

ANNUAL REPORT  
OF THE  
UNIVERSITY OF MASSACHUSETTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The following Annual Report of the University of Massachusetts (the “University”) is submitted in connection with Continuing Disclosure Agreements for bonds issued by the Massachusetts Development Finance Agency (MDFA) or its predecessor agency, the Massachusetts Health and Educational Facilities Authority (MHEFA), as follows:

- MHEFA \$99,325,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series D (2005)
- MHEFA \$10,435,000 Revenue Bonds, University of Massachusetts Issue, Series D (2007)
- MHEFA \$118,750,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007)
- MHEFA \$101,745,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series F (2007)
- MHEFA Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A
- MDFA \$29,970,000 Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011
- MDFA \$10,495,000 Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011

In addition, audited financial statements for the University for the fiscal year ending June 30, 2014 are submitted with the operating data set forth below.

The Worcester City Campus Corporation is submitting its audited financial statements for the year ending June 30, 2014 as its Annual Report filing.

**University of Massachusetts**

**HISTORY AND MISSION**

The University is a state coeducational institution for higher education with separate campuses at Amherst, Boston, Dartmouth, Lowell and Worcester in The Commonwealth of Massachusetts (the “Commonwealth”). The University was established in 1863 in Amherst, under the provisions of the 1862 Morrill Land Grant Acts, as the Massachusetts Agricultural College. It became known as the Massachusetts State College in 1932 and in 1947 became the University of Massachusetts. The Boston and Worcester campuses were opened in 1965 and 1970, respectively. The Lowell and Dartmouth campuses (previously the University of Lowell and Southeastern Massachusetts University, respectively) were made a part of the University by a legislative act of the Commonwealth, effective September 1, 1991.

The University’s core mission is “*to provide an affordable and accessible education of high quality and to conduct programs of research and public service that advance knowledge and improve the lives of the people of the Commonwealth, the nation and the world.*” For the Fall of 2014, the University enrolled 72,796 students. The University’s five campuses are geographically dispersed throughout the Commonwealth and possess unique and complementary missions. In addition, the University has a system-wide online education consortium called UMassOnline, which in academic year 2013-2014 offered approximately 1,500 online and blended courses and had 63,496 course enrollments.

The University was rated as one of the world’s best universities in the *Times Higher Education* of London’s “World University Rankings” for 2014-2015. UMass was ranked 91<sup>st</sup> out of the top 400 universities in the world and was the only public university in New England to be listed in the global top 200. The University was ranked fifth highest in Massachusetts, seventh highest in New England, 27<sup>th</sup> highest in American public universities and 54<sup>th</sup> highest of all American institutions (public or private). The University was also ranked in the top 70 best

universities in the world and in the top 35 best American universities in the *Times Higher Education* of London's "World Reputation Rankings" of 2014. Adding to its world-class reputation, preliminary estimates indicate that total research and development expenditures at the University reached approximately \$603 million in fiscal year 2014, marking the fifth straight year that the University has exceeded the \$500 million mark.

## UNIVERSITY CAMPUSES

The University is comprised of five campuses, spread across the Commonwealth in Amherst, Boston, Dartmouth, Lowell and Worcester, Massachusetts. Each campus has a unique history and plays a unique role in helping the University meet its mission.

### **Amherst Campus**

The Amherst campus ("UMass Amherst" or the "Amherst Campus"), the University's flagship campus approximately 90 miles west of Boston, is the largest in the University system. With a student body of 22,381 full-time equivalent ("FTE") undergraduate and 4,717 FTE graduate students enrolled in Fall 2014, the Amherst Campus offers the most comprehensive and varied programs of the campuses in the University system, including liberal arts and professional programs, in addition to doctoral and research programs. It offers six associate-level programs and 111 bachelor's, 76 master's and 47 doctoral degree programs. During the 2013-2014 academic year, 59 associate's, 5,674 bachelor's, 238 undergraduate certificates, 1,715 advanced degrees and 44 graduate certificates were conferred. Students may enroll in the College of Education, College of Engineering, College of Humanities and Fine Arts, Isenberg School of Management, College of Nursing, College of Natural Sciences, School of Public Health and Health Sciences, College of Social and Behavioral Sciences, School of Computer Science and the Stockbridge School of Agriculture.

The 1,400-acre Amherst Campus includes the 28-story W.E.B. Du Bois Library, containing over six million volumes, including eBook as well as governmental documents and law collections, the 9,000-seat state-of-the-art multi-purpose arena, the William D. Mullins Center and 51 campus residence halls in seven unique residential areas. In 2008, the campus opened the Studio Arts Building and the Central Heating Plant and completed renovations to a landmark academic building. In 2009, the campus completed a new student recreation center and an integrated sciences building. In 2011, the UMass Amherst police department began operations at the new Campus Police Station and Emergency Operations Center, which was the first new construction on campus to meet LEED certification standards. In 2012 and 2013, UMass Amherst completed construction of phase one of a new laboratory sciences building (Fall 2013), and a \$186 million residential and classroom Commonwealth Honors College complex opened. A state of the art classroom and academic facility opened in the fall of 2014. The Amherst Campus is initiating a variety of efficiency and effectiveness initiatives which are expected to save the campus \$2 million annually in operating costs, including procurement, utility commodities, energy savings, and administrative systems. UMass Amherst is a national leader in campus sustainability, recently receiving prestigious awards for its sustainable academics, research, and campus operations. It is one of only four schools in the country to receive the Climate Leadership Award from Second Nature, reach STARS (Sustainability Tracking, Assessment and Rating System) Gold from the Association for the Advancement of Sustainability in Higher Education (AASHE) and be placed on the Princeton Review Green Honor Roll. The 2012 report of The Center for Measuring University Performance, "The Top American Research Universities 2012 Annual Report," ranks UMass Amherst 68th for total research expenditures and 70th in federal research expenditures among public research institutions. On a number of other measures of competitive success – national academy memberships, faculty awards, doctorates awarded and postdoctoral appointees – the Amherst Campus ranks in the top 59 among public research universities. During fiscal year 2014, the campus secured a record amount of sponsored research, including approximately 395 federal awards totaling approximately \$99.2 million.

### **Boston Campus**

The 175-acre Boston campus ("UMass Boston" or the "Boston Campus"), which is located three miles from downtown Boston on a harbor peninsula with the John F. Kennedy Presidential Library and the Massachusetts State Archives and Commonwealth Museum, is currently a non-residential campus. The Boston Campus focuses on the academic needs of the local urban and non-traditional populations and the research and policy needs of business, government and communities in the greater Boston metropolitan region. In April 2004, the Boston Campus opened

its new 331,000 square foot Campus Center to better serve its students. The Boston Campus has a diverse student body, consisting of 10,079 FTE undergraduate students and 2,754 FTE graduate students enrolled in Fall 2014. The Boston Campus offers 67 undergraduate degree programs, 14 undergraduate certificate programs, 90 master's programs and graduate certificate programs and over 22 doctoral programs through the College of Liberal Arts, College of Science and Mathematics, College of Management, College of Nursing and Health Sciences, College of Public and Community Service, McCormack Graduate School of Policy and Global Studies, College of Education and Human Development, College of Advancing and Professional Studies, School for Global Inclusion and Social Development and School for the Environment.

During the 2013-2014 academic year, 35 certificates, 2,366 bachelor's and 1,306 advanced degrees were conferred.

The Boston Campus is the only educational institution in the Northeast to share its campus with a presidential library. The students and faculty have access to the John F. Kennedy Library, as well as to the State Archives building, which houses valuable Massachusetts historic and state government records. The Boston Campus also has over 550,000 books and journals at its Healey Library.

UMass Boston is nearing completion on three new facilities located on its campus: an Integrated Sciences Complex which is opening in the Winter and Spring of 2015, a general academic building scheduled to open in the Fall of 2015, and the Edward M. Kennedy Institute for the United States Senate (the "Kennedy Institute"), expected to open in the Spring of 2015. The Integrated Science Complex and the general academic building will both be operated by the Boston Campus. The Kennedy Institute will be operated by a charitable organization registered in the District of Columbia going by the same name and will be owned by the University of Massachusetts Building Authority ("UMBA"). The Kennedy Institute will operate as a civic, academic and research institution focused on the study of the United States Senate. Although the Kennedy Institute will have broad public access and will be available for target groups outside of the University, one of the primary purposes of the Kennedy Institute is to enhance the academic and research environment available to the students and faculty of the University. Due to the multi-purpose nature of the Kennedy Institute, the University's annual financial commitment for the capital and operating expenses of the Kennedy Institute is limited to approximately \$1.25 million.

On May 19, 2010, UMBA purchased the Bayside Exposition Center (the "Bayside Site") for \$18.7 million. The 20-acre Bayside Site is approximately one-half mile from the Boston Campus and will help meet the space needs of the Boston Campus as it begins to develop new campus facilities and renovate outdated existing facilities. The acquisition of the Bayside Site has initiated a University-led planning process to create a vision for redeveloping the site to further University and local objectives. UMass Boston plans to work with the City of Boston, the Commonwealth, neighbors and the surrounding communities to develop a plan that realizes the potential of the Bayside Site, stimulates economic activity, creates jobs and brings greater activity and opportunity to Columbia Point and the region. In the interim, the Bayside Site will allow the University to replace parking eliminated during the above referenced construction process.

UMass Boston's 25-year capital plan calls for the redevelopment of the campus with new and renovated facilities, new infrastructure and green space for greater access to and engagement with the public. The first ten years of the capital plan, launched in 2007, calls for more than \$500 million in new facilities and infrastructure construction on the campus.

The Boston Campus has completed an institutional self-study in preparation for the reaccreditation review by the New England Association of Schools and Colleges ("NEASC") scheduled for April 2015. The chair of the reaccreditation review team made a preliminary visit to the Boston Campus in December 2014 to meet with the Chancellor and other campus leaders in anticipation of the site visit.

### **Dartmouth Campus**

The Dartmouth campus ("UMass Dartmouth" or the "Dartmouth Campus") distinguishes itself as a vibrant public research university dedicated to engaged learning and innovative research resulting in personal and lifelong student success. The Dartmouth Campus serves as an intellectual catalyst for economic, social and cultural transformation on a global, national and regional scale. The Dartmouth Campus offers more than 50 undergraduate

and 40 graduate programs of study (including 12 at the Doctorate level) through the College of Arts and Sciences (with a School of Education), the Charlton College of Business, the College of Engineering, the College of Nursing, the College of Visual and Performing Arts, the School for Marine Science and Technology and the UMass School of Law. The main campus, designed by the eminent architect Paul Rudolf, is located on 710 acres in Dartmouth and is approximately 55 miles south of Boston and 30 miles east of Providence, Rhode Island. Other Dartmouth Campus sites include the University of Massachusetts School of Law in Dartmouth, the School for Marine Science and Technology on the waterfront in New Bedford, the Star Store Center for the Arts in New Bedford, the Advanced Technology and Manufacturing Center in Fall River and offices in New Bedford, Fall River and Fairhaven.

On February 2, 2010, the Massachusetts Board of Higher Education issued approval for UMass Dartmouth to offer the Juris Doctor (J.D.) degree and establish the first public law school in the Commonwealth. Through the donation of assets to the University of Massachusetts Foundation, Inc. (the “Foundation”), including the facility, equipment, systems and furnishings from an existing private law school (Southern New England School of Law or “SNESSL”), the Dartmouth Campus admitted the first class of new students to the University of Massachusetts School of Law in August 2010. The opening August 2010 head count enrollment for the first year was 316, which was comprised of 165 new law students and 151 students continuing from SNESSL. During the first year, 51 of the 151 mid-stream students graduated with the J.D. degree and the bar pass rate of those who took the Massachusetts Bar was within 15% of the average bar pass rate for Massachusetts law schools accredited by the American Bar Association (“ABA”). The law school prepared a comprehensive self-study for consideration of provisional ABA accreditation and received an ABA site visit; the final decision for provisional accreditation was granted on June 12, 2012. Current downturns in admissions to law schools across the country have resulted in a somewhat smaller than expected number of new students; the Fall 2014 overall enrollment was 215. Despite lower than expected law school enrollment, the Dartmouth Campus’s detailed overall enrollment and revenue planning for a variety of admissions demand scenarios continues to ensure institutional strength and provides for hiring and program development needed to ensure educational quality and success. The law school has a public-service focus, with a curriculum concentrating on civil and human rights, legal support for businesses, economic justice and community law. The operating plan for the new law school calls for increasing enrollment, recruiting faculty, and improving assets in order to prepare the school for full accreditation from the ABA in 2015.

