
Cash expenses for operating activities	(113,610,993)	(113,558,501)	(103,775,473)	(834,211)	(1,030,463)	(641,070)
Net cash provided by (applied to) operating activities	(11,649,174)	(12,410,125)	(8,928,270)	28,600	(292,186)	3,035
Net cash provided by (applied to) non-capital financing activities	20,747,073	19,161,958	18,713,086	47,200	(19,200)	(33,600)
Net cash provided by (applied to) capital financing activities	(7,683,973)	(1,624,158)	400,181	-	-	-
Net cash provided by (applied to) investing activities	310,295	349,177	341,402	(141,637)	307,571	184,960
Net increase (decrease) in cash	1,724,221	5,476,852	10,526,399	(65,837)	(3,815)	154,395
Cash - beginning of year	39,947,549	34,470,697	23,944,298	340,576	344,391	189,996
Cash - end of year	$ 41,671,770	$ 39,947,549	$ 34,470,697	$ 274,739	$ 340,576	$ 344,391

Westfield State University's combined liquidity increased slightly during the year ended June 30, 2013 with a $1,658,384 increase in cash. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2013, the University's net cash applied to operating activities decreased by approximately $0.8 million over the prior year. This was mostly due to an increase in cash received. The increase in cash received for tuition of $1.5 million and an increase in cash received for grants and contracts (mostly for increased Pell grants) of $0.8 million was offset by decreases in cash received, due to decreased enrollment, from residence and dining fees and direct lending receipts of $0.7 million and decreases in other receipts of $0.8 million. Net cash provided by non-capital financing activities increased approximately $1.5 million due to the increase in state appropriation for collective bargaining increases. Net cash applied to capital financing activities increased significantly by approximately $6.1 million due to many factors including, a decrease in capital appropriation of $2.6 million, a decrease in proceeds from sale of bonds of $9.1 million, and a decrease in advance payment related to service concession arrangement of $0.6 million offset by the decrease in purchase of capital assets of $6.9 million and an increase in debt payments of $0.7. The slight decrease in net cash provided by investing activities was due to a decrease in interest received.

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Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

Westfield State University's combined liquidity also increased during the year ended June 30, 2012 with a $5,473,037 increase in cash. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2012, the University's net cash applied to operating activities increased by approximately $2.4 million over the prior year. This was due to an increase in cash received of $6.3 million offset by an increase in amounts paid of $8.7 million. The increase in cash received and paid was partly due to an increase in direct lending receipts and disbursements of approximately $3.1 million. Net cash provided by non-capital financing activities increased approximately $0.4 million due to the decrease in related entity transfers. Net cash provided by (applied to) capital financing activities decreased approximately $3.1 million due to an increase in purchases of capital assets of $11.3 million offset by proceeds from capital debt of $4.6 million and an increase in capital appropriation of $3.6 million. The increase in capital debt was related to the bonds payable for the Ely Campus Center renovations. The slight increase in net cash provided by investing activities was due to an increase in interest received.

Loss from Operations

The following table presents the University's incurred losses from operations and its non-operating revenues for the fiscal years ended June 30, 2013, 2012 and 2011.

	2013	2012	2011
Operating revenues, net	$ 74,073,778	$ 72,302,158	$ 69,196,207
Operating expenses	96,978,708	95,793,160	88,855,189
Operating loss	(22,904,930)	(23,491,002)	(19,658,982)
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	26,154,240	25,494,134	25,389,047
Net investment income	311,925	350,752	343,507
Loss on disposal of assets	(26,094)	(36,761)	(31,674)
Other expenses	(629,427)	(157,406)	(67,272)
Capital appropriations	1,800,000	4,424,944	852,318
Related entity transfers	(714)	9,903	(481,026)
Non-operating revenues	27,609,930	30,085,566	26,004,900
Increase in net position	$ 4,705,000	$ 6,594,564	$ 6,345,918

Loss from Operations - Continued

Due to the nature of accounting for appropriations as non-operating revenues in accordance with GASB principles, the University incurred a loss from operations. The Commonwealth's Department of Higher Education establishes tuition rates while the University sets fees and other charges. The University, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

The $2.5 million decrease in net non-operating revenues during fiscal year 2013 is primarily attributable to the decrease in state capital appropriation in the amount of $2.6 million. This decrease was offset by an increase in state appropriation ($0.6 million) and an increase in other expenses ($0.5 million).

The $4.1 million increase in net non-operating revenues during fiscal year 2012 is primarily attributable to the increase in state capital appropriation of $3.6 million. The remaining increase is attributable to a change in related entity transfers of $0.5 million.

Capital Assets and Debt of Westfield State University

The University's investment in capital assets, net of accumulated depreciation, as of June 30, 2013, 2012 and 2011 were $62,678,088, $58,718,100, and $47,386,394, respectively. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. Capital assets increased by $4.0 million or 7% during the fiscal year ended June 30, 2013 and increased $11.0 million or 23% during the fiscal year ended June 30, 2012. These changes were due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2013 amounted to $8,582,619 as compared to $15,711,643 for the year ended June 30, 2012 and $5,375,155 for the year ended June 30, 2011.

Major additions during 2013 include $5.8 million to complete the major renovation of the Ely Campus Center which includes a new wellness center, food service venue and student programming space, $1.4 million for the replacement of the chiller in Wilson Hall, $.3 for information technology projects including computer lab upgrades and server replacements, and $.2 million for sustainability initiatives which were in progress at June 30, 2013.

