

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

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

JUNE 30, 2019

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

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2019

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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"), and its discretely presented component unit, the Westfield State Foundation, Inc. (the "Foundation"), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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 auditor considers 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, 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 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Schedules

Our audits were conducted for the purpose of forming an opinion on the University's basic financial statements. The supplemental schedules listed in the accompanying table of contents, which are the responsibility of management, 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 October 10, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Certified Public Accountants

Braintree, Massachusetts

October 10, 2019

WESTFIELD STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2019

Introduction

The following discussion and analysis provides an overview of the financial position and results of operations of Westfield State University (the "University") for the fiscal year ended June 30, 2019, with comparative information for the year ended June 30, 2018. This discussion has been prepared by management along with the financial statements and footnotes. 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 5,500 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers undergraduate majors in both the traditional arts and sciences and in professional fields with multiple options for discipline-specific or interdisciplinary minors and concentrations. There are also several graduate-level degree and certificate programs offered by the College 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.

Financial Highlights

- The University's financial position decreased during the fiscal year ended June 30, 2019, with a \$5.8 million or 11.6% decrease in total net position. The decrease was related to recording expenses of \$3.6 million for postemployment benefits other than pensions ("OPEB") and an additional \$2.7 million of pension expense, which are net of contributions subsequent to the measurement date. The effects of these adjustments are described in more detail on pages 4 and 5 of this discussion and analysis. Net position, which represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows of resources are deducted, decreased to \$44.5 million from \$50.3 million in 2018.
- Expenses incurred during fiscal year 2019 totaled \$136.7 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$130.9 million resulting in a decrease in net position of \$5.8 million. Expenses incurred during fiscal year 2018 totaled \$130.1 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$128.5 million resulting in a decrease in net position of \$1.6 million.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Highlights - Continued

- In June of 2015, GASB issued Statement 75 Accounting and Financial Reporting for Postemployment Benefits other than Pensions which was effective for fiscal years beginning after June 15, 2017. During the fiscal year ended June 30, 2018, the University implemented GASB 75. With the new reporting change, the University is allocated its proportionate share of the Commonwealth of Massachusetts State Employees' Retirement System's net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense. A restatement to record the effects of the new reporting guidance decreased beginning net position in fiscal year 2018 by \$52,632,530.

GASB No. 68 – Accounting and Financial Reporting For Pensions and GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, established standards for how governmental employers (and other entities) that contribute to state and local pension plans report liabilities and plan details on their financial statements. GASB 68 and its required disclosures were implemented in fiscal year 2015. GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. The tables below show the financial statement impact of GASB 68 and GASB 75 in fiscal years 2019 and 2018:

	2019		
	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Statement of Net Position (Balance Sheet)			
Deferred outflows (like an Asset)	\$ 11,794,391	\$ 20,472,180	\$ 32,266,571
Net liability (Non-Current Liability)	(35,031,695)	(61,531,987)	(96,563,682)
Deferred inflows (like a Liability)	<u>(3,821,675)</u>	<u>(19,190,251)</u>	<u>(23,011,926)</u>
Net position	<u>\$ (27,058,979)</u>	<u>\$ (60,250,058)</u>	<u>\$ (87,309,037)</u>
Statement of Revenues and Expenses			
Pension expense, net of subsequent contributions	\$ 2,725,512	\$ -	\$ 2,725,512
OPEB expense, net of subsequent contributions	-	3,547,267	3,547,267
Total	<u>\$ 2,725,512</u>	<u>\$ 3,547,267</u>	<u>\$ 6,272,779</u>

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

GASB No. 68 – Accounting and Financial Reporting For Pensions and GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Continued

	2018		
	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Statement of Net Position (Balance Sheet)			
Deferred outflows (like an Asset)	\$ 11,541,068	\$ 12,724,309	\$ 24,265,377
Net liability (Non-Current Liability)	(31,945,217)	(62,133,611)	(94,078,828)
Deferred inflows (like a Liability)	<u>(3,929,318)</u>	<u>(7,293,489)</u>	<u>(11,222,807)</u>
Net position	<u>\$ (24,333,467)</u>	<u>\$ (56,702,791)</u>	<u>\$ (81,036,258)</u>
Statement of Revenues and Expenses			
Pension expense, net of subsequent contributions	\$ 2,211,432	\$ -	\$ 2,211,432
OPEB expense, net of subsequent contributions	-	<u>4,070,261</u>	<u>4,070,261</u>
Total	<u>\$ 2,211,432</u>	<u>\$ 4,070,261</u>	<u>\$ 6,281,693</u>

The required reporting of the pension and OPEB liability on the financial statements of the University reduced the unrestricted net position as follows:

Effect of GASB 68 and GASB 75 on Unrestricted Net Position

	<u>Without Pension/OPEB</u>	<u>Pension/ OPEB Adjustment</u>	<u>With Pension/OPEB</u>
Unrestricted net position, June 30, 2017, as restated	\$ 44,911,804	\$ (74,754,565)	\$ (29,842,761)
Change in unrestricted net position for 2018	<u>3,316,641</u>	<u>(6,281,693)</u>	<u>(2,965,052)</u>
Unrestricted net position, June 30, 2018	\$ 48,228,445	\$ (81,036,258)	\$ (32,807,813)
Change in unrestricted net position for 2019	<u>3,740,287</u>	<u>(6,272,779)</u>	<u>(2,532,492)</u>
Unrestricted net position, June 30, 2019	<u>\$ 51,968,732</u>	<u>\$ (87,309,037)</u>	<u>\$ (35,340,305)</u>

The combined impact of the pension and OPEB liabilities for fiscal year 2019 and 2018 is a reduction in unrestricted net position of \$87.3 million and \$81.0 million, respectively.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements. Westfield State University's basic financial statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of Westfield State University's finances in a manner similar to a private-sector university. The University's financial report includes three financial statements: the *Statements of Net Position*, the *Statements of Revenues and Expenses and Changes in Net Position* and the *Statements of Cash Flows*.

These statements have been prepared in accordance with Government Accounting Standards Board (GASB) principles. These principles establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the institution. A description of the financials is as follows:

The Westfield State Foundation, Inc. (the 'Foundation'), a component unit of the University, is an independent not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes for the benefit of the University. The financial information of the Foundation has been discretely presented and included within these financial statements because of the nature and significance of its relationship with the University. Complete financial statements for the Foundation can be obtained from its administrative office in Westfield, Massachusetts.

The *Statements of Net Position* present the financial position of the University at the end of the fiscal year and include all assets and deferred outflows of resources less liabilities and deferred inflows of resources of the University. The difference between these amounts, net position, is one indicator of the current financial position of the University, while the change in net position serves as a useful indicator of whether the financial position of the University is improving or deteriorating.

The *Statements of Revenues and Expenses and Changes in Net Position* present the University's results of operations and other non-operating revenues and presents information showing how the University's net position changed during the most recent fiscal year.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Overview of the Financial Statements - Continued

The *Statements of Cash Flows* provide additional information about the University's financial results by reporting the major sources and uses of cash. Government 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 18-21 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 22-61 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 University's Building Authority trust fund. This supplementary information can be found on pages 62-68 of this financial report.

Financial Analysis of the University

The University's total net position for fiscal year 2019 decreased by \$5.8 million or 11.6% primarily due to the recording of OPEB and pension expense, net of contributions made subsequent to the measurement date in the amount of \$6.3 million during the fiscal year. The University's total net position for fiscal year 2018 decreased by \$1.6 million or 3.2%. A summary of the University's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, is presented below:

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Analysis of the University - Continued

<u>Assets</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 74,225,664	\$ 68,409,730	\$ 62,986,417
Capital Assets, net	99,116,839	102,743,536	103,744,693
Other Non-current assets	1,288,234	1,416,133	1,513,948
Total Assets	<u>174,630,737</u>	<u>172,569,399</u>	<u>168,245,058</u>
Deferred Outflows of Resources	32,266,571	24,265,377	13,370,415
Total Assets and Deferred Outflows	<u>\$206,897,308</u>	<u>\$ 196,834,776</u>	<u>\$ 181,615,473</u>
 <u>Liabilities</u>			
Current Liabilities	\$ 19,343,962	\$ 16,382,205	\$ 15,259,531
Non-current Liabilities	120,062,614	118,920,119	110,922,946
Total Liabilities	<u>139,406,576</u>	<u>135,302,324</u>	<u>126,182,477</u>
Deferred Inflows of Resources	<u>23,011,926</u>	<u>11,222,807</u>	<u>3,473,580</u>
 <u>Net Position</u>			
Investment in Capital Assets, net	78,587,213	81,499,843	80,531,023
Restricted: Expendable	1,231,898	1,617,615	1,271,154
Unrestricted	(35,340,305)	(32,807,813)	(29,842,761)
Total Net Position	<u>44,478,806</u>	<u>50,309,645</u>	<u>51,959,416</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$206,897,308</u>	<u>\$ 196,834,776</u>	<u>\$ 181,615,473</u>

Total assets in fiscal year 2019 increased by \$2.1 million or 1.2% over the prior year due to an increase in cash and equivalents (\$6.7 million) offset by decreases in capital assets (\$3.6 million) and accounts receivable (\$1.0 million). Total liabilities in fiscal year 2019 increased by \$4.1 million or 3.0% over the prior year primarily due to the increase in the net OPEB liability and increases in deferred revenue and accrued payroll. The \$8.0 million increase in deferred outflows of resources and \$11.8 million increase in deferred inflows of resources was due to the adjustments related to the fiscal year 2019 pension and OPEB activity.