The Dartmouth Campus had 6,644 FTE undergraduate and 1,286 FTE graduate students enrolled in Fall 2014. During the 2013-2014 academic year, 9 undergraduate certificates, 1,276 bachelor’s and 537 advanced degrees/certificates were conferred. The most recent edition of U.S. News and World Report’s (“U.S. News”) “America’s Best Colleges” ranks UMass Dartmouth as the number two public regional university in New England. The College of Engineering is listed among the best undergraduate engineering programs in the country, as are the online programs. The Dartmouth Campus, which is implementing its strategic plan, UMASSTTRANSFORM2020, weaves the research, academic, creative and community service activities of faculty and graduate students into the undergraduate experience and into the economic and cultural life of southeastern Massachusetts and beyond. Areas of focus for the strategic plan include doctoral research university status, marine science, law and public policy, K-12 schools, healthcare, economic development and the creative economy. The University is undertaking the planning and development of a new classroom building for the Charlton College of Business and has begun planning for a new \$55 million academic building on the campus.

## **Lowell Campus**

The Lowell campus (“UMass Lowell” or the “Lowell Campus”) is a doctoral-level research university committed to educating students for lifelong success in a diverse world and conducting research and outreach activities that sustain the economic, environmental and social health of the region.

Located in the historic industrial City of Lowell, approximately 25 miles northwest of Boston, the campus spans more than 125 acres along the Merrimack River on three campus clusters – North, South and East. The Lowell Campus had a student body of 10,628 FTE undergraduate and 2,749 FTE graduate students in Fall 2014. The Lowell Campus offers four associate’s, 121 bachelor’s, 41 master’s and 34 doctoral degree programs through the College of Fine Arts, Humanities and Social Sciences, the College of Sciences, the Francis College of Engineering, the College of Health Sciences, the Manning School of Business and the Graduate School of Education. The most recent additions to UMass Lowell’s degree inventory are Master’s and Doctoral degrees in Pharmaceutical Sciences (offered in conjunction with UMass Worcester) and Bachelor’s and Master’s degrees in

Public Health. During the 2013-2014 academic year, 153 associate's certificates, 2,228 bachelor's degrees and 1,308 advanced degrees/certificates were conferred.

Three major capital acquisitions have better positioned the Lowell campus to serve its students, faculty and staff, while also serving to connect the campus community to the City of Lowell. In July 2009, UMBA purchased the former Doubletree Hotel in the downtown section of Lowell and converted the property into the UMass Lowell Inn & Conference Center (the "ICC"). Establishing the ICC created a multi-purpose property that maintains hotel accommodations in the City, serves as housing for 400 students and creates high-quality conference space that has improved the vitality of the Lowell Campus and the City of Lowell. In February 2010, UMBA acquired the 6,500-seat Tsongas Arena from the City of Lowell. The renamed Tsongas Center at UMass Lowell hosts hockey and basketball games, concerts, functions, University events and other community activities. In January 2011, UMBA purchased the former St. Joseph's Hospital in Lowell. University Crossing, as the property is now called, offers an important connection point centrally located between UMass Lowell's North, South and East campuses and has become a vibrant hub for students and the community since its opening in the summer of 2014.

Four additional buildings and two parking garages have been constructed on the Lowell campus since Fall 2012. The 84,000 square-foot Mark and Elisia Saab Emerging Technologies and Innovation Center (the "Saab Center") opened on the North Campus in October 2012. The Saab Center was the first new academic building constructed on the Lowell Campus in more than three decades. The state-of-the-art facility is home to research in nanotechnology, molecular biology, plastics engineering and optics. The approximately \$80 million project was funded with \$35 million from the Massachusetts Economic Investment Act of 2006, \$5 million from the federal government, bonds issued through UMBA, a \$10 million grant from the Massachusetts Life Sciences Center and contributions from industry and individual donors. The opening of the Saab Center was followed by the opening of a new Health and Social Sciences Building on the South Campus in Spring 2013. The \$40 million project was funded fully by bonds issued by the Commonwealth. In Fall 2013, UMass Lowell opened the \$54 million University Suites residence hall on East Campus. The project was financed through UMBA bonds and provides suite-style housing for 472 students. A second suite-style residence hall, Riverview Suites, with housing for 510 students on South Campus, was leased by UMass Lowell from a private developer beginning in Fall 2013. In addition, two parking garages were constructed at a total cost of \$40 million and financed through UMBA bonds.

As of July 1, 2013, UMass Lowell athletics was officially elevated to Division I in all sports, with 15 sports joining the America East Conference. The reclassification to full Division I status is a four-year process. The ice hockey program has competed in Division I since 1983 and is a member of Hockey East.

In October 2013, the NEASC Commission on Institutions of Higher Education conducted a site visit evaluation for the decennial reaccreditation of UMass Lowell. In the Spring of 2014, UMass Lowell was reaccredited through 2023.

### **Worcester Campus**

The Worcester campus ("UMass Worcester" or the "Worcester Campus") provides general and specialized medical education, engages in a comprehensive program of basic scientific and clinical research and provides graduate level training in the biomedical sciences and nursing. Located approximately 40 miles west of Boston and 50 miles east of Amherst, the campus is home to three graduate schools: the School of Medicine (the "Medical School"), the Graduate School of Biomedical Sciences and the Graduate School of Nursing. The Worcester Campus also consists of a \$244 million research enterprise, public service entities such as Commonwealth Medicine and MassBiologics and the University Campus hospital of UMass Memorial Health Care (formerly the Clinical Services Division of the University) which is the clinical partner of the Medical School. Effective March 31, 1998, as enacted by Chapter 163 of the Acts of 1997 of the Commonwealth, the Clinical Services Division of the University and the subsidiaries of a University-related organization, UMASS Health System, were contributed to and merged with and into an independent Massachusetts not-for-profit corporation named UMass Memorial Health Care, Inc. ("UMass Memorial"). Pursuant to an agreement between the parties, the University's obligations to UMass Memorial are limited to allowing it to remain on the UMass Worcester Campus and to sharing certain capital, operating and shared-services expenses relating to such premises, as more fully described in the notes to the University's financial statements.

Created in 1962, UMass Worcester provides medical education at an affordable cost to Massachusetts residents and graduate education to science and nursing students, offering incentives to graduates who practice primary care and other medical disciplines in underserved areas in Massachusetts. *U.S. News* ranked the Medical School fifth in primary care education among the nation's accredited medical schools and schools of osteopathic medicine in its 2015 edition of "America's Best Graduate Schools" and 49<sup>th</sup> among medical schools based on research criteria. The institution remains in the top 25% of U.S. medical schools in National Institutes of Health funding (Blue Ridge Institute for Medical Research), and among the 20 most affordable medical schools in the country (Association of American Medical Colleges).

The Graduate School of Biomedical Sciences, comprised of Basic & Biomedical Sciences and Clinical & Population Health Research divisions, trains students in their selected specialty area, while emphasizing a broad background in the basic medical sciences in preparation for research with direct relevance to human disease. The Graduate School of Nursing provides high quality master's and doctoral-level preparation for advanced-practice nurses and nurse educators.

In 2006, Professor of Molecular Medicine Craig C. Mello, Ph.D., a Howard Hughes Medical Institute investigator, was a co-recipient of the Nobel Prize in Physiology or Medicine with Andrew Fire, Ph.D., of Stanford University for their discovery of RNA interference ("RNAi"), a naturally occurring gene-silencing process with the potential to revolutionize medicine. This unprecedented honor for the University was followed in quick succession by additional high-profile scientific honors recognizing the critical mass of RNAi investigators at the Worcester Campus.

With the signing of the \$1 billion Life Sciences Bill by Governor Deval Patrick on June 16, 2008, UMass Worcester assumed a key role in helping realize the Commonwealth's potential as a global leader in life sciences. The law provided funding for the Albert Sherman Center, a 512,000 square foot education and research complex that was completed in December 2012 and formally opened on January 30, 2013. The largest facility built on the Worcester Campus since construction of the original medical school and hospital complex in the 1970s, the Sherman Center serves as the new hub of the Worcester Campus integrating research, education and social activities.

To help address physician workforce shortages in the Commonwealth, the Worcester Campus has increased the incoming class size for the Medical School from 103 to 125. The Medical School is monitoring the progress of the expanded class size through all four years, including the expanded clinical teaching sites, to assess how the increase in class size affects the educational experience. For Fall 2014, the Worcester Campus had 1,071 FTE graduate and medical students enrolled in six master's and six doctoral degree programs, as well as 547 post-graduate residents and fellows enrolled in 19 medical residency programs and 32 medical fellowship programs. During the 2013-2014 academic year, 6 post-master's certificates and 244 advanced degrees were conferred. The Worcester Campus provides general and specialized medical care and engages in a comprehensive program of basic scientific and clinical research that benefits the recipients of clinical services and contributes to the national effort to understand, prevent and treat disease. In 2012, the educational program leading to the M.D. degree at the Worcester Campus was successfully re-accredited by the Liaison Committee on Medical Education ("LCME"), with a full eight year cycle. In addition, the NEASC conducted a site visit evaluation for the reaccreditation of UMass Worcester, and the final NEASC reaccreditation report was confirmed in May 2013.

## **UMassOnline**

In February 2001, the University launched UMassOnline, the University's system-wide online education consortium. Headquartered at the President's Office Collaborative Services Facility in Shrewsbury, Massachusetts, UMassOnline enables the University to provide greater access to its educational programs and to increase revenues that can be used to support the campuses. In fiscal year 2014, UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue of \$85.1 million and supported over 63,496 course enrollments.

UMassOnline's mission is to provide access to a University of Massachusetts education to students who are unable to attend one of the campuses, serving community needs for education in the critical areas of economic development, health and welfare and education, and raising revenues for support of students, faculty, teaching, outreach and research. To this end, UMassOnline supports the campuses in developing, growing and marketing

online programs by funding the development of new online programs, providing faculty support, development and training, providing technology support and by creating and maintaining a robust platform for online learning, assessing new teaching and learning technologies, and deploying marketing programs that will position the University as a high-quality national leader in online higher education, as well as increase online course and program enrollments in the Massachusetts, New England, national and international markets.

In academic year 2013-2014, the University offered over 139 online degrees, certificates and continuing medical education programs, as well as 1,500 online and blended courses.

### **The University of Massachusetts Collaborative Service Facility**

The University established the University of Massachusetts Collaborative Services Facility (“CSF”) in November 2003. The CSF is located in Shrewsbury, Massachusetts. The CSF was created for the purpose of consolidating a number of departments within the University President’s Office and other UMass organizations in an effort to both reduce costs and better serve the University system.

### **The University of Massachusetts Club**

The University, acting through UMBA, has established an Alumni dining club, known as “The University of Massachusetts Club.” The Club opened on October 31, 2005 and is located on the 33<sup>rd</sup> floor of 225 Franklin Street in downtown Boston. The Club is managed by a national hospitality management firm.