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

Statements of Net Position

June 30,

Assets

	Primary Government		Component Unit	
	2013 University	2012 University	**2013 Foundation**	2012 Foundation
Current Assets:				
Cash and equivalents	$ 37,864,693	$ 33,252,367	$ 274,739	$ 340,576
Cash held by State Treasurer	1,701,899	807,983	-	-
Deposits held by State Treasurer	1,951,467	2,050,283	-	-
Deposits held by MSCBA	153,711	3,836,916	-	-
Short-term investments	60,037	58,407	-	-
Accounts receivable, net	773,695	802,750	224,182	269,694
Due from Foundation	1,250	2,205	-	-
Restricted accounts receivable	121,603	80,153	-	-
Loans receivable	191,203	182,890	-	-
Other current assets	524,008	522,429	1,674	9,252
Total Current Assets	43,343,566	41,596,383	500,595	619,522
Non-current Assets:				
Debt service reserve	457,275	452,313	-	-
Investments	-	-	5,182,312	4,515,961
Loans receivable, net	635,155	735,166	-	-
Capital assets, net	62,678,088	58,718,100	473,242	485,834
Other assets	95,720	102,625	-	-
Total Non-current Assets	63,866,238	60,008,204	5,655,554	5,001,795
Total Assets	$ 107,209,804	$ 101,604,587	$ 6,156,149	$ 5,621,317

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

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2013 University	2012 University	2013 Foundation	2012 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities	$ 2,334,215	$ 1,848,071	$ 8,572	$ 21,355
Accrued salaries, wages and benefits	4,530,625	4,483,634	-	-
Compensated absences	4,338,286	3,775,012		
Accrued workers' compensation	185,044	185,308	-	-
Due to University	-	-	1,250	2,205
Student deposits and unearned revenue	1,006,750	995,261	1,000	3,892
Deposits held	662,053	582,962	-	-
Line of Credit	-	-	462,400	415,200
Assets held in custody for others	1,282,824	879,177	223,265	218,176
Current portion of capital lease obligations	48,169	46,275	-	-
Current portion of bonds payable	814,200	667,180	-	-
Other liabilities	12,872	25,365	-	-
Total Current Liabilities	15,215,038	13,488,245	696,487	660,828
Non-current Liabilities:				
Compensated absences	1,324,221	1,418,028	-	-
Accrued workers' compensation	671,637	657,000		
Student deposits and unearned revenue	6,719	15,340		
Grants refundable	994,606	994,606	-	-
Capital lease obligations	105,956	154,125	-	-
Bonds payable	15,471,730	16,256,346	-	-
Total Non-current Liabilities	18,574,869	19,495,445	-	-
Total Liabilities	33,789,907	32,983,690	696,487	660,828
Deferred Inflows of Resources	1,737,997	1,643,997	-	-
Net Position:				
Net investment in capital assets	46,849,019	45,883,403	473,242	485,834
Restricted for:				
Expendable	800,376	238,913	2,346,872	1,791,709
Non-expendable	-	-	3,151,274	3,072,929
Unrestricted	24,032,505	20,854,584	(507,433)	(389,983)
Total Net Position	71,681,900	66,976,900	5,463,955	4,960,489
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 107,209,804	$ 101,604,587	$ 6,160,442	$ 5,621,317

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

Statements of Revenues and Expenses

For the Years Ended June 30,

	2013 Primary Institution	2012 Primary Institution	2013 Component Unit-Foundation	2012 Component Unit-Foundation
Operating Revenues:				
Tuition and fees	$ 46,239,640	$ 44,196,990	$ -	$ -
Residence and dining fees	22,001,854	22,241,065		
Less: scholarships and fellowships	(8,575,734)	(7,983,530)	-	-
Net tuition and fees	59,665,760	58,454,525	-	-
Federal grants and contracts	7,675,537	7,462,443	-	-
State grants and contracts	1,902,339	1,689,738	-	-
Private grants and contracts	396,178	296,770	607,392	538,838
Public service	364,524	378,694	-	-
Auxiliary operations	3,387,743	3,387,225	-	-
Other sources	681,697	632,763	72,540	124,761
Total Operating Revenues	74,073,778	72,302,158	679,932	663,599
Operating Expenses:				
Instruction	32,423,039	31,608,287	-	-
Public service	331,509	355,860	-	-
Academic support	7,551,975	7,550,553	83,693	52,111
Student services	10,954,610	10,820,387	-	-
Institutional support	9,009,040	8,687,090	547,272	443,143
Operation and maintenance of plant	9,055,817	9,384,651	-	-
Scholarships and fellowships	2,069,704	1,960,052	185,570	125,268
Auxiliary operations	20,986,478	21,083,104	-	-
Depreciation	4,596,536	4,343,176	12,592	4,267
Total Operating Expenses	96,978,708	95,793,160	829,127	624,789
Operating Income (Loss)	(22,904,930)	(23,491,002)	(149,195)	38,810
Non-Operating Revenues (Expenses):				
State appropriations, net	25,971,090	25,494,134	-	-
Restricted state appropriations	183,150	-	-	-
Gain (loss) on disposal of assets	(26,094)	(36,761)	-	70,847
Investment income, net of expenses	311,925	350,752	666,374	56,364
Interest expense	(629,427)	(157,406)	(14,427)	(15,504)
Net Non-Operating Revenues	25,810,644	25,650,719	651,947	111,707
Income Before Other Revenues (Expenses)	2,905,714	2,159,717	502,752	150,517
Capital appropriations	1,800,000	4,424,944	-	-
Related entity transfers	(714)	9,903	714	(9,903)
Total Increase in Net Position	$ 4,705,000	$ 6,594,564	$ 503,466	$ 140,614