Total assets in fiscal year 2018 increased by \$4.3 million or 2.6% over the prior year due to an increase in cash and equivalents. Total liabilities in fiscal year 2018 increased by \$9.1 million or 7.2% over the prior year primarily due to the increase in the net pension and net OPEB liabilities.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Analysis of the University - Continued

The \$10.9 million increase in deferred outflows of resources and \$7.7 million increase in deferred inflows of resources was due to the implementation of GASB 75 offset by adjustments related to the fiscal year 2018 pension activity.

A condensed summary of the Statements of Revenues and Expenses for the years ended June 30 is as follows:

<u>Operating Revenues</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tuition and fees	\$ 57,377,085	\$ 55,554,507	\$ 54,007,683
Residence and dining fees	26,579,581	28,304,371	29,150,749
Less: scholarships and fellowships	(10,967,197)	(10,701,997)	(10,220,586)
Federal, state, and private grants	13,114,205	13,540,086	12,171,899
Other sources	4,631,229	4,843,559	5,255,339
Total Operating Revenues	<u>90,734,903</u>	<u>91,540,526</u>	<u>90,365,084</u>
<u>Operating Expenses</u>			
Compensation and benefits	84,827,534	80,121,537	79,309,043
Supplies and services	35,763,572	34,241,551	33,310,241
Depreciation	5,809,084	5,988,394	4,836,154
Scholarships	2,971,317	2,713,655	2,595,264
GASB 68 pension expense, net of subsequent contributions	2,725,512	2,211,432	2,306,976
GASB 75 OPEB expense, net of subsequent contributions	3,547,267	4,070,261	-
Total Operating Expenses	<u>135,644,286</u>	<u>129,346,830</u>	<u>122,357,678</u>
<u>Non-Operating Revenues (Expenses):</u>			
State appropriations, net	\$ 39,022,622	\$ 35,255,242	\$ 35,049,389
Restricted state appropriations	223,619	84,136	187,314
Net investment income	537,698	439,603	369,874
Loss on disposal of assets	(326,377)	(27,602)	(11,012)
Interest expense	(773,582)	(797,016)	(812,199)
Total Net Non-Operating Revenues	<u>38,683,980</u>	<u>34,954,363</u>	<u>34,783,366</u>
State capital appropriations	<u>394,564</u>	<u>1,202,170</u>	<u>7,023,049</u>
(Decrease) increase in net position	<u>\$ (5,830,839)</u>	<u>\$ (1,649,771)</u>	<u>\$ 9,813,821</u>

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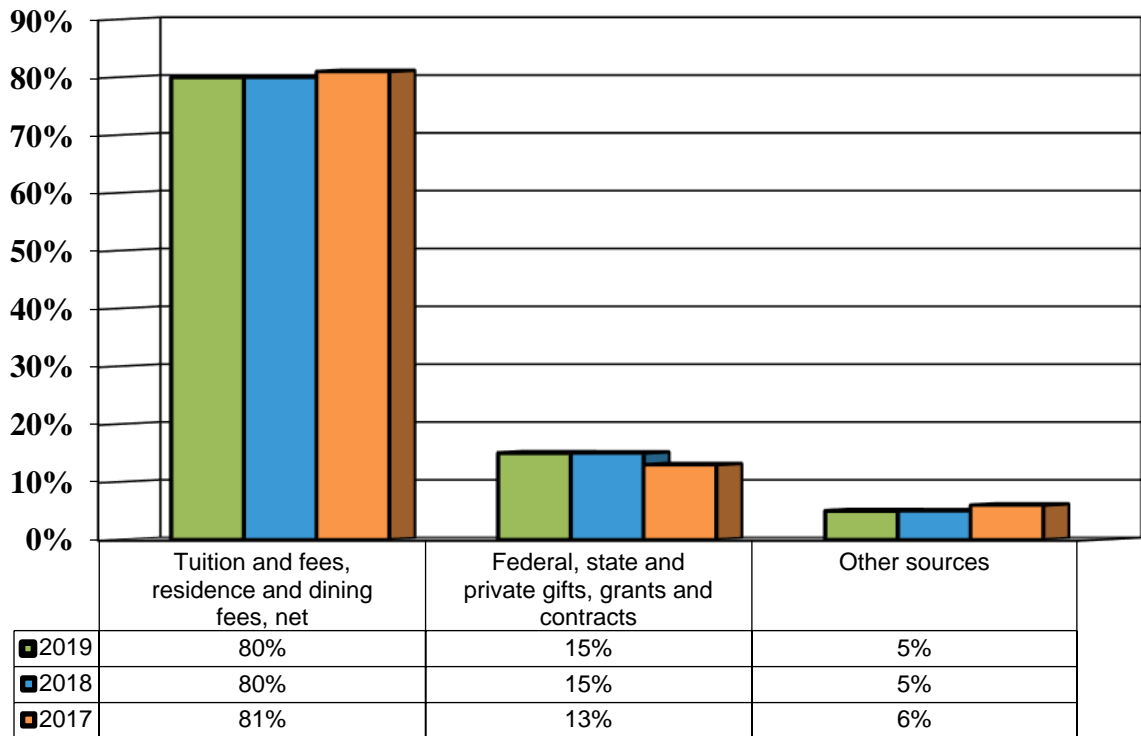
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Analysis of the University - Continued

The following is a graphic illustration of operating revenues by source, as a percent of total operating revenue, which were used to fund the University’s operating activities for the years ended June 30, 2019, 2018 and 2017.

Operating Revenues by Source



The University’s operating revenues consist primarily of tuition and fees revenues and residence and dining fee revenues. Tuition and fees revenue increased \$1.8 million or 3.3% during the fiscal year ended June 30, 2019, and \$1.5 million or 2.9% during the fiscal year ended June 30, 2018. The increase in fiscal year 2019 was due to an increase in the general fee of \$714 per student (\$3.0 million impact) combined with an increase in graduate and continuing education tuition and fees of \$1.5 million offset by the revenue decrease due to lower enrollment (\$2.7 million). The increase in fiscal year 2018 was due to an increase in the general fee of \$440 per student (\$1.9 million impact)

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Analysis of the University - Continued

combined with an increase in graduate and continuing education tuition and fees of \$1.0 million offset by the revenue decrease due to lower enrollment (\$1.4 million).

Residence and dining fee revenue generated by the auxiliary operations of the University's food service and building authority trust funds was \$26,579,581, \$28,304,371 and \$29,150,749 for the years ended June 30, 2019, 2018 and 2017, respectively. The decrease in revenues for the year ended June 30, 2019 in the amount of \$1,724,790 or 6.1%, is attributable to the yearly increase in room and board rates combined with the decrease in the number of residential students. At June 30, 2018, residence and dining fee revenue decreased \$846,378 or 2.9%.

Tuition and fees received by the University include the following at June 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tuition	\$15,723,395	\$14,325,998	\$13,344,874
Student Fees:			
General fees	35,854,941	31,130,117	30,126,159
Student activity fees	1,580,461	1,693,427	1,754,553
Capital improvement fees	421,420	449,460	464,540
Technology fees	3,306,835	7,419,095	7,653,971
Miscellaneous fees	490,033	536,410	663,586
Total	<u>\$57,377,085</u>	<u>\$55,554,507</u>	<u>\$54,007,683</u>

In fiscal year 2019, the annual technology fee was reduced by \$870 and reclassified to the general fee to better align with actual technology costs.