## **UNIVERSITY RELATED ORGANIZATIONS**

The financial statements of the University include the University and certain other organizations that have a significant relationship with the University. The statements include the University’s blended component units, which are UMBA, a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended, the Worcester City Campus Corporation (“WCCC”), a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, and the University of Massachusetts Amherst Foundation, Inc. (the “UMass Amherst Foundation”), a tax-exempt organization that was established in 2003. Through its Board of Directors, the UMass Amherst Foundation leads and supports private fundraising on behalf of UMass Amherst faculty, students and facilities.

The purposes of UMBA are to provide dormitories, dining commons and other buildings and structures for use by the University and other entities associated with the University and to issue bonds to finance such projects. The University created WCCC in 1992 to purchase various assets of Worcester City Hospital, to operate as a real estate holding company, and to foster and promote the growth, progress, and general welfare of the University’s Worcester Campus and all of its locations. The subsidiaries of WCCC include Worcester Campus Services, Inc. (“WCS”) and U Health Solutions, Inc. (“UHS”) (formerly Public Sector Partners, Inc. (“PSP”). WCS has 11 real estate holding company subsidiaries.

The University’s discrete component units are the University of Massachusetts Foundation, Inc. (the “Foundation”) and the University of Massachusetts Dartmouth Foundation, Inc. (the “Dartmouth Foundation”). These foundations are tax-exempt organizations related to the University and were established to foster and promote the growth, progress and general welfare of the University and to solicit, receive and administer gifts and donations for such purposes. The Foundation manages the majority of the University’s endowments, including the endowment of the UMass Amherst Foundation. The Foundation and the Dartmouth Foundation are reported in the financial statements of the University as part of the University Related Organizations.

## **GOVERNANCE**

Under the General Laws of the Commonwealth (the “General Laws”), the University is governed by a Board of Trustees (the body herein called the “University Trustees” or the “Board of Trustees of the University”) under the coordinating authority of the Commonwealth’s Department of Higher Education (“DHE”) (successor to the Commonwealth Board of Higher Education). The day-to-day operations of the University are directed by a team

of administrative officers of the University, the chief executive officer being the President of the University (the “President”).

The General Laws give the University Trustees the authority to govern the University and to appoint the President, the Chancellors (the senior administrative officers of each campus) and other officers and members of the professional staff. The General Laws also grant to the University Trustees the legal right to establish and manage non-appropriated funds, which funds include, for example, certain student fees, grants and contracts, and funds used to support certain self-sufficient operations within the University. See “UNIVERSITY REVENUES AND BUDGETING” below. The University Trustees consist of 19 voting members and three non-voting members. Seventeen voting members of the University Trustees are appointed by the Governor of the Commonwealth (the “Governor”). One of these appointees is the Secretary of Education, as mandated by Chapter 27 of the Acts of 2008 and at least five of those appointed must be alumni of the University and one must be a representative of organized labor. Two of the voting members are full-time students of the University and three additional full-time students act as non-voting members. The student members are elected annually from each of the five campuses and the two voting student positions are rotated annually among the members representing the five campuses. The University Trustees, except for the student members, serve five-year staggered terms, and are eligible for reappointment for an additional five-year term.

The President is responsible for implementing the policies of the University Trustees and for providing leadership for the activities and operations of the University. The President’s Office is responsible for the development of academic and financial policies, overall coordination of University activities, and certain University-wide operational activities, including Internal Audit, the General Counsel’s office, the Treasurer’s and Controller’s functions, Information Systems and Human Resources.

### **Education System Reorganization**

In February 2008, legislation was passed that reorganized the leadership structure of education in the Commonwealth. A cabinet-level executive office of education was established with comprehensive education oversight, including the following departments: Early Education, Elementary and Secondary Education and DHE. The legislation also established a position of Secretary of Education whose authority includes authorizing the hiring of the respective Commissioners of the education departments, approving long-term planning, and approving budget and capital requests. In addition, the reorganization increased the size of each of the education boards by two members and designated the Secretary of Education as a voting member on the three education boards as well as a voting member of the Board of Trustees of the University. The reorganization also provided the Governor with the authority to appoint the chair of the University Trustees.

### **Department of Higher Education**

The University is subject to the coordinating authority of the DHE, which has the statutory responsibility to develop, foster and advocate for the public higher education system in Massachusetts (which consists of the University, nine state universities, and 15 community colleges), to review and approve tuition at the University, to review and establish tuition at the state universities and the community colleges, to approve changes in academic programs at these institutions, and to collaborate with the public institutions of higher education in order to identify and define institutional missions.

The Board of the DHE consists of 13 voting members; one of whom is the Secretary of Education, nine members appointed by the Governor reflecting regional geographic representation and three members chosen to represent public institutions of higher education. Of the members appointed by the Governor, at least one must be a representative of organized labor, one must be a representative of the business community and one must be a full-time undergraduate student at a public institution of higher education. Of the members chosen to represent public institutions of higher education, one must be a member of the Board of Trustees of the University as voted by the University Trustees, one must be a member of a board of trustees of a state university chosen by vote of the chairs of the boards of trustees of each of the state universities, and one must be a member of a board of trustees of a community college chosen by vote of the chairs of the boards of trustees of each of the community colleges. Three of the DHE members appointed by the Governor are appointed for terms coterminous with that of the Governor. The remaining members of the Board of the DHE are appointed to serve five-year terms, except that the

undergraduate student members will be appointed annually. The chairperson of the Board of the DHE is selected by the Governor.

### **Board of Trustees**

The present members and officers of the University Trustees, their original appointment dates and the expiration dates of their respective current terms are set forth below. The term expiration date is September 1 of the applicable year; however University Trustees generally continue to serve until a successor University Trustee is appointed.

| <b>Name and Position; Month and Year Initially Appointed</b>   | <b>Current Term Expiration Date</b> |
|--|-------------------------------------|
| Victor Woolridge, <i>Board of Trustees Chair</i> , Springfield<br><i>Appointed November 2009</i><br>Vice President, Cornerstone Real Estate Advisers, LLC  | 2019                                |
| Ruben J. King-Shaw, Jr., <i>Board of Trustees Vice Chair</i> , Carlisle<br><i>Appointed September 2005</i><br>Chairman & CEO, Mansa Equity Partners, Inc.  | 2015                                |
| Maria D. Furman, <i>Board of Trustees Vice Chair</i> , Wellesley<br><i>Appointed November 2009</i><br>Former Managing Director and Bond Portfolio Manager<br>of Standish Mellon Asset Management (retired) | 2019                                |
| James R. Buonomo, Shrewsbury<br><i>Appointed April 2013</i><br>Consultant, JRB Advising  | 2018                                |
| Richard P. Campbell, J.D., Cohasset<br><i>Appointed September 2011</i><br>Founder and Shareholder, Campbell Campbell Edwards & Conroy, P.C.  | 2016                                |
| Lawrence M. Carpman, Marshfield<br><i>Appointed September 2011</i><br>President, Carpman Communications, LLC   | 2016                                |
| Edward W. Collins, Jr., Springfield<br><i>Appointed September 2007</i><br>International Representative, International Brotherhood of Electrical Workers  | 2017                                |
| Sarah Freudson, Simsbury, CT<br><i>Non-voting Student Member, Appointed April 2014</i><br>University of Massachusetts, Amherst   | 2015                                |
| David G. Fubini, Boston<br><i>Appointed April 2013</i><br>Senior Director, McKinsey & Company  | 2018                                |
| Phillip J. Geoffroy, Chelmsford<br><i>Non-voting Student Member, Appointed April 2012</i><br>University of Massachusetts, Lowell   | 2015                                |
| Zoila M. Gomez, J.D., Lawrence<br><i>Appointed September 2011</i><br>Attorney, Law Offices of Zoila M. Gomez   | 2016                                |
| Philip W. Johnston, Marshfield<br><i>Appointed September 2007</i><br>President, Philip W. Johnston Associates  | 2017                                |

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|--|--------------------------|
| Alyce J. Lee, Milton<br><i>Appointed September 2011</i><br>Founding Trustee and Vice Chair, Board of Trustees, Boston Medical Center (BMC) and Former Chief of Staff to Mayor Thomas M. Menino | 2016                     |
| Patrick Lowe, Worcester<br><i>Non-voting Student Member, Appointed April 2013</i><br>University of Massachusetts, Worcester  | 2015                     |
| Jacob Miller, Fairhaven<br><i>Non-voting Student Member, Appointed April 2014</i><br>University of Massachusetts, Dartmouth  | 2015                     |
| Jeffrey B. Mullan, J.D., Milton<br><i>Appointed September 2011</i><br>Partner, Foley Hoag LLP  | 2016                     |
| Nolan O'Brien, Quincy<br><i>Voting Student Member, Appointed April 2013</i><br>University of Massachusetts, Boston   | 2015                     |
| Kerri Osterhaus-Houle, M.D., Hudson<br><i>Appointed September 2007</i><br>Partner, Women's Health of Central Massachusetts, PC   | 2018                     |
| R. Norman Peters, J.D., Paxton<br><i>Appointed September 2009</i><br>Partner, Peters & Sowyrda   | 2019                     |
| James A. Peyser, MALD, Milton<br><i>Appointed January 2015</i><br>Secretary of Education, Executive Office of Education<br>Commonwealth of Massachusetts                                       | <i>Serves ex-officio</i> |
| Henry M. Thomas, III, J.D., Springfield<br><i>Appointed September 2007</i><br>President and CEO, Urban League of Springfield, Inc.   | 2017                     |
| Margaret D. Xifaras, J.D., Marion<br><i>Appointed September 2011</i><br>Attorney, Law Offices of Lang, Xifaras & Bullard   | 2016                     |

### **Administrative Officers**

The following is a list of the current administrative officers of the University.

*Robert L. Caret, Ph.D., President, age 67*

Robert L. Caret, Ph.D., was elected President of the University on January 13, 2011 and began his term as President on July 1, 2011. Dr. Caret previously served as president of Towson University, where he also served as a faculty member, dean, executive vice president and provost during his more than 25-year tenure there. Between 1995 and 2003, he left Towson University to assume the presidency of San Jose State University. Dr. Caret received his Ph.D. in Organic Chemistry from the University of New Hampshire and his B.S. degree in Chemistry and Mathematics from Suffolk University. On December 17, 2014, Dr. Caret announced his resignation from the University, effective June 2015, to become Chancellor of the University of Maryland. A search committee has been assembled and a national search is being conducted to replace Dr. Caret.

*James R. Julian, Jr., J.D., Executive Vice President and Chief Operating Officer, age 53*

James R. Julian, Jr., J.D., has been the Executive Vice President at the University since January 1996. Prior to joining the University, he served as Chief of Staff and Counsel for the former Massachusetts Senate

President, William M. Bulger, from 1991 to 1996. He holds a B.S. degree in Political Science from Suffolk University and a J.D. degree from the New England School of Law.

*Marcellette G. Williams, Ph.D., Senior Vice President for Academic Affairs, Student Affairs and International Relations, age 73*

Marcellette G. Williams, Ph.D., has been the Senior Vice President for Academic and Student Affairs and International Relations since July 2005. Dr. Williams served as interim Chancellor of the Amherst Campus from July 2001 through July 2002. Prior to becoming interim Chancellor, Dr. Williams was Deputy Chancellor and Professor of English and Comparative Literature at the Amherst Campus. Prior to joining the University, Dr. Williams served in a variety of academic and administrative positions at Michigan State University, where she earned her bachelor's, master's and doctoral degrees.

*Christine M. Wilda, Senior Vice President for Administration & Finance and Treasurer, age 44*

Christine M. Wilda was appointed to the position of Senior Vice President for Administration & Finance and Treasurer in July 2012. Previously, she served as interim Vice President for Administration & Finance, Treasurer and Controller from February 2012 to June 2012 and as the University Controller from 2002 to January 2012. Prior to that, Ms. Wilda was an associate in the University Controller's office since 1992. Ms. Wilda received a B.A. degree in Accounting and an M.B.A. degree from the Isenberg School of Management at the University of Massachusetts, Amherst.