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

WESTFIELD STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2013 and 2012

	Primary Government				
	Net Investment in Capital Assets	Restricted Expendable	Restricted Non-expendable	Unrestricted	Total
Balance, June 30, 2011	$ 41,712,298	$ 505,307	$ -	$ 18,164,731	$ 60,382,336
Changes in net position for 2012	4,171,105	(266,394)	-	2,689,853	6,594,564
Balance, June 30, 2012	45,883,403	238,913	-	20,854,584	66,976,900
Changes in net position for 2013	965,616	561,463	-	3,177,921	4,705,000
Balance, June 30, 2013	$ 46,849,019	$ 800,376	$ -	$ 24,032,505	$ 71,681,900

	Component Unit				
	Net Investment in Capital Assets	Restricted Expendable	Restricted Non-expendable	Unrestricted	Total
Balance, June 30, 2011	$ 838,905	$ 1,858,735	$ 2,958,716	$ (836,481)	$ 4,819,875
Changes in net position for 2012	(353,071)	(67,026)	114,213	446,498	140,614
Balance, June 30, 2012	485,834	1,791,709	3,072,929	(389,983)	4,960,489
Changes in net position for 2013	(12,592)	559,678	78,345	(110,883)	514,548
Balance, June 30, 2013	$ 473,242	$ 2,351,387	$ 3,151,274	$ (500,866)	$ 5,475,037

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

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

Statements of Cash Flows

For the Years Ended June 30,

	Primary Government	
	2013 University	2012 University
Cash Flows from Operating Activities:		
Tuition and fees	$ 40,660,378	$ 39,132,754
Residence and dining fees	20,379,017	19,287,159
Grants and contracts	10,160,552	9,373,841
Payments to suppliers	(29,865,975)	(31,289,230)
Payments to employees	(53,976,765)	(52,295,538)
Payments to students	(2,068,749)	(1,831,380)
Direct lending receipts	27,568,154	27,950,977
Direct lending disbursements	(27,568,154)	(27,950,977)
Loans issued to students	(131,350)	(191,376)
Collections of loans to students	214,376	189,123
Auxiliary operations	2,009,073	3,387,225
Other receipts	970,269	1,827,297
Net Cash Applied to Operating Activities	(11,649,174)	(12,410,125)
Cash Flows from Non-Capital Financing Activities:		
State appropriation	21,750,049	20,139,583
Tuition remitted to state	(1,002,262)	(987,528)
Received from the Foundation	(714)	9,903
Net Cash Provided by Non-Capital Financing Activities	20,747,073	19,161,958
Cash Flows from Capital Financing Activities:		
Capital appropriations	1,800,000	4,424,944
Proceeds from issuance of bonds	-	9,058,664
Bond issuance costs paid	-	(58,664)
Purchases of capital assets	(8,582,619)	(15,490,117)
Advance payment related to service concession arrangement	410,000	1,040,000
Principal paid on capital leases	(46,275)	(21,126)
Interest paid on capital leases	(7,431)	(3,637)
Principal paid on bonds payable	(637,596)	(430,598)
Interest paid on bonds payable	(615,090)	(148,368)
Increase (decrease) in debt service reserve	(4,962)	4,744
Net Cash Applied to Capital Financing Activities	(7,683,973)	(1,624,158)
Cash Flows from Investing Activities:		
Interest income	311,925	350,752
Purchases of investments	(1,630)	(1,575)
Net Cash Provided by Investing Activities	310,295	349,177
Net Increase in Cash and Equivalents	1,724,221	5,476,852
Cash and Equivalents, Beginning of Year	39,947,549	34,470,697
Cash and Equivalents, End of Year	$ 41,671,770	$ 39,947,549

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Statements of Cash Flows - Continued

For the Years Ended June 30,

	Primary Government	
	2013 University	2012 University
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	$ (22,904,930)	$ (23,491,002)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	4,596,536	4,343,176
Fringe benefits provided by the State	5,406,453	6,342,079
Deferred inflows of resources	(316,000)	(261,824)
Changes in Assets and Liabilities:		
Accounts receivable, net	29,055	(225,533)
Due from Foundation	955	128,672
Due from State for ARRA funding	-	118,724
Restricted accounts receivable	(41,450)	81,170
Loans receivable, net	91,698	6,590
Inventories and other assets	(1,579)	(58,815)
Accounts payable and accrued liabilities	486,144	(341,055)
Accrued salaries, wages and benefits	46,991	374,711
Compensated absences	469,467	161,442
Accrued workers' compensation	14,373	45,067
Deferred tuition and other revenue	2,868	68,419
Deposits held	79,091	(11,608)
Assets held in custody for others	403,647	326,730
Other liabilities	(12,493)	(17,068)
Net Cash Used by Operating Activities	$ (11,649,174)	$ (12,410,125)
Non-Cash Transactions:		
Fringe benefits paid by State	$ 5,406,453	$ 6,342,079
Acquisition of capital assets through capital leases	$ -	$ 221,526
Deferred inflows of resources	$ 316,000	$ 261,824
Cash and Equivalents, End of Year:		
Cash and equivalents	$ 37,864,693	$ 33,252,367
Cash held by State Treasurer	1,701,899	807,983
Deposits held by State Treasurer	1,951,467	2,050,283
Deposits held by MSCBA	153,711	3,836,916
Total	$ 41,671,770	$ 39,947,549

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

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

Notes to the Financial Statements

June 30, 2013 and 2012

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

Organization
Westfield State University (the "University") is a public, state-supported university located in Westfield, Massachusetts and governed by a local Board of Trustees under the direction of the Massachusetts Department of Higher Education. The University is empowered to award baccalaureate and masters degrees in education, business, and arts and sciences, as well as conduct programs of continuing education. The University is accredited by the New England Association of Schools and Colleges.