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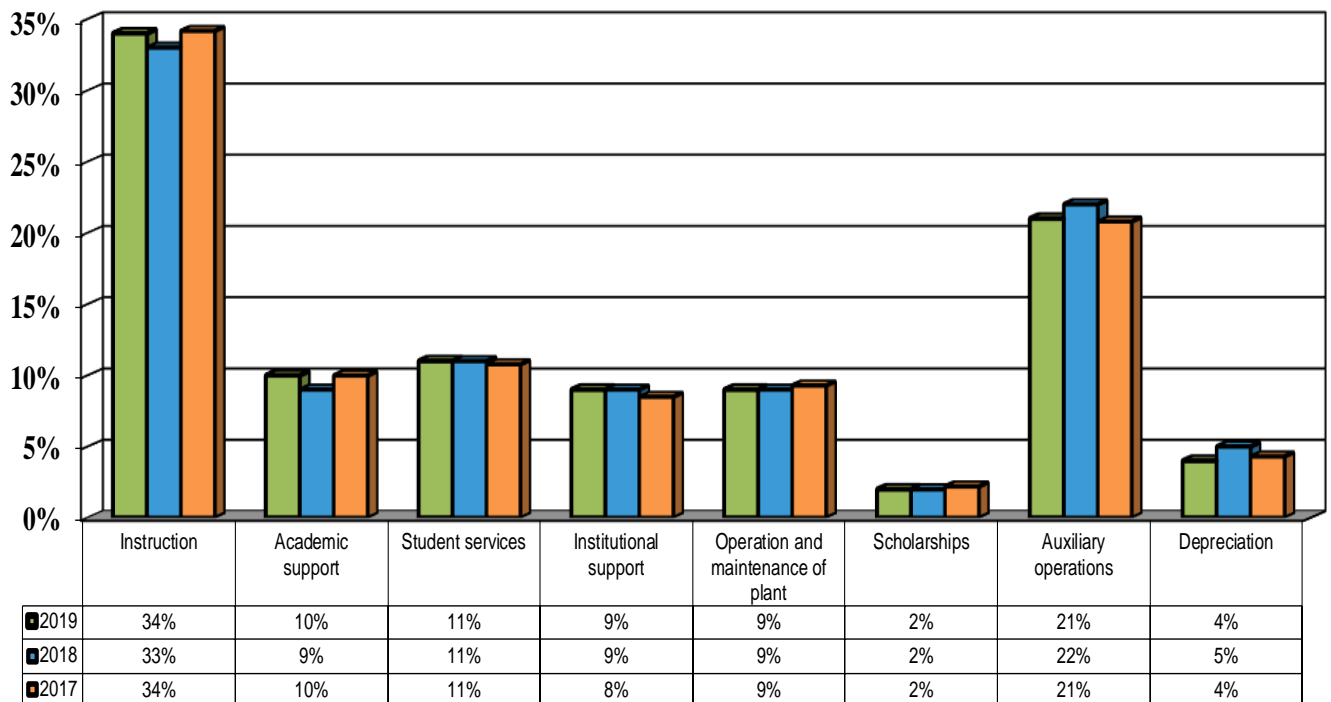
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Analysis of the University - Continued

The following is a graphic illustration of operating expenses by function, shown as a percent of total operating expense, for the years ended June 30, 2019, 2018 and 2017.

Operating Expenses by Function



A summary of the University’s expenses by functional classification for the years ended June 30, 2019, 2018 and 2017 is as follows:

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Analysis of the University - Continued

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 46,100,343	\$ 43,206,727	\$ 41,743,652
Public service	703,925	429,328	410,625
Academic support	13,473,060	12,474,581	10,874,284
Student services	14,543,437	14,069,677	12,730,630
Institutional support	11,454,735	11,086,773	10,227,159
Operation and maintenance of plant	12,526,660	11,323,303	10,210,653
Scholarships and fellowships	2,971,317	2,713,655	2,595,264
Auxiliary operations	28,061,725	28,054,392	28,729,257
Depreciation	5,809,084	5,988,394	4,836,154
Total	<u>\$ 135,644,286</u>	<u>\$ 129,346,830</u>	<u>\$ 122,357,678</u>

The University's total operating expenses increased during fiscal year ended June 30, 2019 by \$6.3 million or 4.9% as compared to a \$7.0 million or 5.7% increase for the fiscal year ended June 30, 2018. The increase in fiscal year 2019 is attributable to several factors, the most significant of which are: an increase in compensation and benefits of \$4.7 million due in part to the payment of retroactive pay increases from fiscal years 2018 and 2019, and related fringe charges in the amount of \$2.8 million, an increase in debt service payments to the Massachusetts State College Building Authority of \$.4 million, a net increase in non-capitalized equipment and maintenance projects of \$.3 million, and an increase in scholarship expense of \$.2 million.

A condensed summary of the Statements of Cash Flows for years ended June 30, is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash received from operating activities	\$ 121,336,851	\$ 119,786,025	\$ 118,849,359
Cash expenses for operating activities	<u>(141,177,767)</u>	<u>(136,206,119)</u>	<u>(136,611,541)</u>
Net cash applied to operating activities	<u>(19,840,916)</u>	<u>(16,420,094)</u>	<u>(17,762,182)</u>
Net cash provided by non-capital financing activities	28,413,739	26,311,849	26,467,467
Net cash applied to capital financing activities	<u>(3,064,636)</u>	<u>(5,571,018)</u>	<u>(11,597,390)</u>
Net cash provided by investing activities	<u>534,988</u>	<u>439,386</u>	<u>369,803</u>
Net increase (decrease) in cash and equivalents	<u>6,043,175</u>	<u>4,760,123</u>	<u>(2,522,302)</u>
Cash and equivalents - beginning of year	<u>65,891,611</u>	<u>61,131,488</u>	<u>63,653,790</u>
Cash and equivalents - end of year	<u>\$ 71,934,786</u>	<u>\$ 65,891,611</u>	<u>\$ 61,131,488</u>

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Financial Analysis of the University - Continued

The University's liquidity increased during the year ended June 30, 2019 with a \$6,043,175 increase in cash and equivalents. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2019, the University's net cash applied to operating activities increased by \$3.4 million over the prior year. This was due to an increase in cash received of \$1.6 million and an increase in payments made of \$5.0 million. Net cash provided by non-capital financing activities increased by \$2.1 million due to an increase in direct state appropriations received for collective bargaining costs. Net cash applied to capital financing activities decreased by \$2.5 million mostly due to a decrease in capital asset purchases (\$2.0 million) and an increase in state capital appropriations (\$.5 million). The slight increase (\$.1 million) in net cash provided by investing activities was due to an increase in interest received.

The University's liquidity increased during the year ended June 30, 2018 with a \$4,760,123 increase in cash and equivalents. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2018, the University's net cash applied to operating activities decreased by \$1.3 million over the prior year. This was due to an increase in cash received of \$.9 million and a decrease in payments made of \$.4 million. Net cash provided by non-capital financing activities decreased slightly by \$.2 million due to a decrease in restricted state appropriations received. Net cash applied to capital financing activities decreased by \$6.0 million due to a decrease in capital asset purchases (\$5.1 million) and debt service reserve (\$.1 million) offset by an increase in state capital appropriations (\$.8 million). 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 net non-operating revenues for the fiscal years ended June 30, 2019, 2018 and 2017.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Loss from Operations - Continued

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues, net	\$ 90,734,903	\$ 91,540,526	\$ 90,365,084
Operating expenses	(135,644,286)	(129,346,830)	(122,357,678)
Operating loss	(44,909,383)	(37,806,304)	(31,992,594)
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	39,022,622	35,255,242	35,049,389
Restricted state appropriations	223,619	84,136	187,314
Net investment income	537,698	439,603	369,874
Loss on disposal of assets	(326,377)	(27,602)	(11,012)
Other expenses	(773,582)	(797,016)	(812,199)
Capital appropriations	394,564	1,202,170	7,023,049
Net non-operating revenues	39,078,544	36,156,533	41,806,415
(Decrease) increase in net position	\$ (5,830,839)	\$ (1,649,771)	\$ 9,813,821

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 \$2.9 million increase in net non-operating revenues during fiscal year 2019, is attributable to an increase in net state appropriation in the amount of \$3.7 million, offset by a decrease in state capital appropriation of \$.8 million.

The \$5.6 million decrease in net non-operating revenues during fiscal year 2018, is primarily attributable to a decrease in state capital appropriation in the amount of \$5.8 million. The state capital appropriation decrease was due to the decrease in the revenue recognition related to the completion of the Stevens Science and Innovation Center project.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Capital Assets

A summarized comparison of the University's capital asset categories at June 30, 2019, 2018 and 2017 is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 6,959,450	\$ 4,185,691	\$ 3,941,574
Construction-in-progress	325,547	1,777,409	48,007,168
Building and improvements	144,425,504	144,086,045	95,606,611
Equipment and furnishings	28,419,009	28,288,867	27,177,955
Library books	7,398,449	7,347,373	7,295,998
Vehicles	1,053,329	1,061,090	1,215,545
Total	<u>188,581,288</u>	<u>186,746,475</u>	<u>183,244,851</u>
Less: accumulated depreciation	<u>(89,464,449)</u>	<u>(84,002,939)</u>	<u>(79,500,158)</u>
Capital assets, net	<u>\$ 99,116,839</u>	<u>\$ 102,743,536</u>	<u>\$ 103,744,693</u>

The University's investment in capital assets, net of accumulated depreciation, as of June 30, 2019, 2018 and 2017 was \$99,116,839, \$102,743,536 and \$103,744,693, respectively. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. Capital assets decreased by \$3,626,697 or 3.5% during fiscal year ended June 30, 2019 and decreased by \$1,001,157 or 1.0% during the fiscal year ended June 30, 2018. The decrease during fiscal year ended June 30, 2019 and 2018 was due to depreciation expense outpacing capital additions. In fiscal year 2019, the University increased its fixed asset capitalization threshold from \$10,000 to \$17,500 with a plan to reach a \$50,000 threshold in fiscal year 2022 in order to be consistent with other Commonwealth agencies. This change will result in the University recognizing more non-capital expenses in the year the assets are purchased rather than spreading the costs over multiple years.