*Kumble R. Subbaswamy, Ph.D., Chancellor, Amherst Campus, age 63*

Kumble R. Subbaswamy, Ph.D., became the Chancellor of the Amherst Campus in July 2012. Dr. Subbaswamy previously served as provost at the University of Kentucky since 2006. He joined the University of Kentucky's physics faculty in 1978 after serving as a post-doctoral fellow at the University of California, Irvine. During his first eighteen years at the University of Kentucky, he served as Associate Dean of Arts and Sciences and as chair of the Department of Physics and Astronomy. Dr. Subbaswamy was also Dean of the College of Arts and Sciences at the University of Miami from 1997 to 2000, when he left to become Dean of Arts and Sciences at Indiana University in Bloomington, where he served until 2006. Dr. Subbaswamy holds a B.S. degree in Physics from Bangalore University, an M.S. degree in Physics from Delhi University and a Ph.D. degree in Physics from Indiana University.

*J. Keith Motley, Ph.D., Chancellor, Boston Campus, age 59*

J. Keith Motley, Ph.D., became the Chancellor of the Boston Campus in July 2007. Previously, Dr. Motley had held the position of Vice President for Business and Public Affairs since 2005. Dr. Motley served as Interim Chancellor of the Boston Campus from August 2004 until June 2005. Prior to becoming Interim Chancellor, Dr. Motley served as the Vice Chancellor for Student Affairs at the Boston Campus. Previously, Dr. Motley held a variety of student-service positions at Northeastern University including Dean of Student Services, Associate Dean/Director of the John D. O'Bryant African-American Institute and Assistant Dean/Director of the Office of Minority Student Affairs. Dr. Motley is a founder of the Roxbury Preparatory Charter School and chair emeritus of the school's board of trustees. He also serves on the board of trustees of Newbury College in Brookline. Dr. Motley holds B.S. and M.Ed. degrees from Northeastern University and a Ph.D. degree from Boston College.

*Divina Grossman, Ph.D., Chancellor, Dartmouth Campus, age 58*

Divina Grossman, Ph.D., became the Chancellor of the Dartmouth Campus in July 2012. Previously, Dr. Grossman was the Founding Vice President for Engagement at Florida International University where she had also served as Dean of the College of Nursing and Health Sciences and Dean of the School of Nursing. Dr. Grossman holds a B.S. degree in Nursing from the University of Santo Tomas (Philippines), an M.S. degree in Nursing from the University of Miami and a Ph.D. degree in Nursing from the University of Pennsylvania.

*Martin T. Meehan, J.D., Chancellor, Lowell Campus, age 58*

Martin T. Meehan, J.D., became the Chancellor of the Lowell Campus in July 2007. Mr. Meehan previously represented the Fifth Congressional District of Massachusetts in the U.S. House of Representatives since 1993. He has also served as the First Assistant District Attorney for Middlesex County from 1991 to 1992. Mr. Meehan was also the Director of Public Affairs for the Massachusetts Secretary of the Commonwealth and the Deputy Secretary of State for Securities and Corporations from 1986 to 1990. Mr. Meehan earned his B.S. in Education and Political Science from the University of Massachusetts, Lowell, a Master's degree in Public Administration from Suffolk University and a J.D. degree from Suffolk University Law School. He holds honorary degrees from Suffolk University, Green Mountain College in Vermont and Shenkar College of Engineering & Design in Israel.

*Michael F. Collins, M.D., Chancellor, Worcester Campus and Senior Vice President for Health Sciences, age 59*

Michael F. Collins, M.D., was appointed Chancellor of the University of Massachusetts Medical School, where he also serves as professor of quantitative health sciences and medicine, on September 26, 2008. Dr. Collins served as interim Chancellor of the University of Massachusetts Medical School from June 2007 to September 2008. In June 2007, Dr. Collins was appointed Senior Vice President for Health Sciences at the University of Massachusetts. Dr. Collins served as Chancellor of the UMass Boston Campus from 2005 through 2007. Prior to joining the University of Massachusetts, Dr. Collins served as President and Chief Executive Officer of Caritas Christi Health Care from 1994 to 2004 and from 1994 to 2001 he served as President of St. Elizabeth's Medical Center in Brighton, a university academic medical center affiliated with Tufts University School of Medicine. A board certified physician in internal medicine and a Fellow of the American College of Physicians, Dr. Collins has held a number of faculty and academic leadership positions over the course of his career. At Texas Tech University Health Sciences Center, his posts included Assistant Professor of Internal Medicine and Assistant Dean for Patient Care Resources. At Tufts University, he served as Clinical Professor of Internal Medicine and Associate Dean of Government and Medical Affairs in the School of Medicine and as a senior fellow at the Jonathan M. Tisch College of Citizenship and Public Service. Dr. Collins received a B.A. degree from the College of the Holy Cross and earned an M.D. degree from Tufts University School of Medicine.

### **Faculty and Staff**

The University had 5,802 faculty members for Fall 2014, including 3,993 full-time faculty. Of the full-time faculty (excluding Worcester faculty), 55.5% were tenured, 22.2% were on track for tenure and the remaining 22.3% were not on tenure track. In addition, the University had 7,299 professional and 4,405 classified staff members for Fall 2014, of which 92.1% and 88.1% were full-time, respectively. The University faculty has received some of the world's most prestigious awards and honors, including the MacArthur Fellowship, the Pulitzer Prize, the National Book Award and the Nobel Prize. The University faculty also includes National Science Foundation grant winners and Fulbright Scholars. The University student FTE to faculty FTE ratios, excluding continuing education, are 17:1, 16:1, 19:1 and 18:1 for the Amherst, Boston, Dartmouth and Lowell campuses, respectively. The Worcester Campus ratio is not presented because the delivery of graduate medical education is not comparable to that of campuses offering a traditional range of undergraduate and graduate programs.

## **STRATEGIC INITIATIVES**

Under the leadership of President Caret and the University Trustees, the University is engaged in a series of strategic initiatives identified as a result of an interactive, collaborative process between the President's Office and campus leadership. The strategic initiatives acknowledge the unique strengths of each of the campuses and recognize the important role of the University in supporting the Commonwealth's economic success. The initiatives are as follows:

- *Accountability* – benchmarks and peer comparisons have been set for each of the five UMass campuses and specific goals have been set for each Chancellor of the University.

- *Transparency* – “UMass Performance: Accountable and on the Move” provides an easy-to-read report on the University’s performance in six key areas:
  - Student Experience and Success;
  - Educated Workforce and Engaged Citizenry;
  - World-Class Research and Development Enterprise;
  - Enhanced Social Well-Being;
  - Good Stewards of Resources; and
  - Telling and Selling the UMass Story

The University has established 21 priorities and goals within each of the six key areas to measure the performance of the University as a whole over time, including short term and long term goals. The University issued its first annual report tracking progress on each of these goals and priorities in March 2014.

- *50/50 State Support Initiative* – The University continues to engage the Governor and Legislative leadership in an effort to increase state appropriations supporting undergraduate education costs at the University such that at least 50% of the costs of educating Massachusetts residents are paid by the Commonwealth (the “50/50 Initiative”), reversing the trend of lower state support during the economic recession. The Commonwealth supported the 50/50 Initiative with increased appropriations in fiscal years 2014 and 2015. In addition, the President has been an active member of the Higher Education Finance Commission which released a report in the fall of 2014 making recommendations regarding policy and funding levels for higher education in the Commonwealth, including the University. As the Commonwealth transitions to new leadership, the University will work with the new Administration in an effort to continue the Commonwealth’s support for the University.
- *Growing the University* – To further economic and academic growth, the University has established satellite centers in Springfield and Haverhill, and anticipates opening a satellite center in the President’s new office site in downtown Boston in 2016.
- *Expanding Research and Development* – The University participates as a member of the Mass Green High Performance Computing Center providing increased capacity for research and created the UMass Innovation Institute to expand the University’s capacity for applied research.
- *Fundraising* – The University is developing and focusing its fundraising efforts across all five campuses.
- *Stewards of Resources* – The University continues to increase cost efficiency in providing educational services to students.
- *Efficient and Effective* – The University has been charged by the University Trustees to find ways to achieve the same or better results through more efficient and effective means.

## **ACADEMIC PROGRAMS AND ACCREDITATION**

The University offers a broad spectrum of academic programs, granting Bachelor of Arts degrees in over 60 fields, Bachelor of Science degrees in over 50 fields and bachelor’s degrees in a number of other areas, including Fine Arts and Business Administration. Master of Arts degrees are granted in more than 25 fields, Master of Science degrees in over 45 academic fields and a variety of other master’s degrees are granted in specialized areas including Education, Teaching, Business Administration and Public Health. In addition to the foregoing, the University grants Doctor of Philosophy degrees in over 50 fields, as well as Doctor of Education, Doctor of Science, Doctor of Engineering, Juris Doctor, and Doctor of Medicine degrees. The academic resources of the University are also accessible to part-time students, to local, national and international businesses and to the general community through the continuing education programs.

Each campus of the University is accredited by NEASC, the major accrediting body for institutions of higher education in New England. The Amherst, Boston, Dartmouth, Lowell and Worcester Campuses are

accredited through 2018, 2015, 2020, 2023 and 2020, respectively. The Medical School at the Worcester Campus is a member of the Association of American Medical Colleges and was given full accreditation through the 2019-2020 academic year by the LCME, the major accrediting body for programs leading to the M.D. degree. In addition to the foregoing, individual schools and academic programs are accredited by the appropriate agencies in their particular fields.

The University is also an institutional member of numerous organizations of higher learning and professional societies, including, among others, the Association of American Colleges, the Association of Public and Land-Grant Universities, the American Council on Education, the American Association of Colleges for Teacher Education, the American Association of Colleges of Nursing, the Council of Colleges of Arts and Sciences and the New England Board of Higher Education.

## ENROLLMENT

Except for the Medical School, which admits only Massachusetts residents (as required by Chapter 164 of the Massachusetts Acts of 1988, Section 88), admission to the University is open to residents and non-residents of the Commonwealth on a competitive basis. Massachusetts residents accounted for 81.8% and 53.0% of the University's total undergraduate and graduate fall enrollment, respectively, during Fall 2014.

For Fall 2014, total full-time equivalent enrollment at the University (including continuing education) was 62,308, representing an increase of 6.4% over the five-year period.

### Total Full-Time Equivalent Enrollment, Fall 2010-2014

|               | <u>2010</u>   | <u>2011</u>   | <u>2012</u>   | <u>2013</u>   | <u>2014</u>   |
|---------------|---------------|---------------|---------------|---------------|---------------|
| Undergraduate | 46,648        | 47,432        | 48,135        | 48,893        | 49,732        |
| Graduate      | <u>11,916</u> | <u>12,048</u> | <u>12,202</u> | <u>12,443</u> | <u>12,576</u> |
| Total         | 58,564        | 59,480        | 60,337        | 61,336        | 62,308        |

The following tables show opening head count enrollment as of the University's Fall semester for each of the five campuses since 2010.