Basis of Presentation
The accompanying 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).

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

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

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

Basis of Presentation - Continued

The University has determined that it functions as a business-type activity, as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The University presents statements of net position, revenues and expenses, changes in net position, and cash flows on a combined University-wide basis.

The University's policy for defining operating activities in the statements of revenues and expenses is 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, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, and interest expense.

Net Position

Resources are classified for accounting purposes into the following four net asset categories:

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

Restricted - nonexpendable: Net position subject to externally imposed conditions such that the University must maintain the funds in perpetuity.

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

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

Net Position - Continued

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net assets 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.

The University has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

Use of Estimates

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

Trust Funds

The University's operations are accounted for in several trust funds. All trust funds have been consolidated and are included in the accompanying financial statements.

Cash and Equivalents

The University's cash and equivalents are cash on hand, cash and deposits held with the Commonwealth's Treasurer and Massachusetts State College Board Authority (MSCBA), which are short term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and current economic conditions.

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

Restricted accounts receivable
Restricted accounts receivable represents monies the University will receive as an agency fund. The offset liability is classified on the Statement of Net Position under assets held in custody of others.

Capital Assets
Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, non-collection items with a unit cost of more than $50,000 are capitalized. Library materials are generally expensed during the year. University capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materiality extend assets lives are not capitalized.

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

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

Compensated Absences
Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2013 and 2012. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2013 and 2012. Upon retirement, these employees are entitled to receive payment for this accrued balance. Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

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

Deposits and Unearned Revenue
Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred. Funds received in advance from various grants and contracts are deferred. Deposits and unearned revenue are recorded as revenue as earned.

Deposits held by MSCBA
Deposits held represent funds held by the Massachusetts State College Building Authority for specific projects.

Deposits held by State Treasurer
Deposits held represent funds accessible by the University held by the Commonwealth of Massachusetts for payments on payroll.

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

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

Income Tax Status
The University is a component unit of the Commonwealth of Massachusetts and is exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

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

New Governmental Accounting Pronouncements

GASB 65, *Items Previously Reported as Assets and Liabilities,* is required for periods beginning after December 15, 2012. Earlier application is encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of GASB 65 will require that the unamortized deferred financing costs are charged off against net position at July 1, 2013.

GASB 66, *Technical Corrections - 2012 - an amendment of GASB Statements 10 and 62,* effective for periods beginning after December 15, 2012 resolves conflicts between recently issued and earlier GASB statements, as well as modifying guidance related to accounting for certain operating leases. Management does not believe this Statement will have a material effect on the financial statements.

GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management is in the process of reviewing this Statement and its potential effect upon its financial reporting, however management does not expect any material impact.

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

New Governmental Accounting Pronouncements - Continued

GASB 69, *Government Combinations and Disposals of Government Operations* is required for periods ending after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting. Management does not expect any material impact.

GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* is required for periods beginning after June 15, 2013. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. Management does not believe this Statement will have a material effect on the financial statements.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

Note 2 - **Cash and Equivalents**

Custodial risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the University would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) and other third party insurance. The University's policy is to mitigate as much custodial risk associated with its cash assets as possible. Deposits in the bank in excess of the insured amounts are uninsured and uncollateralized. The University places funds with the Massachusetts Municipal Depository Trust (MMDT).

The MMDT is an instrumentality of the Treasurer of the Commonwealth and therefore not subject to FDIC insurance and its political sub-divisions. It is designed as a legal means to temporarily invest available cash in safe, liquid and high yield investment vehicles by offering participation in a diversified portfolio of high quality money market instruments.

Note 2 - **Cash and Equivalents - Continued**

The University entered into a repurchase agreement for $5,000,000 with one of their financial institutions in March 2009. The fair value of the securities at June 30, 2013 and 2012 was approximately $5,559,000 and $5,422,000, respectively. The University will earn interest on their cash investment at prime rate minus 75 basis points.

The carrying amount of the University's bank deposits and deposits in trust depositories are $37,864,693 and $33,252,367 as compared to bank balances of $38,238,096 and $33,512,814 at June 30, 2013 and 2012, respectively. The differences between the carrying amount and the bank balances were caused by deposits in-transit and outstanding checks.

Bank balances as of June 30, 2013 and 2012 in the amount of $32,619,739 and $28,032,518, respectively, at Peoples Bank and Berkshire Bank are insured by the Massachusetts Depositors Insurance Fund and are therefore not subject to custodial risk. Amounts remaining that may be exposed to custodial risk at June 30, 2013 and 2012 were $5,559,409 and $5,422,475, respectively.

Note 3 - **Cash Held by the State Treasurer**

Accounts payable, accrued salaries, wages and withholdings to be funded from state appropriated funds totaled $1,701,899 and $807,983 at June 30, 2013 and 2012, respectively. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which was subsequently used to pay for such liabilities.