Capital additions during fiscal year ended June 30, 2019 amounted to \$2,508,764 as compared to \$5,014,839 for the year ended June 30, 2018.

Major additions during 2019 include \$.3 million in construction in progress for additional improvements to the steam line infrastructure, \$.8 million for the new athletic field, \$.7 million for the replacement of steam lines, and \$.2 million for the installation of security cameras throughout the campus.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019

Capital Assets - Continued

Major additions during 2018 include \$.9 million in construction in progress for the new athletic field, \$.4 million in construction in progress for a major infrastructure project related to the replacement of steam lines, \$.9 million for the installation of security cameras throughout the residential halls and a portion of the campus, and \$.8 million for the purchase of pianos from a donation from the Foundation.

Looking Ahead

The University has completed and received Massachusetts Department of Higher Education approval for the new strategic plan for FY19-24. Implementation of the plan will begin in FY20 and will continue through FY24. The primary goals of the plan are focused on four overarching goals: a. Student Experience b. Enrollment c. Culture and d. Resources. The priorities and initiatives in the strategic plan will align with our resource allocation process to meet these goals. Additionally, there is a major capital investment project on the horizon, the renovation of Parenzo Hall (a \$40-million-dollar project), a primary classroom and multi-service facility along with other critical campus infrastructure projects such as a major steam line loop system. Enrollment will be an ongoing challenge as the demographic shift is underway and competition from other higher education organizations increases. While entering class enrollment is steady, overall enrollment is projected to decline based on balancing larger graduating classes with smaller incoming classes and retention rates are variable. As a public university, continued and increasing financial support from the state is vital to serve the growing needs of a diverse student population and to increase access and affordability for prospective students.

Requests for Information

This financial report is designed to provide a general overview of Westfield State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Vice President of Administration and Finance, 333 Western Avenue, Westfield, Massachusetts 01085.

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

Statements of Net Position

June 30,

Assets and Deferred Outflow of Resources

	Westfield State University		Component Unit	
	2019 <u>University</u>	2018 <u>University</u>	2019 <u>Foundation</u>	2018 <u>Foundation</u>
Current Assets:				
Cash and equivalents	\$ 67,984,489	\$ 61,292,857	\$ 138,604	\$ 168,803
Cash held by State Treasurer	2,091,136	1,437,048	-	-
Deposits held by State Treasurer	1,551,739	1,887,359	-	-
Deposits held by MSCBA	307,422	1,274,347	-	-
Short-term investments	65,445	62,735	-	-
Due from the Commonwealth of Massachusetts	827,465	-	-	-
Accounts receivable, net	1,137,209	2,182,659	458,017	586,696
Perkins loans receivable, net	155,469	166,074	-	-
Other current assets	105,290	106,651	24,325	1,493
Total Current Assets	<u>74,225,664</u>	<u>68,409,730</u>	<u>620,946</u>	<u>756,992</u>
Non-Current Assets:				
Debt service reserve	990,996	995,635	-	-
Investments	-	-	10,342,524	9,274,245
Perkins loans receivable, net	297,238	420,498	-	-
Capital assets, net	99,116,839	102,743,536	436,686	454,765
Total Non-Current Assets	<u>100,405,073</u>	<u>104,159,669</u>	<u>10,779,210</u>	<u>9,729,010</u>
Total Assets	<u>174,630,737</u>	<u>172,569,399</u>	<u>11,400,156</u>	<u>10,486,002</u>
Deferred Outflows of Resources:				
Pension related, net	11,794,391	11,541,068	-	-
OPEB related, net	20,472,180	12,724,309	-	-
Total Deferred Outflows of Resources	<u>32,266,571</u>	<u>24,265,377</u>	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 206,897,308</u>	 <u>\$ 196,834,776</u>	 <u>\$ 11,400,156</u>	 <u>\$ 10,486,002</u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	Westfield State University		Component Unit	
	2019 <u>University</u>	2018 University	2019 <u>Foundation</u>	2018 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,151,792	\$ 1,984,287	\$ 2,130	\$ 7,424
Accrued salaries, wages and benefits	7,434,688	5,776,321	-	-
Compensated absences	4,837,411	4,797,181	-	-
Accrued workers' compensation	241,544	198,108	-	-
Student deposits and unearned revenue	2,724,814	1,431,204	3,500	4,300
Deposits held for others	203,332	520,279	-	-
Line of credit	-	-	7,200	64,800
Assets held in custody for others	319,886	291,893	221,642	230,232
Current portion of capital lease obligations	97,133	97,133	-	-
Current portion of bonds payable	1,331,179	1,283,930	-	-
Other liabilities	<u>2,183</u>	<u>1,869</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>19,343,962</u>	<u>16,382,205</u>	<u>234,472</u>	<u>306,756</u>
Non-Current Liabilities:				
Compensated absences	1,668,126	1,697,554	-	-
Accrued workers' compensation	871,564	736,364	-	-
Grants refundable	582,310	602,171	-	-
Capital lease obligations	97,132	194,265	-	-
Bonds payable	20,279,800	21,610,937	-	-
Net pension liability	35,031,695	31,945,217	-	-
Net OPEB liability	<u>61,531,987</u>	<u>62,133,611</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>120,062,614</u>	<u>118,920,119</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>139,406,576</u>	<u>135,302,324</u>	<u>234,472</u>	<u>306,756</u>
Deferred Inflows of Resources:				
Pension related, net	3,821,675	3,929,318	-	-
OPEB related, net	<u>19,190,251</u>	<u>7,293,489</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>23,011,926</u>	<u>11,222,807</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	78,587,213	81,499,843	436,686	454,765
Restricted for:				
Expendable	1,231,898	1,617,615	6,002,300	5,407,669
Non-expendable	-	-	4,862,884	4,478,843
Unrestricted	<u>(35,340,305)</u>	<u>(32,807,813)</u>	<u>(136,186)</u>	<u>(162,031)</u>
Total Net Position	<u>44,478,806</u>	<u>50,309,645</u>	<u>11,165,684</u>	<u>10,179,246</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 206,897,308</u>	<u>\$ 196,834,776</u>	<u>\$ 11,400,156</u>	<u>\$ 10,486,002</u>

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2019 and 2018

	2019	2018	2019	2018
	Westfield State University	Westfield State University	Component Unit Foundation	Component Unit Foundation
Operating Revenues:				
Tuition and fees	\$ 57,377,085	\$ 55,554,507	\$ -	\$ -
Residence and dining fees	26,579,581	28,304,371	-	-
Less: scholarships and fellowships	<u>(10,967,197)</u>	<u>(10,701,997)</u>	-	-
Net tuition and fees	72,989,469	73,156,881	-	-
Federal grants and contracts	9,411,959	9,264,815	-	-
State grants and contracts	3,052,214	2,719,900	-	-
Private grants and contracts	650,032	1,555,371	1,536,976	1,588,369
Public service	655,112	436,338	-	-
Other sources	<u>3,976,117</u>	<u>4,407,221</u>	<u>76,021</u>	<u>76,536</u>
Total Operating Revenues	<u>90,734,903</u>	<u>91,540,526</u>	<u>1,612,997</u>	<u>1,664,905</u>
Operating Expenses:				
Instruction	46,100,343	43,206,727	-	-
Public service	703,925	429,328	-	-
Academic support	13,473,060	12,474,581	118,624	293,851
Student services	14,543,437	14,069,677	-	-
Institutional support	11,454,735	11,086,773	827,643	1,573,849
Operation and maintenance of plant	12,526,660	11,323,303	-	-
Scholarships and fellowships	2,971,317	2,713,655	253,955	245,257
Auxiliary operations	28,061,725	28,054,392	-	-
Depreciation	<u>5,809,084</u>	<u>5,988,394</u>	<u>18,079</u>	<u>19,269</u>
Total Operating Expenses	<u>135,644,286</u>	<u>129,346,830</u>	<u>1,218,301</u>	<u>2,132,226</u>
Operating Income (Loss)	<u>(44,909,383)</u>	<u>(37,806,304)</u>	<u>394,696</u>	<u>(467,321)</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	39,022,622	35,255,242	-	-
Restricted state appropriations	223,619	84,136	-	-
Loss on disposal of capital assets	(326,377)	(27,602)	-	-
Investment income, net of expenses	537,698	439,603	593,290	631,811
Interest expense	<u>(773,582)</u>	<u>(797,016)</u>	<u>(1,548)</u>	<u>(3,743)</u>
Net Non-Operating Revenues	<u>38,683,980</u>	<u>34,954,363</u>	<u>591,742</u>	<u>628,068</u>
(Decrease) Increase in Net Position Before Other Revenues	(6,225,403)	(2,851,941)	986,438	160,747
Capital appropriations	<u>394,564</u>	<u>1,202,170</u>	-	-
(Decrease) Increase in Net Position	(5,830,839)	(1,649,771)	986,438	160,747
Net Position, at Beginning of Year	<u>50,309,645</u>	<u>51,959,416</u>	<u>10,179,246</u>	<u>10,018,499</u>
Net Position, at End of Year	\$ 44,478,806	\$ 50,309,645	\$ 11,165,684	\$ 10,179,246