#### *Amherst Campus*

|                            | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>  |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| In-state undergraduate     | 16,932       | 17,047       | 16,952       | 16,900       | 16,949       |
| Out-of-state undergraduate | 4,441        | 4,765        | 4,976        | 5,234        | 5,303        |
| In-state graduate          | 2,419        | 2,331        | 2,270        | 2,232        | 2,260        |
| Out-of-state graduate      | <u>3,777</u> | <u>3,941</u> | <u>4,038</u> | <u>4,152</u> | <u>4,123</u> |
| Total                      | 27,569       | 28,084       | 28,236       | 28,518       | 28,635       |

#### *Boston Campus*

|                            | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>  |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| In-state undergraduate     | 10,467       | 10,556       | 10,610       | 10,639       | 10,734       |
| Out-of-state undergraduate | 1,101        | 1,310        | 1,514        | 1,727        | 1,966        |
| In-state graduate          | 2,835        | 2,331        | 2,623        | 2,667        | 2,698        |
| Out-of-state graduate      | <u>1,051</u> | <u>1,157</u> | <u>1,127</u> | <u>1,244</u> | <u>1,358</u> |
| Total                      | 15,454       | 15,741       | 15,874       | 16,277       | 16,756       |

#### *Dartmouth Campus*

|                            | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| In-state undergraduate     | 7,400       | 7,214       | 7,123       | 6,969       | 6,939       |
| Out-of-state undergraduate | 349         | 366         | 439         | 468         | 515         |

|                       |            |            |            |            |            |
|-----------------------|------------|------------|------------|------------|------------|
| In-state graduate     | 1,201      | 1,152      | 1,128      | 1,019      | 979        |
| Out-of-state graduate | <u>482</u> | <u>493</u> | <u>520</u> | <u>597</u> | <u>678</u> |
| Total                 | 9,432      | 9,225      | 9,210      | 9,053      | 9,111      |

***Lowell Campus***

|                            | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>  |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| In-state undergraduate     | 9,704        | 9,939        | 10,229       | 10,556       | 10,693       |
| Out-of-state undergraduate | 1,572        | 1,790        | 2,058        | 2,178        | 2,300        |
| In-state graduate          | 2,240        | 2,410        | 2,508        | 2,551        | 2,451        |
| Out-of-state graduate      | <u>1,186</u> | <u>1,292</u> | <u>1,499</u> | <u>1,647</u> | <u>1,747</u> |
| Total                      | 14,702       | 15,431       | 16,294       | 16,932       | 17,191       |

***Worcester Campus***

|                     | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| Medical School      | 487         | 514         | 519         | 853         | 832         |
| Other               | <u>671</u>  | <u>675</u>  | <u>641</u>  | <u>308</u>  | <u>271</u>  |
| Total <sup>++</sup> | 1,158       | 1,189       | 1,160       | 1,161       | 1,103       |

<sup>++</sup>Does not include the head count of registrants in the various continuing medical education programs offered at the Worcester Campus.

***Total Headcount Enrollment***

|                            | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>  |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| In-state undergraduate     | 44,503       | 44,756       | 44,914       | 45,064       | 45,315       |
| Out-of-state undergraduate | 7,463        | 8,231        | 8,987        | 9,607        | 10,084       |
| In-state graduate          | 9,530        | 9,489        | 9,393        | 9,322        | 9,220        |
| Out-of-state graduate      | <u>6,819</u> | <u>7,194</u> | <u>7,480</u> | <u>7,948</u> | <u>8,177</u> |
| Total                      | 68,315       | 69,670       | 70,774       | 71,941       | 72,796       |

From Fall 2013 to Fall 2014, total new freshmen enrollees increased by approximately 2.6% for the system as a whole, while total new transfer enrollees increased by 1.2% for the system as a whole, based on headcount. The number of total new freshmen enrollees reflected a 0.5% increase in the size of the entering class at the Amherst Campus, a 9.1% increase in new freshmen at the Boston Campus, a 5.2% increase at the Dartmouth Campus, and a 0.6% increase at the Lowell Campus. The number of total new transfer enrollees reflected a 0.7% decrease at the Amherst Campus, a 2.4% decrease at the Boston Campus, a 6.8% decrease at the Dartmouth Campus, and a 14.2% increase at the Lowell Campus.

The University saw an increase in freshmen applications in Fall 2014 compared to Fall 2013. The increase in total freshmen applications included a 3.7% increase at the Amherst Campus, a 3.4% increase at the Boston Campus, an 8.0% decrease at the Dartmouth Campus and a 3.2% increase at the Lowell Campus. Transfer applications included a 6.5% increase at the Amherst Campus, a 6.3% decrease at the Boston Campus, a 3.2% decrease at the Dartmouth Campus and a 2.3% increase at the Lowell Campus.

The following tables provide aggregate data for the campuses (except the Worcester Campus) on University applications, acceptances and matriculations for first year undergraduates and for transfer students.

**First Year Applicants, Acceptances and Matriculants, Fall 2010-2014**

|  | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Applications Received                  | 52,753      | 55,528      | 58,313      | 61,253      | 62,497      |
| Number of Acceptances                  | 35,665      | 36,517      | 37,417      | 40,294      | 40,347      |
| Percent of Applicants Accepted         | 68%         | 66%         | 64%         | 66%         | 65%         |
| Number of Matriculants                 | 8,672       | 8,845       | 8,797       | 9,105       | 9,339       |
| Percent Matriculated of Those Accepted | 24%         | 24%         | 24%         | 23%         | 23%         |

**Transfer Student Applicants, Acceptances and Matriculants, Fall 2010-2014**

|  | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Applications Received                  | 10,014      | 10,181      | 10,981      | 10,033      | 10,048      |
| Number of Acceptances                  | 7,220       | 7,285       | 7,985       | 7,909       | 7,988       |
| Percent of Applicants Accepted         | 72%         | 72%         | 73%         | 79%         | 79%         |
| Number of Matriculants                 | 4,516       | 4,667       | 4,824       | 4,835       | 4,893       |
| Percent Matriculated of Those Accepted | 63%         | 64%         | 60%         | 61%         | 61%         |

The following tables show the most currently available retention and graduation rates for undergraduate freshmen entering the University. The level and changes in retention and graduation rates reflect the diversity of the entering students.

**One-Year Retention Rates - Fall Term (%)**

|                          | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Range of Campus Averages | 70-89       | 74-89       | 74-88       | 76-89       | 79-90       |

**Six-Year Graduation Rates (%)**

|  | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Year of Entry  | 2004        | 2005        | 2006        | 2007        | 2008        |
| Graduation After 6 Years - Range of Campus Averages <sup>+</sup> | 41-69       | 40-68       | 38-70       | 44-77       | 42-76       |

<sup>+</sup>The low-end averages of the University data result from the Boston Campus, which focuses on the needs of non-traditional students.

The following table shows the average Scholastic Aptitude Test (“SAT”) scores for entering University undergraduate freshmen.

**SAT Scores for Incoming Freshmen**

| Academic Year            | <u>2009-2010*</u> | <u>2010-2011*</u> | <u>2011-2012*</u> | <u>2012-2013*</u> | <u>2013-2014*</u> |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Range of Campus Averages | 1053-1169         | 1043-1189         | 1056-1197         | 1052-1208         | 1029-1218         |

\* Combined Mathematics and Critical Reasoning scores.

**Degrees Awarded**

The University awards four levels of degrees: associate’s, bachelor’s, master’s and doctoral/professional degrees. Trends in University degrees and certificates awarded for the past five years are shown in the following

table.

### **Trends in Degrees Awarded**

| Academic Year              | <u>2009-2010</u> | <u>2010-2011</u> | <u>2011-2012</u> | <u>2012-2013</u> | <u>2013-2014</u> |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Associate's/Certificate    | 247              | 248              | 445              | 547              | 472              |
| Bachelor's                 | 9,363            | 9,958            | 10,399           | 10,910           | 11,544           |
| Master's/CAGS <sup>+</sup> | 3,641            | 3,889            | 4,166            | 4,225            | 4,385            |
| Doctorate/Professional     | 552              | 616              | 678              | 765              | 773              |

<sup>+</sup>CAGS means Certificate of Advanced Graduate Studies.

### **TUITION AND FEES**

During the national economic recession, the Commonwealth experienced a decline in state revenues, and as a result, decreased state appropriations for the University. In addition to implementing cost-reduction strategies, and utilizing additional federal funds provided under the American Recovery and Reinvestment Act of 2009 ("ARRA"), the University Trustees approved fee increases for fiscal years 2011 (for non-resident students) and fiscal years 2012 and 2013 (for both Massachusetts and non-resident students) to address such decline in state appropriations. See "UNIVERSITY REVENUES AND BUDGETING – Responding to Challenging Fiscal Environment." The University has been able to freeze tuition and mandatory fees for in-state undergraduates for the 2013-2014 and 2014-2015 academic years due to the Commonwealth's support for President Caret's 50/50 Initiative. See "UNIVERSITY REVENUES AND BUDGETING – Appropriated Funds" below.

The following tables show tuition and mandatory fees for full-time graduate and undergraduate students in effect at the Amherst, Boston, Dartmouth, Lowell and Worcester Campuses for fiscal years 2011 through 2015.

**AMHERST CAMPUS**  
*Tuition & Mandatory Fees: FY 2011-2015*

|  | <u>Actual</u><br>2011 <sup>1</sup> | <u>Actual</u><br>2012 <sup>2</sup> | <u>Actual</u><br>2013 <sup>3</sup> | <u>Actual</u><br>2014 <sup>4</sup> | <u>Actual</u><br>2015 <sup>5</sup> |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>TUITION</b>                                   |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$1,714                            | \$1,714                            | \$1,714                            | \$1,714                            | \$1,714                            |
| Undergraduate (non-resident)                     | 9,937                              | 9,937                              | 9,937                              | 9,937                              | 9,937                              |
| Graduate (MA resident)                           | 2,640                              | 2,640                              | 2,640                              | 2,640                              | 2,640                              |
| Graduate (non-resident)                          | 9,937                              | 9,937                              | 9,937                              | 9,937                              | 9,937                              |
| <b>CURRICULUM &amp; OTHER MANDATORY FEES</b>     |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$10,018                           | \$10,898                           | \$11,516                           | \$11,544                           | \$11,544                           |
| Undergraduate (non-resident)                     | 13,691                             | 15,463                             | 16,708                             | 18,037                             | 18,876                             |
| Graduate (MA resident)                           | 8,286                              | 9,957                              | 10,338                             | 11,002                             | 11,411                             |
| Graduate (non-resident)                          | 11,836                             | 14,449                             | 16,200                             | 17,778                             | 18,609                             |
| <b>TOTAL MANDATORY FEES &amp; TUITION</b>        |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$11,732                           | \$12,612                           | \$13,230                           | \$13,258                           | \$13,258                           |
| Undergraduate (non-resident)                     | 23,628                             | 25,400                             | 26,645                             | 27,974                             | 28,813                             |
| Graduate (MA resident)                           | 10,926                             | 12,597                             | 12,978                             | 13,642                             | 14,051                             |
| Graduate (non-resident)                          | 21,773                             | 24,386                             | 26,137                             | 27,715                             | 28,546                             |
| <b>DORMITORY RESIDENTS ONLY</b>                  |                                    |                                    |                                    |                                    |                                    |
| Average Room & Board                             | \$8,814                            | \$9,512                            | \$9,937                            | \$10,439                           | \$10,957                           |
| <b>MANDATORY FEES, TUITION, ROOM &amp; BOARD</b> |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$20,008                           | \$22,124                           | \$23,167                           | \$23,697                           | \$24,215                           |
| Undergraduate (non-resident)                     | 32,442                             | 34,912                             | 36,582                             | 38,413                             | 39,770                             |
| Graduate (MA resident)                           | 19,740                             | 22,109                             | 22,915                             | 24,081                             | 25,008                             |
| Graduate (non-resident)                          | 30,587                             | 33,898                             | 36,074                             | 38,154                             | 39,503                             |

<sup>1</sup> The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

<sup>2</sup> Includes an increase in fees approved by the University Trustees on June 8, 2011.

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 5, 2012.

<sup>4</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative.

<sup>5</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative.