Note 4 - **Investments**

University

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2013 and 2012, the entire balance of investments represents mutual funds that are held in safekeeping accounts in trust depositories in the name of the University and are uninsured. At June 30, 2013 and 2012, the investments are stated at fair market value, have a maturity of less than one year, and have an unrated quality. The University currently follows investment policies largely defined by the Commonwealth of Massachusetts, as well as internal University's investment policies.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2013 and 2012

Note 4 - **Investments - Continued**

Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30:

	2013		2012	
	Market	**Cost**	Market	Cost
Investments:				
Stock Market Index Fund	**$ 3,136,613**	**$ 2,595,220**	$ 2,582,936	$ 2,533,159
Bond Market Index Fund	**1,023,697**	**993,996**	1,032,447	961,599
International Stock Market Index Fund	**1,022,002**	**1,284,533**	900,578	1,239,705
	$ 5,182,312	**$ 4,873,749**	$ 4,515,961	$ 4,734,463

The following schedule summarizes the investment return and its classification in the statements of revenues and expenses, and changes in net position for the year ended June 30:

	2013	2012
Interest and dividends	**$ 141,660**	$ 112,105
Net unrealized (losses) gains	**524,714**	(55,741)
	$ 666,374	$ 56,364

Note 5 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2013 and 2012 is summarized as follows:

	2013	2012
Student accounts receivable	**$ 1,123,443**	$ 1,048,942
Grants receivable	**174,405**	360,903
Other receivables	**338,208**	209,706
	1,636,056	1,619,551
Less: allowance for doubtful accounts	**(862,361)**	(816,801)
	$ 773,695	$ 802,750

Note 6 - **Loans Receivable and Grants Refundable**

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The Federal government provides the majority of the funds to support this program. Loan payments received from students made under this program may be re-loaned after collection. The portion of the Perkins program provided by the Federal government, identified as grants refundable on the Statement of Net Position, is refundable to the Federal government upon the termination of the University's participation in the program.

Loans receivable include the following at June 30:

	2013	2012
Perkins loans receivable	$ 1,257,816	$ 1,347,219
Less: allowance for doubtful accounts	(431,458)	(429,163)
Total loans receivable, net	826,358	918,056
Less: amount due in one year	(191,203)	(182,890)
Long term loans receivable	$ 635,155	$ 735,166

Note 7 - **Related Party Transactions**

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

A board member is a principal in a firm that provided $9,100 in legal services to the Foundation during the year ended June 30, 2012. No legal services were provided by the firm during the year ended June 30, 2013.

During the year ended June 30, 2012, another board member was also an executive of a bank, which holds the line of credit described in Note 7, where the Foundation has a savings account and line of credit. The bank is related to an insurance company that provides coverage for certain Foundation property. The premium for this coverage was $2,068. This individual was not a board member during the year ended June 30, 2013.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2013 and 2012

Note 8 - **Capital Assets**

The University's capital asset activity for the year ended June 30, 2013 is summarized as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	$ 1,223,862	$ -	$ -	$ -	$ 1,223,862
Construction-in-progress	-	9,638,135	229,701	-	(9,371,912)	495,924
Total		10,861,997	229,701	-	(9,371,912)	1,719,786
Depreciable:						
Buildings, including improvements	20-40	75,824,642	5,839,109	-	9,371,912	91,035,663
Land improvements	20	2,001,316	102,978	-	-	2,104,294
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	21,570,180	2,241,047	504,565	-	23,306,662
Library books	5	7,072,188	45,722	-	-	7,117,910
Vehicles	5	1,007,962	124,062	67,035	-	1,064,989
Total		107,747,371	8,352,918	571,600	9,371,912	124,900,601
Less accumulated depreciation:						
Buildings, including improvements		35,061,148	2,619,863	-	-	37,681,011
Land improvements		725,686	104,596	-	-	830,282
Leasehold improvements		162,650	54,217	-	-	216,867
Equipment and furnishings		16,193,474	1,684,420	478,470	-	17,399,424
Library books		6,949,146	51,356	-	-	7,000,502
Vehicles		799,164	82,084	67,035	-	814,213
Total accumulated depreciation		59,891,268	4,596,536	545,505	-	63,942,299
Capital Assets, Net		$ 58,718,100	$ 3,986,083	$ 26,095	$ -	$ 62,678,088

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2013 and 2012

Note 8 - **Capital Assets - Continued**

The University's capital asset activity for the year ended June 30, 2012 is summarized as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	$ 1,223,862	$ -	$ -	$ -	$ 1,223,862
Construction-in-progress	-	3,098,005	9,371,912	-	(2,831,782)	9,638,135
Total		4,321,867	9,371,912	-	(2,831,782)	10,861,997
Depreciable:						
Buildings, including improvements	20-40	68,308,753	4,684,107	-	2,831,782	75,824,642
Land improvements	20	1,914,655	86,661	-	-	2,001,316
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	20,940,400	1,342,391	712,611	-	21,570,180
Library books	5	7,026,328	45,860	-	-	7,072,188
Vehicles	5	900,998	180,712	73,748	-	1,007,962
Total		99,362,217	6,339,731	786,359	2,831,782	107,747,371
Less accumulated depreciation:						
Buildings, including improvements		32,657,604	2,403,544	-	-	35,061,148
Land improvements		624,576	101,110	-	-	725,686
Leasehold improvements		108,434	54,216	-	-	162,650
Equipment and furnishings		15,217,024	1,652,300	675,850	-	16,193,474
Library books		6,882,281	66,865	-	-	6,949,146
Vehicles		807,771	65,141	73,748	-	799,164
Total accumulated depreciation		56,297,690	4,343,176	749,598	-	59,891,268
Capital Assets, Net		$ 47,386,394	$ 11,368,467	$ 36,761	$ -	$ 58,718,100

Note 9 - **Student Deposits and Unearned Revenue**

Student deposits and unearned revenue includes tuition received in advance from students for summer courses commencing after June 30, the subsequent fall semester, and grant funds received in advance.