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, 2019 and 2018

	Westfield State University	
	2019	2018
	<u>University</u>	<u>University</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 46,560,495	\$ 45,922,075
Residence and dining fees	23,070,078	24,665,692
Grants and contracts	13,022,931	13,461,273
Payments to suppliers	(35,411,993)	(34,467,881)
Payments to employees	(72,954,485)	(70,248,511)
Direct lending receipts	32,811,289	31,403,727
Direct lending disbursements	(32,811,289)	(31,403,727)
Loans issued to students	-	(86,000)
Collections of loans to students	126,914	148,610
Other receipts	<u>5,745,144</u>	<u>4,184,648</u>
Net Cash Applied to Operating Activities	<u>(19,840,916)</u>	<u>(16,420,094)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriation	29,394,975	27,177,404
Tuition remitted to state	<u>(981,236)</u>	<u>(865,555)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>28,413,739</u>	<u>26,311,849</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations	1,294,666	775,088
Purchases of capital assets	(2,209,338)	(4,260,347)
Principal paid on capital leases	(97,133)	(160,115)
Interest paid on capital leases	-	(1,423)
Principal paid on bonds payable	(1,283,888)	(1,236,725)
Interest paid on bonds payable	(773,582)	(795,593)
Decrease in debt service reserve	<u>4,639</u>	<u>108,097</u>
Net Cash Applied to Capital Financing Activities	<u>(3,064,636)</u>	<u>(5,571,018)</u>
Cash Flows from Investing Activity:		
Interest income	<u>534,988</u>	<u>439,386</u>
Net Increase in Cash and Equivalents	6,043,175	4,760,123
Cash and Equivalents, Beginning of Year	<u>65,891,611</u>	<u>61,131,488</u>
Cash and Equivalents, End of Year	<u>\$ 71,934,786</u>	<u>\$ 65,891,611</u>

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

Statements of Cash Flows - Continued

For the Years Ended June 30, 2019 and 2018

	2019	2018
	Westfield State University	Westfield State University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	\$ (44,909,383)	\$ (37,806,304)
Adjustments to Reconcile Net Operating Loss to Net Cash Applied to Operating Activities:		
Depreciation	5,809,084	5,988,394
Fringe benefits provided by the State	10,005,037	9,027,529
Amortization of service concession arrangement	-	(6,000)
Bad debts	193,121	38,328
Changes in Assets and Liabilities:		
Accounts receivable	855,460	(774,704)
Loans receivable	130,734	81,905
Other current assets	1,361	(18,784)
Accounts payable and accrued liabilities	144,705	(349,867)
Accrued salaries, wages and benefits	1,658,367	738,156
Compensated absences	10,802	94,275
Accrued workers' compensation	178,636	97,489
Student deposits and unearned revenue	116,882	302,569
Deposits held for others	(316,947)	11,267
Assets held in custody for others	27,993	4,275
Grants refundable	(19,861)	(128,889)
Other liabilities	314	(1,426)
Net pension activity	2,725,512	2,211,432
Net OPEB activity	<u>3,547,267</u>	<u>4,070,261</u>
Net Cash Applied to Operating Activities	<u>\$ (19,840,916)</u>	<u>\$ (16,420,094)</u>
Non-Cash Transactions:		
Fringe benefits paid by State	<u>\$ 10,005,037</u>	<u>\$ 9,027,529</u>
Capital improvements provided by capital appropriations	<u>\$ 276,626</u>	<u>\$ 427,082</u>
Construction in progress included in accounts payable and accrued liabilities	<u>\$ 22,800</u>	<u>\$ 327,410</u>
Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 67,984,489	\$ 61,292,857
Cash held by State Treasurer	2,091,136	1,437,048
Deposits held by State Treasurer	1,551,739	1,887,359
Deposits held by MSCBA	<u>307,422</u>	<u>1,274,347</u>
Total	<u>\$ 71,934,786</u>	<u>\$ 65,891,611</u>

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, 2019 and 2018

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 post-graduate degrees in education, business, and arts and sciences, as well as conduct programs of continuing education. The University is accredited by the New England Commission of Higher Education.

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 University's policy for defining operating activities in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, gifts and interest expense.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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 interfund 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.

Net Position

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

Net Investment in capital assets: 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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Net Position - continued

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, net pension and OPEB liabilities, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

Trust Funds

In accordance with the requirements of the Commonwealth of Massachusetts, 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 Building 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 and pledges 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.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Investments

Investments in marketable securities are stated at fair value.

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

- A) as increases in restricted – nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- B) as increases in temporarily restricted – expendable net position if the terms of the gift or the University’s interpretation of relevant state law impose restrictions on the current use of the income or net gains. The University has relied upon the Attorney General’s interpretation of state law that unappropriated endowment gains should generally be classified as restricted - expendable; and
- C) as increases in unrestricted net position in all other cases.

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 University's capitalization policy, non-collection items with a unit cost of more than \$17,500 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 materially 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.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

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 or when using compensatory time. Accrued vacation and compensatory time is the amount earned by all eligible employees through June 30, 2019 and 2018. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2019 and 2018. Upon retirement, those 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.

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 when earned.

Deposits Held by MSCBA

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

Deposits Held by State Treasurer

Deposits held represents funds accessible by the University held by the Commonwealth of Massachusetts for payments on payroll.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employees'

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Pensions - continued

Retirement System plan (“SERS”) and the additions to/deductions from SERS’ fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (“OPEB”)

For purposes of measuring the University's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust (“SRBT”) and additions to/deductions from SRBT’s fiduciary net position have been determined on the same basis as they are reported by SRBT. For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

New Governmental Accounting Pronouncements

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

Note 2 - **Cash and Equivalents**

Custodial credit risk is 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.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust (“MMDT”), an external investment pool for cities, towns and other state and local agencies within the Commonwealth. MMDT operates as a qualifying external investment pool and is valued by MMDT’s management on amortized cost where the net asset value is \$1 per share. At June 30, 2019 and 2018, the University has \$61,384 and \$59,887, respectively, invested with MMDT and is included in cash and equivalents.

The carrying amount of the University’s bank deposits and deposits in trust depositories are \$67,984,489 and \$61,292,857, as compared to bank balances of \$69,006,840 and \$61,911,273 at June 30, 2019 and 2018, respectively. The differences between the carrying amount and the bank balances were attributed to deposits in transit and outstanding checks.

In addition to Federal Deposit Insurance Corporation insurance, the University has deposits insured under Massachusetts Depositors Insurance Fund and through collateralization in a pool of eligible securities held by Berkshire Bank’s Asset Management/Trust Group as custodian. Amounts remaining that are exposed to custodial risk at June 30, 2019 and 2018 were \$12,105,372 and \$11,887,491, respectively.