**BOSTON CAMPUS**

*Tuition & Mandatory Fees: FY 2011- 2015*

|  | <u>Actual</u><br><u>2011</u> <sup>1</sup> | <u>Actual</u><br><u>2012</u> <sup>2</sup> | <u>Actual</u><br><u>2013</u> <sup>3</sup> | <u>Actual</u><br><u>2014</u> <sup>4</sup> | <u>Actual</u><br><u>2015</u> <sup>5</sup> |
|--|---|---|---|---|---|
| <b>TUITION</b>                               |   |   |   |   |   |
| Undergraduate (MA resident)                  | \$1,714                                   | \$1,714                                   | \$1,714                                   | \$1,714                                   | \$1,714                                   |
| Undergraduate (non-resident)                 | 9,758                                     | 9,758                                     | 9,758                                     | 9,758                                     | 9,758                                     |
| Graduate (MA resident)                       | 2,590                                     | 2,590                                     | 2,590                                     | 2,590                                     | 2,590                                     |
| Graduate (non-resident)                      | 9,758                                     | 9,758                                     | 9,758                                     | 9,758                                     | 9,758                                     |
| <b>CURRICULUM &amp; OTHER MANDATORY FEES</b> |   |   |   |   |   |
| Undergraduate (MA resident)                  | \$8,897                                   | \$9,693                                   | \$10,252                                  | \$10,252                                  | \$10,252                                  |
| Undergraduate (non-resident)                 | 13,430                                    | 15,169                                    | 16,390                                    | 17,672                                    | 18,632                                    |
| Graduate (MA resident)                       | 9,387                                     | 10,285                                    | 10,916                                    | 11,578                                    | 12,428                                    |
| Graduate (non-resident)                      | 13,443                                    | 15,183                                    | 16,405                                    | 17,687                                    | 19,334                                    |
| <b>TOTAL MANDATORY FEES &amp; TUITION</b>    |   |   |   |   |   |
| Undergraduate (MA resident)                  | \$ 10,611                                 | \$11,407                                  | \$11,966                                  | \$11,966                                  | \$11,966                                  |
| Undergraduate (non-resident)                 | 23,188                                    | 24,927                                    | 26,148                                    | 27,430                                    | 28,390                                    |
| Graduate (MA resident)                       | 11,977                                    | 12,875                                    | 13,506                                    | 14,168                                    | 15,018                                    |
| Graduate (non-resident)                      | 23,201                                    | 24,921                                    | 26,163                                    | 27,445                                    | 29,092                                    |

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<sup>1</sup> The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

<sup>2</sup> Includes an increase in fees approved by the University Trustees on June 8, 2011.

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 5, 2012.

<sup>4</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative.

<sup>5</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative.

**DARTMOUTH CAMPUS**  
*Tuition & Mandatory Fees: FY 2011-2015*

|  | <u>Actual</u><br><u>2011<sup>1</sup></u> | <u>Actual</u><br><u>2012<sup>2</sup></u> | <u>Actual</u><br><u>2013<sup>3</sup></u> | <u>Actual</u><br><u>2014<sup>4</sup></u> | <u>Actual</u><br><u>2015<sup>5</sup></u> |
|--|--|--|--|--|--|
| <b>TUITION</b>                                   |  |  |  |  |  |
| Undergraduate (MA resident)                      | \$1,417                                  | \$1,417                                  | \$1,417                                  | \$1,417                                  | \$1,417                                  |
| Undergraduate (non-resident)                     | 8,099                                    | 8,099                                    | 8,099                                    | 8,099                                    | 8,099                                    |
| Graduate (MA resident)                           | 2,071                                    | 2,071                                    | 2,071                                    | 2,071                                    | 2,071                                    |
| Graduate (non-resident)                          | 8,099                                    | 8,099                                    | 8,099                                    | 8,099                                    | 8,099                                    |
| Graduate Law School (MA resident)                | -  | -  | 2,071                                    | 2,071                                    | 2,071                                    |
| Graduate Law School (non-resident)               | -  | -  | 8,099                                    | 8,099                                    | 8,099                                    |
| <b>CURRICULUM &amp; OTHER MANDATORY FEES</b>     |  |  |  |  |  |
| Undergraduate (MA resident)                      | \$8,941                                  | \$9,718                                  | \$10,264                                 | \$10,264                                 | \$10,264                                 |
| Undergraduate (non-resident)                     | 12,321                                   | 13,955                                   | 14,929                                   | 16,057                                   | 16,520                                   |
| Graduate (MA resident)                           | 9,446                                    | 10,367                                   | 10,917                                   | 11,553                                   | 11,881                                   |
| Graduate (non-resident)                          | 12,321                                   | 13,955                                   | 14,929                                   | 16,057                                   | 16,520                                   |
| Graduate Law School (MA resident)                | -  | -  | 21,631                                   | 21,631                                   | 21,631                                   |
| Graduate Law School (non-resident)               | -  | -  | 23,295                                   | 23,295                                   | 23,295                                   |
| <b>TOTAL MANDATORY FEES &amp; TUITION</b>        |  |  |  |  |  |
| Undergraduate (MA resident)                      | \$10,358                                 | \$11,135                                 | \$11,681                                 | \$11,681                                 | \$11,681                                 |
| Undergraduate (non-resident)                     | 20,420                                   | 21,952                                   | 23,028                                   | 24,156                                   | 24,619                                   |
| Graduate (MA resident)                           | 11,517                                   | 12,381                                   | 12,988                                   | 13,624                                   | 13,952                                   |
| Graduate (non-resident)                          | 20,420                                   | 21,952                                   | 23,028                                   | 24,156                                   | 24,619                                   |
| Graduate Law School (MA resident)                | -  | -  | 23,702                                   | 23,702                                   | 23,702                                   |
| Graduate Law School (non-resident)               | -  | -  | 31,394                                   | 31,394                                   | 31,394                                   |
| <b>DORMITORY RESIDENTS ONLY</b>                  |  |  |  |  |  |
| Average Room & Board                             | \$9,883                                  | \$10,179                                 | \$10,574                                 | \$10,908                                 | \$11,435                                 |
| <b>MANDATORY FEES, TUITION, ROOM &amp; BOARD</b> |  |  |  |  |  |
| Undergraduate (MA resident)                      | \$20,241                                 | \$21,314                                 | \$22,255                                 | \$22,589                                 | \$23,116                                 |
| Undergraduate (non-resident)                     | 30,303                                   | 32,131                                   | 33,602                                   | 35,064                                   | 36,054                                   |
| Graduate (MA resident)                           | 21,400                                   | 22,560                                   | 23,562                                   | 24,532                                   | 25,387                                   |
| Graduate (non-resident)                          | 30,303                                   | 32,131                                   | 33,602                                   | 35,064                                   | 36,054                                   |
| Graduate Law School (MA resident)                | -  | -  | 34,276                                   | 34,610                                   | 35,137                                   |
| Graduate Law School (non-resident)               | -  | -  | 41,968                                   | 42,302                                   | 42,829                                   |

<sup>1</sup> The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

<sup>2</sup> Includes an increase in fees approved by the University Trustees on June 8, 2011.

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 5, 2012.

<sup>4</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative.

<sup>5</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative.

**LOWELL CAMPUS**  
*Tuition & Mandatory Fees: FY 2011-2015*

|  | <u>Actual</u><br>2011 <sup>1</sup> | <u>Actual</u><br>2012 <sup>2</sup> | <u>Actual</u><br>2013 <sup>3</sup> | <u>Actual</u><br>2014 <sup>4</sup> | <u>Actual</u><br>2015 <sup>5</sup> |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>TUITION</b>                                   |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$1,454                            | \$1,454                            | \$1,454                            | \$1,454                            | \$1,454                            |
| Undergraduate (non-resident)                     | 8,567                              | 8,567                              | 8,567                              | 8,567                              | 8,567                              |
| Graduate (MA resident) <sup>+</sup>              | 1,637                              | 1,637                              | 1,637                              | 1,637                              | 1,637                              |
| Graduate (non-resident) <sup>+</sup>             | 6,425                              | 6,425                              | 6,425                              | 6,425                              | 6,425                              |
| <b>CURRICULUM &amp; OTHER MANDATORY FEES</b>     |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$9,052                            | \$9,843                            | \$10,393                           | \$10,643                           | \$10,993                           |
| Undergraduate (non-resident)                     | 14,378                             | 15,169                             | 16,329                             | 17,579                             | 18,833                             |
| Graduate (MA resident) <sup>++</sup>             | 8,362                              | 9,067                              | 9,592                              | 10,402                             | 11,162                             |
| Graduate (non-resident) <sup>++</sup>            | 12,674                             | 13,379                             | 14,349                             | 15,449                             | 16,553                             |
| <b>TOTAL MANDATORY FEES &amp; TUITION</b>        |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$10,506                           | \$11,297                           | \$11,847                           | \$12,097                           | \$12,447                           |
| Undergraduate (non-resident)                     | 22,945                             | 23,736                             | 24,896                             | 26,146                             | 27,400                             |
| Graduate (MA resident)                           | 9,999                              | 10,704                             | 11,229                             | 12,039                             | 12,799                             |
| Graduate (non-resident)                          | 19,099                             | 19,804                             | 20,774                             | 21,874                             | 22,978                             |
| <b>DORMITORY RESIDENTS ONLY</b>                  |                                    |                                    |                                    |                                    |                                    |
| Average Room & Board                             | \$9,067                            | \$9,520                            | \$10,282                           | \$10,793                           | \$11,278                           |
| <b>MANDATORY FEES, TUITION, ROOM &amp; BOARD</b> |                                    |                                    |                                    |                                    |                                    |
| Undergraduate (MA resident)                      | \$19,573                           | \$20,817                           | \$22,129                           | \$22,890                           | \$23,725                           |
| Undergraduate (non-resident)                     | 30,012                             | 33,256                             | 35,178                             | 36,939                             | 38,678                             |
| Graduate (MA resident)                           | 19,066                             | 20,224                             | 21,511                             | 22,832                             | 24,077                             |
| Graduate (non-resident)                          | 28,166                             | 29,324                             | 31,056                             | 32,667                             | 34,256                             |

<sup>1</sup> The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

<sup>2</sup> Includes an increase in fees approved by the University Trustees on June 8, 2011.

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 5, 2012

<sup>4</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative.

<sup>5</sup> Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative.

<sup>+</sup> Graduate tuition charges at UMass Lowell are on a 9-credit load basis.

<sup>++</sup> Graduate fee charges at UMass Lowell are on a 9-credit load basis.