Student deposits and unearned revenue of the University include the following each year at June 30:

	2013	2012
Tuition and fees	$ 1,002,763	$ 1,003,692
Grants	10,706	6,909
Total student deposits and unearned revenue	1,013,469	1,010,601
Less: current portion	(6,719)	(15,340)
Long-term Student Deposits and Unearned Revenue	$ 1,006,750	$ 995,261

Note 10 - **Deferred Inflows of Resources**

The University has entered into service concession arrangements for dining and related services with Sodexo Operations, LLC. ("Sodexo"). In exchange for these agreements Sodexo has provided the University with funds aggregating $3.4 million dollars to augment the cost of improvements to the University's dining and kitchen facilities. During the year ended June 30, 2013, Sodexo and the University amended the original agreement, which resulted in Sodexo providing an additional $410,000 to the University. These monies are amortized into revenue ratably over the life of the agreement through August 2022. In the event of termination, as provided for by either party in the agreement, repayment of the unamortized portion would be required. The agreement also requires additional payments from Sodexo to defray costs incurred by the University, as well as revenue sharing.

Note 10 - **Deferred Inflows of Resources - Continued**

Recognition of these monies in annual revenue is as follows:

Years Ending June 30,	
2014	$ 322,720
2015	322,720
2016	322,720
2017	149,556
2018	149,556
Thereafter	470,725
	$ 1,737,997

Note 11 - **Line of Credit**

The Foundation has a $1,000,000 line of credit with a bank, secured by certain investments. The balance outstanding on the line of credit was $462,400 and $415,200 at June 30, 2013 and 2012, respectively. At both June 30, 2013 and 2012, the interest rate was 3.50%. The line of credit is subject to an annual review by the bank. The next annual review will occur during November 2013, and the line of credit will expire on that date if not extended or renewed by the bank, at its discretion.

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Notes to the Financial Statements - Continued

June 30, 2013 and 2012

Note 12 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2013 consist of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases and bonds payable:					
Lease obligations	$ 200,400	$ -	$ 46,275	$ 154,125	$ 48,169
Bonds payable	15,664,897		591,016	15,073,881	736,034
Bonds premium	1,258,629	-	46,580	1,212,049	78,166
Total leases and bonds payable	17,123,926	-	683,871	16,440,055	862,369
Other long-term liabilities:					
Compensated absences	5,193,040	469,467	-	5,662,507	4,338,286
Workers' compensation	842,308	14,373	-	856,681	185,044
Deferred revenues	1,010,601	3,795	927	1,013,469	1,006,750
Grants refundable	994,606	-	-	994,606	-
Total	$ 25,164,481	$ 487,635	$ 684,798	$ 24,967,318	$ 6,392,449

Long-term liabilities at June 30, 2012 consist of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases and bonds payable:					
Lease obligations	$ -	$ 221,526	$ 21,126	$ 200,400	$ 46,275
Bonds payable	8,190,501	7,890,000	415,604	15,664,897	590,677
Bonds premium	104,959	1,168,664	14,994	1,258,629	76,503
Total leases and bonds payable	8,295,460	9,280,190	451,724	17,123,926	713,455
Other long-term liabilities:					
Compensated absences	5,031,598	161,442	-	5,193,040	3,775,012
Workers' compensation	797,241	45,067	-	842,308	185,308
Deferred revenues	942,181	70,132	1,712	1,010,601	995,261
Grants refundable	994,606	-	-	994,606	-
Total	$ 16,061,086	$ 9,556,831	$ 453,436	$ 25,164,481	$ 5,669,036

Note 12 - **Long-Term Liabilities - Continued**

Bonds Payable

In November 2011, the University entered into a financing agreement with the Massachusetts State College Building Authority (MSCBA) for an expansion of the wellness center, and the relocation of the food services and other student areas in Ely Hall. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2012A). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting November 1, 2012 and ending May 1, 2031, at an annual variable coupon rate averaging 4.9%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2013 and 2012, the balance on the bond was $8,872,078 and $9,058,664, respectively.

During fiscal year 2011, the University borrowed $226,065 in clean renewable energy bonds issue Series 2010A-14 with the Massachusetts Development Finance Agency (MDFA). The Series 2010A-14 bonds are payable in annual principal installments of $13,298 through fiscal year 2027. Interest is payable semiannually at a fixed interest rate of 3.5%. MDFA requires no debt reserve. At June 30, 2013 and 2012, the balance on the bond was $186,171 and $199,469, respectively.

In December 2010, the University entered into a financing agreement with the Massachusetts State College Building Authority (MSCBA) for an expansion of a dining facility. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2010A and 2010B). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting May 1, 2011 and ending May 1, 2030, at an annual variable coupon rate averaging 5.5%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2013 and 2012, the balance on the bond was $4,093,239 and $4,273,012, respectively.