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

Accounts payable, accrued salaries, wages and withholdings to be funded from state-appropriated funds totaled \$2,091,136 and \$1,437,048 at June 30, 2019 and 2018, 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, 2019 and 2018, the entire balance of investments represents mutual funds that are held in trust depository accounts in the name of the University and are uninsured. At June 30, 2019 and 2018, the investments are stated at fair value.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 4 - **Investments - Continued**

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Mutual Funds: Valued at the net asset value of the shares held by the University and the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2019 and 2018, all investments of the University and Foundation are categorized in Level 1 of the fair value hierarchy.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 4 - **Investments - Continued**

Foundation

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

	<u>2019</u>		<u>2018</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Investments:				
Stock Market Index Fund	\$ 4,454,818	\$ 3,370,681	\$ 4,017,987	\$ 3,219,332
Bond Market Index Fund	3,032,715	2,964,656	2,732,541	2,797,062
International Stock Market Index Fund	<u>2,854,991</u>	<u>2,782,027</u>	<u>2,523,717</u>	<u>2,400,463</u>
	<u>\$ 10,342,524</u>	<u>\$ 9,117,364</u>	<u>\$ 9,274,245</u>	<u>\$ 8,416,857</u>

Note 5 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Student accounts receivable	\$ 2,141,216	\$ 1,942,325
Grants receivable	318,953	227,679
Other receivables	<u>288,544</u>	<u>1,434,169</u>
	2,748,713	3,604,173
Less: allowance for doubtful accounts	<u>(1,611,504)</u>	<u>(1,421,514)</u>
	<u>\$ 1,137,209</u>	<u>\$ 2,182,659</u>

Note 6 - **Due from the Commonwealth of Massachusetts**

Amounts recorded as due from the Commonwealth of Massachusetts represent additional fiscal year 2019 state-appropriated funds for collective bargaining retroactive pay. As of June 30, 2019 and 2018, the amounts owed to the University were \$827,465 and \$0, respectively.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 7 - **Perkins 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 statements 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,:

	<u>2019</u>	<u>2018</u>
Perkins loans receivable	\$ 827,616	\$ 958,350
Less: allowance for doubtful accounts	<u>(374,909)</u>	<u>(371,778)</u>
 Total loans receivable, net	 452,707	 586,572
Less: amount due in one year	<u>(155,469)</u>	<u>(166,074)</u>
 Long term loans receivable	 <u>\$ 297,238</u>	 <u>\$ 420,498</u>

The Federal Perkins Loan Program Extension Act of 2015 (the “Extension Act”), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins loan disbursement before October 1, 2017 were eligible to receive a spring semester Perkins loan disbursement. No further extensions were granted for the program as of the date of issuance of these financial statements.

Note 8 - **Related Party Transactions**

University

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

The University maintains depository relationship with the Westfield Bank, the president of which is a member of the Board of Trustees. At June 30, 2019 and 2018, total deposits were approximately \$10.5 million and \$10.4 million, respectively.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **Capital Assets**

The University's capital asset activity for the year ended June 30, 2019 is summarized as follows:

	<u>Estimated lives (in years)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction-in-progress	-	<u>1,777,409</u>	<u>308,546</u>	<u>315,678</u>	<u>(1,444,730)</u>	<u>325,547</u>
Total		<u>3,001,271</u>	<u>308,546</u>	<u>315,678</u>	<u>(1,444,730)</u>	<u>1,549,409</u>
Depreciable:						
Buildings, including improvements	20-40	143,814,962	214,181	-	125,278	144,154,421
Land improvements	20	2,961,829	1,454,307	-	1,319,452	5,735,588
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	28,288,867	439,689	309,547	-	28,419,009
Library books	5	7,347,373	51,076	-	-	7,398,449
Vehicles	5	<u>1,061,090</u>	<u>40,965</u>	<u>48,726</u>	-	<u>1,053,329</u>
Total		<u>183,745,204</u>	<u>2,200,218</u>	<u>358,273</u>	<u>1,444,730</u>	<u>187,031,879</u>
Less accumulated depreciation:						
Buildings, including improvements		52,405,209	4,858,302	-	-	57,263,511
Land improvements		1,423,329	231,400	-	-	1,654,729
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		21,668,778	628,926	305,238	-	21,992,466
Library books		7,252,821	46,152	-	-	7,298,973
Vehicles		<u>981,719</u>	<u>44,304</u>	<u>42,336</u>	-	<u>983,687</u>
Total accumulated depreciation		<u>84,002,939</u>	<u>5,809,084</u>	<u>347,574</u>	-	<u>89,464,449</u>
Capital Assets, Net		<u>\$ 102,743,536</u>	<u>\$ (3,300,320)</u>	<u>\$ 326,377</u>	\$ -	<u>\$ 99,116,839</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **Capital Assets - Continued**

The University's capital asset activity for the year ended June 30, 2018 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	-	48,007,168	1,821,312	-	(48,051,071)	1,777,409
Total		<u>49,231,030</u>	<u>1,821,312</u>	<u>-</u>	<u>(48,051,071)</u>	<u>3,001,271</u>
Depreciable:						
Buildings, including improvements	20-40	95,335,528	442,135	3,647	48,040,946	143,814,962
Land improvements	20	2,717,712	233,992	-	10,125	2,961,829
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	27,177,955	2,428,501	1,317,589	-	28,288,867
Library books	5	7,295,998	51,375	-	-	7,347,373
Vehicles	5	1,215,545	37,524	191,979	-	1,061,090
Total		<u>134,013,821</u>	<u>3,193,527</u>	<u>1,513,215</u>	<u>48,051,071</u>	<u>183,745,204</u>
Less accumulated depreciation:						
Buildings, including improvements		48,457,846	3,949,551	2,188	-	52,405,209
Land improvements		1,277,596	145,733	-	-	1,423,329
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		21,227,240	1,732,984	1,291,446	-	21,668,778
Library books		7,206,928	45,893	-	-	7,252,821
Vehicles		1,059,465	114,233	191,979	-	981,719
Total accumulated depreciation		<u>79,500,158</u>	<u>5,988,394</u>	<u>1,485,613</u>	<u>-</u>	<u>84,002,939</u>
Capital Assets, Net		<u>\$ 103,744,693</u>	<u>\$ (973,555)</u>	<u>\$ 27,602</u>	<u>\$ -</u>	<u>\$ 102,743,536</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 10 - **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, state capital appropriations and grant funds received in advance. Student deposits and unearned revenue of the University include the following as of June 30,:

	<u>2019</u>	<u>2018</u>
Tuition and fees	\$ 1,463,856	\$ 1,357,785
State Capital appropriations	1,176,728	-
Grants	<u>84,230</u>	<u>73,419</u>
 Total student deposits and unearned revenue	 \$ <u>2,724,814</u>	 \$ <u>1,431,204</u>

Note 11 - **Line of Credit**

The Foundation has a demand line of credit allowing maximum borrowings of \$1,000,000. This note carries a variable interest rate with a minimum rate of 3.50%. At June 30, 2019, the interest rate on this line of credit was 4.44%. This line of credit expires December 31, 2019. Borrowings under the line of credit are secured by pledged securities. The outstanding balance on the line of credit was \$7,200 and \$64,800 at June 30, 2019 and 2018, respectively.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 12 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2019 consist of:

	June 30, 2019				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Leases and bonds payable:					
Lease obligations	\$ 291,398	\$ -	\$ 97,133	\$ 194,265	\$ 97,133
Bonds payable	20,723,626	-	1,138,801	19,584,825	1,187,288
Bonds premium	<u>2,171,241</u>	<u>-</u>	<u>145,087</u>	<u>2,026,154</u>	<u>143,891</u>
Total leases and bonds payable	<u>23,186,265</u>	<u>-</u>	<u>1,381,021</u>	<u>21,805,244</u>	<u>1,428,312</u>
Other long-term liabilities:					
Compensated absences	6,494,735	10,802	-	6,505,537	4,837,411
Workers' compensation	934,472	178,636	-	1,113,108	241,544
Grants refundable	602,171	-	19,861	582,310	-
Net pension liability	31,945,217	3,086,478	-	35,031,695	-
Net OPEB liability	<u>62,133,611</u>	<u>-</u>	<u>601,624</u>	<u>61,531,987</u>	<u>-</u>
Total other long-term liabilities	<u>102,110,206</u>	<u>3,275,916</u>	<u>621,485</u>	<u>104,764,637</u>	<u>5,078,955</u>
Total	<u>\$ 125,296,471</u>	<u>\$ 3,275,916</u>	<u>\$ 2,002,506</u>	<u>\$ 126,569,881</u>	<u>\$ 6,507,267</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Long-term liabilities at June 30, 2018 consist of:

	June 30, 2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases and bonds payable:					
Lease obligations	\$ 451,513	\$ -	\$ 160,115	\$ 291,398	\$ 97,133
Bonds payable	21,806,940	-	1,083,314	20,723,626	1,138,843
Bonds premium	<u>2,324,652</u>	<u>-</u>	<u>153,411</u>	<u>2,171,241</u>	<u>145,087</u>
Total leases and bonds payable	<u>24,583,105</u>	<u>-</u>	<u>1,396,840</u>	<u>23,186,265</u>	<u>1,381,063</u>
Other long-term liabilities:					
Compensated absences	6,400,460	94,275	-	6,494,735	4,797,181
Workers' compensation	836,983	97,489	-	934,472	198,108
Grants refundable	731,060	-	128,889	602,171	-
Net pension liability	30,460,744	1,484,473	-	31,945,217	-
Net OPEB liability	<u>54,196,656</u>	<u>7,936,955</u>	<u>-</u>	<u>62,133,611</u>	<u>-</u>
Total other long-term liabilities	<u>92,625,903</u>	<u>9,613,192</u>	<u>128,889</u>	<u>102,110,206</u>	<u>4,995,289</u>
Total	<u>\$ 117,209,008</u>	<u>\$ 9,613,192</u>	<u>\$ 1,525,729</u>	<u>\$ 125,296,471</u>	<u>\$ 6,376,352</u>

Bonds Payable

In December 2014, the University entered into a financing agreement with the MSCBA for partial funding of a new Science Center building. 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 2014B). Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting November 1, 2015 and ending May 1, 2044, at an annual variable coupon rate averaging 5.0%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2019 and 2018, the balance on these bonds was \$10,817,061 and \$11,091,223, respectively.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Bonds Payable - continued

In November 2011, the University entered into a financing agreement with the 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, 2019 and 2018, the balance on these bonds was \$6,583,046 and \$7,006,218, respectively.