**WORCESTER CAMPUS**  
*Tuition & Mandatory Fees: FY 2011-2015*

|   | <u>Actual</u><br><u>2011<sup>1</sup></u> | <u>Actual</u><br><u>2012<sup>2</sup></u> | <u>Actual</u><br><u>2013<sup>3</sup></u> | <u>Actual</u><br><u>2014<sup>4</sup></u> | <u>Actual</u><br><u>2015<sup>5</sup></u> |
|---|--|--|--|--|--|
| <b>TUITION</b>  |  |  |  |  |  |
| Medical School  | \$8,352                                  | \$8,352                                  | \$8,352                                  | \$8,352                                  | \$8,352                                  |
| Graduate (MA resident)                                | 2,640                                    | 2,640                                    | 2,640                                    | 2,640                                    | 2,640                                    |
| Graduate (non-resident)                               | 9,856                                    | 9,856                                    | 9,856                                    | 9,856                                    | 9,856                                    |
| <b>CURRICULUM &amp; OTHER MANDATORY FEES</b>          |  |  |  |  |  |
| Medical School  | \$7,386                                  | \$10,241                                 | \$12,310                                 | \$14,535                                 | \$14,998                                 |
| Graduate School of Nursing                            | 7,288                                    | 7,368                                    | 8,107                                    | 8,307                                    | 8,330                                    |
| Graduate School of Biomedical Sciences                | 4,010                                    | 4,010                                    | 4,079                                    | 4,279                                    | 4,302                                    |
| Ph.D./M.D. (MA resident) <sup>†</sup>                 | 22,041                                   | 22,041                                   | 22,110                                   | 22,310                                   | 22,333                                   |
| Ph.D./M.D. Years 1-2 (non-resident) <sup>†</sup>      | 38,152                                   | 37,041                                   | 37,110                                   | 37,310                                   | 37,333                                   |
| Ph.D./M.D. Years 3 plus (non-resident) <sup>†</sup>   | 28,001                                   | 27,185                                   | 27,254                                   | 27,454                                   | 27,477                                   |
| <b>TOTAL MANDATORY FEES &amp; TUITION</b>             |  |  |  |  |  |
| Medical School  | \$15,738                                 | \$18,593                                 | \$20,662                                 | \$22,887                                 | \$23,350                                 |
| Graduate School of Nursing (MA resident)              | 9,928                                    | 10,008                                   | 10,747                                   | 10,947                                   | 10,970                                   |
| Graduate School of Biomedical Sciences (MA resident)  | 6,650                                    | 6,650                                    | 6,719                                    | 6,919                                    | 6,942                                    |
| Graduate School of Nursing (non-resident)             | 17,144                                   | 17,224                                   | 17,963                                   | 18,163                                   | 18,186                                   |
| Graduate School of Biomedical Sciences (non-resident) | 13,866                                   | 13,886                                   | 13,935                                   | 14,135                                   | 14,158                                   |
| Ph.D./M.D. (MA resident)                              | 24,681                                   | 24,681                                   | 24,750                                   | 24,950                                   | 24,973                                   |
| Ph.D./M.D. Years 1-2 (non-resident)                   | 48,008                                   | 46,897                                   | 46,966                                   | 47,166                                   | 47,189                                   |
| Ph.D./M.D. Years 3 plus (non-resident)                | 37,857                                   | 37,041                                   | 37,110                                   | 37,310                                   | 37,333                                   |

<sup>1</sup> The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

<sup>2</sup> Includes an increase in fees approved by the University Trustees on June 8, 2011.

<sup>3</sup> Includes an increase in fees approved by the University Trustees on June 5, 2012.

<sup>4</sup> Includes an increase in fees approved by the University Trustees on June 19, 2013

<sup>5</sup> Includes an increase in fees approved by the University Trustees on June 18, 2014

<sup>†</sup>The University Trustees established and approved three separate fees for the Ph.D./M.D. program on February 4, 2004 for fiscal year 2005: "MA resident", "Years 1-2 (non-resident)" and "Years 3 plus (non-resident)".

**Student Financial Aid**

Eligible University students receive financial aid packages primarily awarded from the federal government, with varying combinations of grants and scholarships, loans and part-time employment. Grants and scholarships represent financial aid that does not require repayment by the student. The primary federal grants and scholarships awarded to eligible University students were Federal Pell Grants of approximately \$71.7 million and Federal Supplemental Education Opportunity Grants of approximately \$2.7 million for the fiscal year 2014. New loans processed by the University for eligible students under federal student loan programs and federally guaranteed loan programs totaled approximately \$349.8 million for the fiscal year 2014. Eligible University students also received approximately \$5.8 million through the Federal Work-Study Program for fiscal year 2014.

## UNIVERSITY REVENUES AND BUDGETING

In general, the University receives revenues from multiple sources: Commonwealth appropriations, student fees and self-supporting activities for which fees are charged to cover the cost of providing the service and federal and state contracts. In fiscal year 2014, Commonwealth appropriations (net of tuition required to be remitted to the Commonwealth) provided approximately 20% of all operating and non-operating revenues of the University (not including University Related Organizations), retained tuition and fees accounted for approximately 25% of all operating and non-operating revenues and other non-appropriated funds (including grants and contracts, auxiliary enterprises and other operating revenues) provided the remaining 55%.

The University's internal accounting is maintained on a budgetary basis. Additionally, the University prepares annual financial statements in accordance with generally accepted accounting principles on an accrual basis. The financial statements of the University as of June 30, 2013 and June 30, 2014 have been audited by Grant Thornton LLP, independent certified public accountants as stated in their report. The consolidated audited financial statements of the University should be read in their entirety, including the footnotes and the Management Discussion and Analysis attached thereto.

### **Budget Process**

The University's fiscal year, like that of the Commonwealth, is from July 1 through June 30. A key source of University revenues is the annual state appropriation determined in the Commonwealth's annual budget process. This process begins approximately one year in advance of the commencement of each fiscal year. The University prepares its consolidated state budget request and forwards it to the Governor and the House and Senate Committees on Ways and Means. A copy of the University's request is also forwarded to the DHE, which incorporates the University's request in whole or in part into its state budget request for the entire public higher education system. The Governor makes funding recommendations to the state legislature (the "Legislature"). The Legislature in turn appropriates funds through its annual budget and other appropriating acts to the University Trustees, who distribute the funds to the five campuses.

The Commonwealth budget process, however, is only one of several ongoing budgetary and review processes that culminate in the presentation to the University Trustees of the overall annual University operating budget. For purposes of the operating budget, the University's revenues are divided into three separate components: General Operations, Sales and Services and Restricted Funds. Annual budgeted revenues and expenditures not related to Commonwealth appropriations are reviewed and approved by the University Trustees prior to the beginning of each fiscal year.

#### General Operations

Revenues from general operations are derived from a variety of sources and may be expended on activities furthering the general education, research and public service mission of the University, including teaching and related student support services, research, public service, institutional support and general maintenance activities. Funding sources for this category include state appropriations, general student fees, interest income, unrestricted giving and administrative overhead.

#### Sales and Services (Designated Funds)

Revenues generated from certain sales and/or services are presented in the budget separately from general operations and by law may be used to support only the operations of those services. An example of a designated fund is a trust fund established to receive revenues from a parking garage. By law, these revenues may be used only for expenses relating to parking and transportation. Other examples in this category are: auxiliary enterprises such as dining halls, dormitories and bookstores; student fee-based activities (other than the general student fee), such as continuing education and international programs; and educational activities such as counseling services.

### Restricted Funds

In addition to the two foregoing categories of revenue, the University receives revenue from non-campus sources, which, like the designated funds, are limited in their uses. These funds include: state and federal student financial aid funds; state, federal and private grants and contracts; restricted endowment and scholarship funds; and land grant funds for the Amherst Campus.

### **Appropriated Funds**

Unless otherwise permitted by the Legislature, the University is required to remit tuition collected by it to the Commonwealth. Therefore, the University collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. Beginning in fiscal year 2004, the Amherst Campus was authorized to retain tuition for non-resident students. Beginning in fiscal year 2012, all of the University campuses were authorized to retain tuition from non-resident students. In fiscal years 2010, 2011, 2012, 2013 and 2014, the University retained approximately \$31.5 million, \$34.6 million, \$50.8 million, \$74.5 million, and \$75.8 million of tuition revenue, respectively.

The following tables detail the University's appropriations received from the Commonwealth and the calculation of total Commonwealth support reported in the financial statements for fiscal years 2010-2015. Table A details the University's base maintenance appropriation as provided for in the annual budget of the Commonwealth for fiscal years 2011 through 2015. An explanation of the legislative appropriation process by fiscal year is described in detail below. Table B details the total Commonwealth support received by the University from all sources for fiscal years 2010 through 2014, and is the basis for the University's financial statements.

**TABLE A \***

#### **Commonwealth Appropriations by Fiscal Year**

Years Ended June 30  
(\$ millions)

| <b>Commonwealth Appropriations</b>   | <b>2011 Budget</b> | <b>2012 Budget</b> | <b>2013 Budget</b> | <b>2014 Budget</b> | <b>2015 Budget</b> |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| UMass Base Appropriation             | \$424.1            | \$418.0            | \$418.1            | \$463.5            | \$519.0            |
| Collective Bargaining Costs          | 5.5                | -                  | 25.7               | 15.3               | -                  |
| 9C Budget Reductions                 | -                  | -                  | (4.2)              | -                  | (7.8)              |
| Total UMass Base State Appropriation | \$429.5            | \$418.0            | \$439.6            | \$478.9            | \$511.2            |

\*Totals may not add due to rounding.

**TABLE B**

The Commonwealth pays the fringe benefit cost for those University employees who are paid from Commonwealth appropriations, which includes 56.7% of all University employees. Therefore, such fringe benefit support is added to the "State Appropriations" financial statement line item as presented in the table below. The University pays the Commonwealth for the fringe benefit cost of the employees paid from funding sources other than Commonwealth appropriations which includes 43.3% of University employees. The University includes tuition collected in the line item in its financial statements captioned "Tuition and Fees" under "Combined Statements of Revenue, Expenses and Changes in Net Assets" and removes the equal amount from the "State Appropriations" line item through the netting process presented in the following table.

Years Ended June 30  
(\$ thousands)

|                                   | <u>2010</u>      | <u>2011</u>      | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Gross Commonwealth Appropriations | \$356,339        | \$408,019        | \$399,469        | \$424,408        | \$463,063        |
| Plus: Fringe Benefits             | 108,634          | 147,511          | 154,953          | 130,005          | 141,881          |
| Less: Tuition Remitted            | <u>(49,084)</u>  | <u>(49,731)</u>  | <u>(37,029)</u>  | <u>(35,103)</u>  | <u>(34,325)</u>  |
| Net Commonwealth Appropriations   | <u>\$415,889</u> | <u>\$505,799</u> | <u>\$517,392</u> | <u>\$519,310</u> | <u>\$570,619</u> |

The fiscal year 2010 budget passed by the Legislature and signed by the Governor provided for \$411.9 million for the University's base state appropriation, a decrease of approximately 11% from the previous year. However, due to the ongoing fiscal crisis and resulting drop in Commonwealth tax revenues below expected levels, Governor Patrick utilized his authority pursuant to Section 9C of Chapter 29 of the General Laws ("9C Authority") to implement mid-year spending reductions in October of fiscal year 2010. The University's base state appropriation for fiscal year 2010 was reduced mid-year by approximately \$32 million to \$379.9 million. The fiscal year 2010 budget also removed line item funding specific to University projects effectively reducing the state appropriation by an additional \$10.2 million. The University's operations were supported through the Commonwealth's distribution of one-time ARRA education stabilization funds totaling \$150.6 million.

The fiscal year 2011 budget approved by the Legislature and signed by the Governor on June 30, 2010 included a base state appropriation of approximately \$424.1 million for the University, an increase of approximately \$44.2 million compared to fiscal year 2010 and it included an additional \$5.5 million from the Commonwealth to support the fiscal year 2011 cost of collective bargaining agreements. In addition, \$4.4 million of line item funding specific to the University that was not funded in fiscal year 2010 was restored for fiscal year 2011. Subsequent to the finalization of the Commonwealth's fiscal year 2011 budget, federal legislation was passed that authorized approximately \$200 million for protecting education jobs in the Commonwealth. With the receipt of this funding, the Commonwealth distributed \$37.8 million of ARRA funds to the University for fiscal year 2011.

The fiscal year 2012 budget approved by the Legislature and signed by the Governor reduced the University's base state appropriation to \$418.0 million. This reduction was partially offset by legislative approval of the Governor's bill to allow the University's Boston, Dartmouth, Lowell and Worcester Campuses to retain tuition collected from non-resident students beginning in fiscal year 2012. The amount of non-resident tuition collected by these four campuses totaled \$11.6 million in the initial year. Prior to the legislation, the approximately \$11.6 million of non-resident tuition would have been returned to the Commonwealth. The fiscal year 2012 budget also included \$5.5 million of collective bargaining support and \$6.4 million of line item funding specific to the University. However, the University did not receive any additional ARRA stimulus funds in fiscal year 2012.