In August 2002, the University borrowed $5,816,000 in tax-exempt revenue bonds issue Series M-2 with the Massachusetts Health and Educational Facilities Authority (MHEFA). The Series M-2 bonds are payable in annual installments through fiscal year 2022 with principal amounts ranging between approximately $242,000 and $435,000. Interest is payable monthly at a predetermined varying rate (0.209% as of June 30, 2013). MHEFA requires that the University maintain a debt service reserve. At June 30, 2013 and 2012, the balance on the bond was $3,134,442 and $3,392,381, respectively.

Note 12 - **Long-Term Liabilities - Continued**

Bonds Payable - Continued

The University has a $3,188,701 letter of credit agreement with Bank of America in support of the above MHEFA revenue bonds. Under the terms of the agreement, the University has pledged its right to receive continuing education tuition and fees, general fees, technical fees and miscellaneous fees as collateral to Bank of America. The agreement also places certain limits on the University with regard to incurring additional debt; requires the University to maintain a minimum amount of unrestricted cash and equivalents, and to maintain a debt service ratio and debt service reserve fund. Fees paid under the terms of the agreement were $43,470 and $43,782 at June 30, 2013 and 2012, respectively. As of June 30, 2013, there is no outstanding balance on the letter of credit.

Maturities of the bonds payable subsequent to June 30, 2013 are as follows:

	Principal	Interest	Total
2014	$ 814,200	$ 531,489	$ 1,345,689
2015	852,333	509,377	1,361,710
2016	891,022	486,208	1,377,230
2017	932,183	461,932	1,394,115
2018	976,514	434,322	1,410,836
2019-2023	5,048,706	1,816,631	6,865,337
2024-2028	4,175,606	1,054,022	5,229,628
2029-2031	2,595,366	189,193	2,784,559
	$ 16,285,930	$ 5,483,174	$ 21,769,104

Lease Obligations

During fiscal year end 2012, the University entered into a capital lease agreement for machinery and equipment, fixed interest rate of 3.15%, maturing in January 2016. The University also entered into a capital lease agreement for a fleet of vehicles bearing a fixed interest rate of 4.35% and maturing in December 2016.

Note 12 - **Long-Term Liabilities - Continued**

Lease Obligations - Continued
Future minimum payments related to these leases are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	$ 48,169	$ 5,537	$ 53,706
2015	50,144	3,562	53,706
2016	41,700	1,557	43,257
2017	14,112	201	14,313
	$ 154,125	$ 10,857	$ 164,982

Note 13 - **Pollution Remediation**

In 2009, the University adopted GASB Statement No. 49 ("GASB 49"), *Accounting and Financial Reporting for Pollution Remediation Obligations.* The University has accrued a liability of approximately $105,000 and $170,000 at June 30, 2013 and 2012, respectively, related to an underground oil spill that is currently under remediation. The estimated liability is based on current operating costs associated with the engineering and design of the remediation, installation and removal, and overall monitoring. The University expects the annual monitoring and evaluation to continue for approximately five years.

Note 14 - **Operating Leases**

During fiscal year 2011, the University entered into a lease agreement for an apartment building to be used for student housing, expiring in July 2021. The University also leases office equipment under non-cancelable operating leases with various expiration dates through 2016. Total rent expense under these lease agreements is approximately $1,865,000 and $1,719,000 for the years ended June 30, 2013 and 2012, respectively.

Note 14 - **Operating Leases - Continued**

Future minimum payments related to these leases are as follows:

Years Ending June 30,	
2014	$ 1,458,777
2015	1,231,303
2016	1,257,774
2017	1,283,712
2018	1,317,181
2019-2022	3,763,219
Total	$ 10,311,966

Note 15 - **Restricted Net Assets**

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	2013	2012
Restricted - expendable:		
Scholarships and fellowships	**$ 187,639**	$ 179,908
Loans	**15,095**	15,095
Capital projects	**416,198**	5,504
Other	**181,444**	38,406
	$ 800,376	$ 238,913

The Foundation's restricted - nonexpendable and expendable net assets consist of investments to be utilized for various scholarships and program support as of June 30, 2013 and 2012.

Note 16 - **Operating Expenses**

The University's operating expenses, on a natural classification basis, are comprised of the following at June 30:

	2013	2012
Compensation and benefits	**$ 60,288,728**	$ 59,258,663
Supplies and services	**30,023,740**	30,231,269
Depreciation and amortization	**4,596,536**	4,343,176
Scholarships and fellowships	**2,069,704**	1,960,052
	$ 96,978,708	$ 95,793,160

Note 17 - **Retirement Plan**

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension, and worker's compensation benefits. Health insurance and pension costs (described in the subsequent paragraph) for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth and currently the liability is borne by the Commonwealth, as are any effects on net assets and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions.*

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of the University's employees who participate in the Massachusetts State Employees' Retirement System (the "Retirement System"). The Retirement System, a single employer defined benefit public employee retirement system, is administered by the Commonwealth. The retirement portion of employees paid through State Appropriation accounts are met by the Commonwealth. Such pension expense amounted to approximately $1,407,000 and $1,727,000 for the years ended June 30, 2013 and 2012, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 88% of annual total payroll for the University in both 2013 and 2012.