During November 2010, 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, 2019 and 2018, the balance on these bonds was \$106,384 and \$119,681, respectively.

In December 2010, the University entered into a financing agreement with the 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, 2019 and 2018, the balance on these bonds was \$2,873,078 and \$3,081,279, 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 (1.705% as of

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Bonds Payable - continued

June 30, 2019). MHEFA requires that the University maintain a debt service reserve. At June 30, 2019 and 2018, the balance on these bonds was \$1,231,410 and \$1,596,466, respectively.

The University has a \$1,231,410 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 \$19,002 and \$15,865 at June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, there is no outstanding balance on the letter of credit.

Maturities of the bonds payable subsequent to June 30, 2019 are as follows:

Years Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,331,179	\$ 865,967	\$ 2,197,146
2021	1,384,712	832,576	2,217,288
2022	1,445,517	796,496	2,242,013
2023	1,048,473	754,688	1,803,161
2024	1,090,286	712,394	1,802,680
2025-2029	6,084,911	2,848,486	8,933,397
2030-2034	3,732,960	1,673,585	5,406,545
2035-2039	2,484,053	1,088,000	3,572,053
2040-2044	<u>3,008,888</u>	<u>454,000</u>	<u>3,462,888</u>
	<u>\$ 21,610,979</u>	<u>\$ 10,026,192</u>	<u>\$ 31,637,171</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Capital Lease Obligations

The following schedule summarizes future minimum annual payments under non-cancelable capital leases as of June 30, 2019.

<u>Years Ending June 30,</u>	<u>Principal</u>
2020	97,133
2021	<u>97,132</u>
	<u>\$ 194,265</u>

The following is a summary of property held under capital leases as of June 30, 2019:

Equipment	\$ 1,135,367
Less: accumulated depreciation	<u>(1,032,026)</u>
	\$ <u>103,341</u>

Note 13 - **Pension**

Defined Benefit Plan Description

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

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

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Pension - Continued**

Benefit Provisions

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

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

Contributions

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

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

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

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Pension - Continued**

Contributions - continued

The Commonwealth does not require the University to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to approximately \$3,458,000, \$3,051,000 and \$2,604,000 for the years ended June 30, 2019, 2018 and 2017, respectively.

For employees covered by SERS but not paid from state appropriations, the University is required to contribute at an actuarially determined rate. The rate was 12.06%, 11.78% and 9.95% of annual covered payroll for the years ended June 30, 2019, 2018 and 2017, respectively. The University contributed \$2,549,316, \$2,421,406 and \$1,947,416 for the years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 88%, 87% and 86% of total related payroll for the years ended 2019, 2018 and 2017, respectively.

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

At June 30, 2019 and 2018, the University reported a liability of \$35,031,695 and \$31,945,217, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal years 2019 and 2018. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the University's proportion was 0.265% and 0.249%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Pension - Continued**

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

For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$5,274,827 and \$4,632,841, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 2,549,316	\$ 2,421,406
Differences between expected and actual experience	1,110,908	1,235,132
Changes in proportion from Commonwealth	94,479	109,413
Change in plan actuarial assumptions	3,550,245	3,324,387
Changes in proportion due to internal allocation	<u>4,489,443</u>	<u>4,450,730</u>
Total	<u>\$ 11,794,391</u>	<u>\$ 11,541,068</u>

Deferred Inflows of Resources Related to Pension

Changes in proportion due to internal allocation	\$ 1,883,403	\$ 2,668,154
Changes in proportion from Commonwealth	6,659	11,388
Differences between expected and actual experience	713,947	869,149
Differences between projected and actual earnings of pension plan investments	<u>1,217,666</u>	<u>380,627</u>
Total	<u>\$ 3,821,675</u>	<u>\$ 3,929,318</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Pension - Continued**

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

The University's contributions of \$2,549,316 and \$2,421,406 made during the years ended June 30, 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2020	\$ 2,788,168
2021	1,596,538
2022	84,083
2023	658,151
2024	<u>296,460</u>
	<u>\$ 5,423,400</u>

Actuarial Assumptions

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

Measurement date	June 30, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.35%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Pension - Continued**

Actuarial Assumptions - continued

For measurement dates June 30, 2018 and 2017, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability – reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 and rolled forward to June 30, 2018. The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 2017 and rolled forward to June 30, 2017.

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

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Pension - Continued**

Actuarial Assumptions - continued

Asset Class	<u>2018</u>		<u>2017</u>	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	5.0%	40.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%	13.0%	3.6%
Core Fixed Income	12.0%	0.9%	12.0%	1.1%
Private Equity	12.0%	6.6%	11.0%	6.6%
Value Added Fixed Income	10.0%	3.8%	10.0%	3.8%
Real Estate	10.0%	3.8%	10.0%	3.6%
Timber/Natural Resources	4.0%	3.4%	4.0%	3.2%
Hedge Funds	0.0%		0.0%	3.6%
Total	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.35% and 7.50% at June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Pension - Continued**

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

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

June 30, 2019		
Current		
1.00% Decrease (6.35%)	Discount Rate (7.35%)	1.00% Increase (8.35%)
\$ 47,216,869	\$ 35,031,695	\$ 24,619,993
June 30, 2018		
Current		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 43,508,055	\$ 31,945,217	\$ 22,631,074

Note 14 - **OPEB**

Plan Description

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

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

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

Plan Description - continued

Management of the SRBT is vested with the board of trustees, which consists of 7 members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), 1 person appointed by the Governor and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board.

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

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain 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 are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2019 and 2018, and as of the valuation date (January 1, 2018 and 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participants' status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

Contributions - continued

Effective beginning in fiscal year 2014, by statute the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal years 2018 and 2017, 30% and 10%, respectively, of tobacco settlement proceeds or approximately \$73 million and \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal years 2018 and 2017 was set at 30% and 10%, respectively, overriding existing statute.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 8.79% and 8.92% of annual covered payroll for the fiscal years ended June 30, 2019 and 2018, respectively. The University contributed \$1,858,947 and \$1,833,293 for the fiscal years ended June 30, 2019 and 2018, respectively, equal to 100% of the required contribution for the year.

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

At June 30, 2019 and 2018, the University reported a liability of \$61,531,987 and \$62,133,611, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability as of June 30, 2019, was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. The net OPEB liability as of June 30, 2018, was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal years 2018 and 2017. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2018 and 2017 relative to total

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

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

contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the University's proportion was 0.433% and 0.373%, respectively.

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of \$5,806,906 and \$6,000,982, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 1,858,947	\$ 1,833,293
Changes in proportion from Commonwealth	197,746	130,039
Differences between expected and actual experience	747,361	-
Changes in proportion due to internal allocation	<u>17,668,126</u>	<u>10,760,977</u>
Total deferred outflows related to OPEB	<u>\$ 20,472,180</u>	<u>\$ 12,724,309</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Net differences between projected and actual earnings on OPEB plan investments	\$ 153,647	\$ 113,361
Differences between expected and actual experience	131,336	142,856
Changes in OPEB plan actuarial assumptions	<u>18,905,268</u>	<u>7,037,272</u>
Total deferred inflows related to OPEB	<u>\$ 19,190,251</u>	<u>\$ 7,293,489</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

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

The University's contributions of \$1,858,947 and \$1,833,293 made during the fiscal years ending 2019 and 2018, respectively, reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2020	\$ (73,474)
2021	(73,474)
2022	(73,474)
2023	325,131
2024	<u>(681,727)</u>
	<u>\$ (577,018)</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

Actuarial Assumptions

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

Measurement date	June 30, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.0%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing .25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

Actuarial Assumption - continued

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2016 and 2015 through December 31, 2017 and 2016, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 and 2016 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2019 and 2018, are the same as discussed in the pension footnote (note 13).