Note 17 - **Retirement Plan - Continued**

The University also makes direct contributions on behalf of the employees at the same fringe benefit charge assessed by the Commonwealth. Retirement Benefits paid directly to the Commonwealth by the University on behalf of employees amounted to approximately $1,200,000 and $1,515,000 for the years ended June 30, 2013 and 2012, respectively. Employees contribute a percentage of their regular compensation to fund the annuity portion of the Retirement System. The overall 'fringe benefit charge' decreased from 32.98% in 2012 to 25.98% in 2013. The retirement portion of the 'fringe rate' decreased from 8.98% in 2012 to 6.76% in 2013.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the 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 health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Commonwealth's Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

The GIC administers a plan included within the State Retirement Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are returned to the Commonwealth's General Fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

Note 17 - **Retirement Plan - Continued**

The GIC is a quasi-independent state agency governed by an eleven member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2012, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans.

The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 18 - **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.

Various lawsuits are pending or threatened against the University which arise in the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened which would materially affect the University's financial position.

The University receives significant financial assistance from Federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditure resulting from such audits become a liability of the University. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the University.

Note 18 - **Commitments and Contingencies - Continued**

The University participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for the future tuition at the cost of tuition at the time of election to participate, 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 standard tuition rate in effect at the time of the individual's enrollment at the University. The effect of the program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the University.

Note 19 - **Massachusetts 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) on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

The College's state appropriations are composed of the following at June 30:

	2013	2012
Direct unrestricted appropriations	**$ 21,566,899**	$ 20,139,583
Add: Fringe benefits for benefited employees on the state payroll	**5,406,453**	6,342,079
Less: Day school tuition remitted to the state and included in tuition and fee revenue	**(1,002,262)**	(987,528)
Total unrestricted appropriations	**25,971,090**	25,494,134
Capital appropriations	**1,800,000**	4,424,944
Restricted appropriations	**183,150**	-
Total appropriations	**$ 27,954,240**	$ 29,919,078

Note 20 - **Pass-Through Grants**

The University distributed $27,568,154 and $27,950,977 as of June 30, 2013 and 2012, respectively, for student loans through the U.S. Department of Education Federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 21 - **Massachusetts State College Building Authority (Unaudited)**

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

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. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The Commonwealth guarantees these obligations. The Revenue Assessments for the residence halls for the years ended June 30, 2013 and 2012 were $7,423,577 and $6,964,815, respectively. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

Dormitory trust fund reports included as supplemental information include revenues and expenses, which are included in auxiliary enterprises revenues and expenses.

Note 22 - **Subsequent Event**

In November 2013, the former President of Westfield State University initiated an action in the United States District Court against the University, several trustees, as well as two additional parties. The University and trustees are represented by the Office of the Attorney General. At this point, there is no opinion as to the likelihood of a liability for the Institution other than the trustees are indemnified by state law.

SUPPLEMENTAL INFORMATION

WESTFIELD STATE UNIVERSITY
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Schedules of Net Assets
Dormitory Trust Fund Report (Unaudited)

June 30,

Assets

	2013	2012
Current Assets:		
Cash and equivalents	$ 5,974,925	$ 5,188,776
Accounts receivable, net	38,506	35,768
Deposits held by State Treasurer	221,077	157,846
Other current assets	1,603	1,530
Total Current Assets	6,236,111	5,383,920
Total Assets	$ 6,236,111	$ 5,383,920

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities	$ 199,322	$ 188,336
Accrued employee compensation and benefits	389,696	346,243
Deposits held	562,300	539,930
Other liabilities	417	10,518
Total Current Liabilities	1,151,735	1,085,027
Noncurrent Liabilities:		
Accrued liability for employee compensation and benefits	44,356	47,768
Total Noncurrent Liabilities	44,356	47,768
Total Liabilities	1,196,091	1,132,795
Net Assets:		
Unrestricted	5,040,020	4,251,125
Total Net Assets	5,040,020	4,251,125
Total Liabilities and Net Assets	$ 6,236,111	$ 5,383,920

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Schedules of Revenues, Expenses and Changes in Net Assets
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30,

	2013	2012
Revenues:		
Operating Revenues:		
Room rent	$ 13,539,994	$ 13,667,900
Infrastructure fees	254,250	266,100
Other sources	69,974	76,330
Deposits forfeited	121,246	81,759
Commissions - laundry	56,964	52,517
Commissions - vending	34,182	32,471
Total Operating Revenues	14,076,610	14,177,077
Expenses:		
Operating Expenses:		
Employee compensation	2,176,868	2,033,910
Energy costs	1,280,436	1,460,130
Pension and insurance	570,830	692,304
Special employees	591,968	576,380
Operational services	318,578	309,421
Scholarships	384,000	336,000
Repairs and maintenance	57,522	724,915
Facility operations supplies	267,811	281,262
Administrative expenses	87,705	64,219
Equipment purchase	50,877	71,450
Equipment lease, rental and maintenance	29,643	34,330
Consultant services	29,751	30,933
Student travel	4,339	27,137
Employee related expenses	13,810	15,177
Annual payment to the Massachusetts State College Building Authority	7,423,577	6,964,815
Total Operating Expenses	13,287,715	13,622,383
Increase in Net Assets	788,895	554,694
Net Assets, Beginning of Year	4,251,125	3,696,431
Net Assets, End of Year	$ 5,040,020	$ 4,251,125

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Westfield State 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

November 25, 2013

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

O'Connor & Drew P.C.
Certified Public Accountants

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
Westfield State University
Westfield, 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 Westfield State University (the "University"), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Westfield State University's basic financial statements and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Westfield State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 may exist that have not been identified.