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

Discount Rate

The discount rate used to measure the total OPEB liability for 2019 and 2018 was 3.95% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.87% at June 30, 2018 and 3.58% as of June 30, 2017) as of the measurement dates and the expected rates of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025 and 2023 for the fiscal years 2019 and 2018, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.35% and 7.50%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

		June 30, 2019		
		Current		
		1.00% Decrease	Discount Rate	1.00% Increase
		2.95%	3.95%	4.95%
Net OPEB Liability	\$ 72,658,720	\$ 61,531,987	\$ 61,531,987	\$ 52,636,331

		June 30, 2018		
		Current		
		1.00% Decrease	Discount Rate	1.00% Increase
		2.63%	3.63%	4.63%
Net OPEB Liability	\$ 73,757,566	\$ 62,133,611	\$ 62,133,611	\$ 52,891,661

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 14 - **OPEB - Continued**

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

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

	June 30, 2019 Current Healthcare Cost Trend Rate	
1.00% Decrease (B)	(A)	1.00% Increase (C)
\$ 51,122,460	\$ 61,531,987	\$ 75,121,154

	June 30, 2018 Current Healthcare Cost Trend Rate	
1.00% Decrease (B)	(A)	1.00% Increase (C)
\$ 51,407,661	\$ 62,133,611	\$ 76,248,312

(A) - Current healthcare cost trend rate, as disclosed on page 52

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 52

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 52

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 15 - **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 2022. The University also leases office equipment under non-cancelable operating leases with various expiration dates through 2024. Total rent expense under these lease agreements was approximately \$1,857,000 and \$1,834,000 for the years ended June 30, 2019 and 2018, respectively.

Future minimum annual payments related to these leases are as follows:

Years Ending <u>June 30,</u>	
2020	\$ 1,813,284
2021	1,815,155
2022	661,676
2023	529,349
2024	<u>514,836</u>
Total	<u>\$ 5,334,300</u>

Note 16 - **Net Position**

Restricted Net Position

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,:

	2019	2018
Restricted - expendable:		
Scholarships and fellowships	\$ 651,956	\$ 543,834
Loans	15,095	15,095
Capital projects	118,871	515,818
Grants	<u>445,976</u>	<u>542,868</u>
	<u>\$ 1,231,898</u>	<u>\$ 1,617,615</u>

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support as of June 30, 2019 and 2018.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 17 - **Operating Expenses**

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

	<u>2019</u>	<u>2018</u>
Compensation and benefits	\$ 91,100,313	\$ 86,403,230
Supplies and services	35,763,572	34,241,551
Depreciation and amortization	5,809,084	5,988,394
Scholarships and fellowships	<u>2,971,317</u>	<u>2,713,655</u>
	<u>\$ 135,644,286</u>	<u>\$ 129,346,830</u>

Note 18 - **Other Fringe Benefits**

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and postemployment health insurance, unemployment, pension and workers' compensation benefits. Health insurance for active employees and retirees is paid through a fringe benefit rate charged to the University by the Commonwealth.

Group Insurance Commission

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.

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 number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

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 it 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, 2019, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health,

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 18 - **Other Fringe Benefits- Continued**

Group Insurance Commission - continued

and substance abuse benefits for certain 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 pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

The employees of the University can elect to participate in two defined contribution plans offered and administered by the Massachusetts Department of Higher Education – an IRC 403(b) Tax-Deferred Annuity Plan and an IRC 457 Deferred Compensation SMART Plan. Employees can contribute by payroll deduction a portion of before-tax salary into these plans up to certain limits. The University has no obligation to contribute to these plans and no obligation for any future pay-out.

Note 19 - **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 that 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.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 19 - **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 the 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.

The University participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, and workers’ compensation. The Commonwealth is self-insured for employees’ workers’ compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers’ compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

Note 20 - **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*.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 20 - **Massachusetts Management Accounting and Reporting System - Continued**

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

	<u>2019</u>	<u>2018</u>
Direct unrestricted appropriations	\$ 29,998,821	\$ 27,093,268
Add: Fringe benefits for benefited employees on the state payroll	10,005,037	9,027,529
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(981,236)</u>	<u>(865,555)</u>
Total unrestricted appropriations	39,022,622	35,255,242
Capital appropriations	394,564	1,202,170
Restricted appropriations	<u>223,619</u>	<u>84,136</u>
Total appropriations	\$ <u>39,640,805</u>	\$ <u>36,541,548</u>

No timing differences occurred where the University had additional revenue that was reported to MMARS after June 30, 2019 and 2018.

Note 21 - **Pass-Through Grants**

The University distributed \$32,811,289 and \$31,403,727 as of June 30, 2019 and 2018, 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.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 22 - **Massachusetts State College Building Authority**

The 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 of the state universities 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, 2019 and 2018 was \$11,784,601 and \$11,433,169, 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, which are included in operating revenues as other sources and expenses, which are included as operating expenses in auxiliary operations.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.265%	0.249%	0.240%	0.289%	0.218%
Proportionate share of the collective net pension liability	\$ 35,031,695	\$ 31,945,217	\$ 30,460,744	\$ 30,111,590	\$ 16,195,411
University's covered payroll	\$ 20,555,229	\$ 19,572,020	\$ 16,780,213	\$ 15,939,644	\$ 16,181,450
College's proportionate share of the net pension liability as a percentage of its covered payroll	170.43%	163.22%	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%

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

See accompanying notes to the required supplementary information.

WESTFIELD STATE UNIVERSITY
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Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,549,316	\$ 2,421,406	\$ 1,947,416	\$ 1,586,274	\$ 1,656,130
Contributions in relation to the statutorily required contribution	<u>(2,549,316)</u>	<u>(2,421,406)</u>	<u>(1,947,416)</u>	<u>(1,586,274)</u>	<u>(1,656,130)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 21,138,607	\$ 20,555,229	\$ 19,572,020	\$ 16,780,213	\$ 15,939,654
Contribution as a percentage of covered payroll	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

WESTFIELD STATE UNIVERSITY
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Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2019

Note 1 - **Change in Plan Actuarial and Assumptions**

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement date – June 30, 2016

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

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

WESTFIELD STATE UNIVERSITY
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Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2019

Note 1 - **Change in Plan Actuarial and Assumptions - Continued**

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

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

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2019	June 30, 2018
Measurement date	June 30, 2018	June 30, 2017
Valuation date	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.433%	0.373%
Proportionate share of the collective net OPEB liability	\$ 61,531,987	\$ 62,133,611
University's covered payroll	\$ 20,555,229	\$ 19,572,020
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	299.35%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,858,947	\$ 1,833,293
Contributions in relation to the statutorily required contribution	<u>(1,858,947)</u>	<u>(1,833,293)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 21,138,607	\$ 20,555,240
Contribution as a percentage of covered payroll	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

WESTFIELD STATE UNIVERSITY
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Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2019

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

SUPPLEMENTAL INFORMATION

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

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30,

Assets

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and equivalents	\$ 6,182,931	\$ 7,204,263
Accounts receivable, net	27,635	39,104
Deposits held by State Treasurer	174,837	136,291
Other current assets	<u>2,073</u>	<u>4,483</u>
 Total Assets	 <u>\$ 6,387,476</u>	 <u>\$ 7,384,141</u>

Liabilities and Net Position

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 98,773	\$ 157,554
Accrued employee compensation and benefits	396,858	372,898
Deposits held for others	<u>147,652</u>	<u>538,922</u>
 Total Current Liabilities	 <u>643,283</u>	 <u>1,069,374</u>
 Noncurrent Liability:		
Accrued liability for employee compensation and benefits	<u>50,720</u>	<u>60,813</u>
 Total Liabilities	 <u>694,003</u>	 <u>1,130,187</u>
 Net Position:		
Unrestricted	<u>5,693,473</u>	<u>6,253,954</u>
 Total Liabilities and Net Position	 <u>\$ 6,387,476</u>	 <u>\$ 7,384,141</u>

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

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

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Room rent	\$ 17,233,039	\$ 18,158,363
Other sources	16,451	24,367
Deposits forfeited	111,594	124,210
Commissions - laundry	66,596	66,333
Commissions - vending	49,287	53,730
University support	<u>150,000</u>	<u>150,000</u>
Total Operating Revenues	<u>17,626,967</u>	<u>18,577,003</u>
Operating Expenses:		
Employee compensation	2,354,651	2,396,200
Energy costs	1,562,753	1,581,360
Pension and insurance	843,898	865,664
Special employees	561,717	707,914
Operational services	352,783	323,735
Scholarships	344,331	325,000
Repairs and maintenance	2,818	23,528
Facility operations supplies	249,222	304,481
Administrative	38,648	73,037
Equipment purchase	1,951	698,428
Equipment lease, rental and maintenance	49,613	40,224
Consultant services	26,600	13,411
Student travel	3,397	3,706
Employee related	10,465	13,149
Annual payment to the Massachusetts State College Building Authority	<u>11,784,601</u>	<u>11,433,169</u>
Total Operating Expenses	<u>18,187,448</u>	<u>18,803,006</u>
Decrease in Net Position	<u>(560,481)</u>	<u>(226,003)</u>
Net Position, Beginning of Year	<u>6,253,954</u>	<u>6,479,957</u>
Net Position, End of Year	<u>\$ 5,693,473</u>	<u>\$ 6,253,954</u>

**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***



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, 2019 and 2018, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the 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 audits 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.

Compliance and Other Matters

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

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

October 10, 2019