The Commonwealth's fiscal year 2013 budget included a base state appropriation amount for the University equal to the base state appropriation received in fiscal year 2012. In addition to the base state appropriation, the budget also provided \$25.7 million to cover the fiscal year 2013 cost of the collective bargaining increases for the University's union employees and \$6.6 million of line item funding specific to the University. With state support consistent with the fiscal year 2012 level despite the fact that enrollments had increased at the University by 15% over the prior five years, the University's Board of Trustees approved a 4.9% tuition and fee increase for undergraduate students for the 2012-2013 academic year. In January of 2013, the Governor imposed mid-year budget reductions pursuant to his 9C Authority to bring the Commonwealth budget into balance. As part of the reductions, the University received a 1% reduction equaling \$4.2 million. By working with the Legislature, the University was able to utilize revenues to meet the reduction with no impact on the fringe support provided by the Commonwealth. Each campus and the central office absorbed the reduction into operations for fiscal year 2013.

The fiscal year 2014 budget approved in July 2013 included a new funding model pursuant to which the Commonwealth's appropriations are set at an amount expected to cover approximately 50% of the cost to educate Massachusetts undergraduate students at the University (the "50/50 Initiative"). The 50/50 Initiative required an increase in the Commonwealth's base state appropriation of \$39.1 million in each of fiscal year 2014 and 2015. This investment, along with additional fringe support of \$10.8 million provided the University with \$100 million in

additional appropriations over fiscal years 2014 and 2015. The Governor and the Legislature embraced the 50/50 Initiative for the fiscal year 2014 budget, and provided the increased funding which allowed the University to freeze undergraduate tuition and mandatory fees for Massachusetts residents for the 2013-2014 academic year. The 50/50 Initiative had an immediate and meaningful impact on thousands of Massachusetts residents as their undergraduate tuition and mandatory curriculum fees did not increase in the 2013-2014 academic year. It is expected to provide such undergraduate students with long-term relief by allowing them to graduate and enter the workforce with less student debt. The total base state appropriation for fiscal year 2014 was \$478.9 million.

The fiscal year 2015 budget approved in July 2014 supported the second year of the 50/50 Initiative by increasing the University's base appropriation to \$519.0 million. With the approval of the Commonwealth's fiscal year 2015 budget and the corresponding increase in appropriations for the University, the University continued the implementation of the 50/50 Initiative. At its June 18, 2014 Board Meeting, the University's Trustees approved the freezing of tuition and mandatory curriculum fees for in-state undergraduate students for the 2014-2015 academic year.

On February 3, 2015, Governor Baker exercised his 9C Authority to address a projected \$765 million shortfall in the Commonwealth's fiscal year 2015 budget, by proposing legislation to make certain budgetary reductions. The final bill, which was signed by the Governor on February 13, 2015, reduced the University's fiscal year 2015 base appropriation of \$519.0 million by approximately \$7.8 million to \$511.2 million. The University anticipates absorbing these reductions into its operations for fiscal year 2015. This amount does not include the University's fiscal year 2015 request for an additional \$13.1 million to address collective bargaining costs, as described below, which is still pending.

Additionally, the Governor's budget recommendations included the elimination of three line items from Chapter 287 of the Acts of 2014, an economic development bill, which provides \$4.5 million in funding for various projects and initiatives at the University. The Legislature has passed these proposed reductions, and it is expected that the Governor will sign the provisions into law. The University will not fund these initiatives.

During fiscal year 2014, the University negotiated with 24 of its collective bargaining units to develop successor agreements to those that expired on June 30, 2014. To date, 15 collective bargaining units have ratified agreements through June 30, 2017, resulting in \$9.0 million in additional costs for fiscal year 2015 to be covered by supplemental Commonwealth appropriations. Negotiations are ongoing with 9 additional collective bargaining units for successor agreements, which are expected to result in an estimated \$4.1 million in additional costs for fiscal year 2015 to be covered through supplemental Commonwealth appropriations. The total supplemental Commonwealth appropriations needed for fiscal year 2015 are estimated to be \$13.1 million. To date, the University has made three requests for such supplemental appropriations to the Governor as agreements have been ratified by the collective bargaining units. The first request with four union agreements was acted upon as part of Chapter 359 of the Acts of 2014, which included language without a separate reserve of funding. The Commonwealth's fiscal year 2015 budget does not contain funding for any of these contracts and the payment is contingent upon the approval of funding by the Commonwealth. The remaining requests have not been acted upon to date. The University expects to file additional requests for supplemental appropriations as additional successor agreements are ratified. See "EMPLOYEE RELATIONS" below.

### **Management of Non-Appropriated Funds**

All non-appropriated funds are managed and grouped for budgetary purposes into several trust funds. Non-appropriated funds are funds derived by the University from revenue sources other than Commonwealth appropriations and include, for example, student fees, gifts, grants, contracts and sponsored programs. The University Trustees establish and collect certain student fees and charges, including charges for room and board. Non-appropriated funds are retained by the University. Approximately 80% of the University's operating and non-operating revenues for fiscal year 2014 were non-appropriated.

University trust funds are financial accounts that are established by the University Trustees under authority granted by the Legislature in connection with self-supporting operations, such as student services, parking and certain research and public service activities. Revenues received from these self-supporting activities are expended by law for the respective purposes for which each trust fund was established. The University Trustees exercise

oversight and control over these funds through official policy guidelines, annual budget review and approval and periodic internal audits of certain accounts. Beginning with fiscal year 1992, the University Trustees have required that external audits of the accounts and fund groups be performed by certified public accountants on a combined basis.

The University's financial operations consist of two major expense categories: Educational and General and Auxiliary Enterprises. The Educational and General expense budget includes research, academic programs, public service programs, student services programs, academic and institutional support programs, physical plant operations and financial aid. These activities are funded from student tuition and fees (except for in-state resident tuition), Commonwealth and Federal appropriations, and grants and contracts. Auxiliary Enterprises are a set of self-sufficient services ancillary to the general educational mission of the University. These include such items as dining and residence halls, student health services and parking facilities. The Auxiliary Enterprises budget is a revenue-based trust fund. No assurance can be given that future trust fund revenues will continue to be sufficient to support self-amortizing projects or other Auxiliary Enterprises. The University reviews fees annually with the goal of having the Auxiliary Enterprises budget be self-sufficient.

### **Responding to Challenging Fiscal Environment**

The University responded to the significant decline in state appropriations for fiscal year 2010 with necessary and strategic cutbacks, reducing its expenses while protecting its fundamental commitment to educating its students. Cost cutting measures included reductions in personnel, administrative consolidations, hiring and salary freezes, furloughs, travel restrictions and energy savings. Emphasis was placed on reducing discretionary spending and achieving cost savings by implementing programs targeting savings. The University's operations were also supported through the Commonwealth's distribution of ARRA funding totaling \$150.6 million in fiscal year 2010 and \$37.8 million in fiscal year 2011, and by increases in certain fees and charges.

The University continues to benefit from the increased demand for its educational services. The University's growing reputation, combined with difficult economic conditions in the Commonwealth, have resulted in continued growth in student enrollment and the associated revenue growth from student charges, at all of the University's campuses. In addition, the University benefits from having diverse revenue streams. Grant and contract revenues have grown consistently over the years and the University anticipates continued growth in this area. Modest increases in room and board rates also are expected to generate revenues for auxiliary operations. Additionally, the University's online presence continues to expand. For fiscal year 2014, UMassOnline achieved an approximate 9% increase in revenue and an approximate 7% increase in enrollment. Compared with the previous year, revenues increased from approximately \$78.2 million to approximately \$85.1 million. All of these revenue sources contribute to the University's fiscal position.

Understanding that the current fiscal environment poses significant challenges for the University and its students, the responsibility to be a good steward of limited resources is taken seriously. The University, through its Board of Trustees, created a permanent Task Force on Efficiencies and Effectiveness charged with helping to ensure that improving quality through more efficient and effective operations continues to be a priority for the University. The Task Force, along with the President's Office and the campuses, is working to promote a more standardized approach for cross campus collaboration and oversight of the entire effort, track and report progress, and quantify the benefits to the University and its campuses. Over the last few years the University has achieved measureable savings and efficiencies and expects current efforts to yield additional savings going forward.

The University launched a new initiative to enhance accountability and transparency and improve the University's progress in several priority areas. The report, titled UMass Performance: Accountable and On the Move, will measure the University's performance in six key categories: Student Experience and Success; Producing an Educated Citizenry; World Class Research & Development Enterprise; Enhancing Social Well-Being; Good Stewards of Resources; and Telling and Selling the UMass Story. The six categories include 21 indicators to measure success and many of these indicators will help demonstrate the efficiency and effectiveness of the University. See "STRATEGIC INITIATIVES" above.

The University continues to focus on improving its competitive position. To meet increased student demand, boost academic credentials and improve campus infrastructure, the University acquired several strategic

properties in fiscal year 2010 and 2011. On February 2, 2010, the Commonwealth's first and only public law school was established at UMass Dartmouth. This was made possible by a donation of approximately \$23 million in assets from the SNESL. In February 2010, the Legislature approved making the Tsongas Arena part of UMass Lowell. The acquisition of the facility provides the Lowell Campus with a venue for entertainment, sports and other events. On May 19, 2010, UMass Boston finalized the purchase of the Bayside Site, the former site of the Bayside Exposition Center, which is located less than one mile from the main campus. This acquisition adds 20 acres of waterfront property to the campus and includes 1,500 parking spaces. Additionally, UMass Lowell purchased the former Saint Joseph's Hospital in Lowell on January 25, 2011. The property consists of six buildings totaling 300,000 square feet located within walking distance of University's North, South and East campuses in Lowell. The Lowell Campus has converted the property through a combination of new construction and renovation into an important campus connection point focused on student and administrative services known as University Crossing. See "CURRENT AND FUTURE CAPITAL PLANS" below.

### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") using the economic resources measurement focus and the accrual basis of accounting. These statements are reported on a combined basis and all intra-University transactions are eliminated. In accordance with GASB Statement No. 20, the University follows all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities (including royalties from licensing agreements) and Auxiliary Enterprise revenues. Operating expenses include salaries, wages, fringe benefits, utilities, subcontracts on grants and contracts, supplies and services and depreciation and amortization. All other revenues and expenses of the University are reported as non-operating revenues and expenses including state general appropriations, non-capital gifts, short term investment income, endowment income used in operations, interest expenses and capital additions and deductions. Capital items represent all other changes in long term plant and endowment net assets. Revenues are recognized when earned and expenses are recognized when incurred with the exception of revenue earned on certain public service activities. Restricted grant revenue is recognized only when all eligibility requirements have been met, that is to the extent grant revenues are expended or in the case of fixed price contracts, when the contract terms are met or completed. Contributions, including unconditional promises to give (pledges) for non-endowment or non-capital purposes, are recognized as revenues in the period received. Promises of additions to non-expendable endowments are not recognized until cash or other assets are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. When an expense or outlay is incurred for which both restricted and unrestricted net assets are available, the University applies restricted net assets first.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, as well as disclosures of contingencies at the date of the financial statements and the revenues and expenditures recognized during the reporting period. Significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, the allowance for doubtful accounts, valuation of certain investments and depreciation expense. Actual results could differ from those estimates.

The University reports its financial statements as a business-type activity ("BTA") under GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* ("GASB 35"). BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

In order to ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the University are maintained internally in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are maintained in separate funds in accordance with the

activities or objectives specified. GASB 35 requires that external financial statements to be reported on a consolidated basis and establishes standards for external financial reporting by public colleges and universities that resources be classified into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, at historical cost, or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by the University.
- **Restricted Expendable:** Net assets whose use by the University is subject to externally imposed stipulations. Such assets include restricted grants and contracts, the accumulated net gains/losses on true endowment funds, as well as restricted funds loaned to students, restricted gifts and endowment income and other similar restricted funds.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Substantially all unrestricted net assets are designated to support academic, research, Auxiliary Enterprises or unrestricted funds functioning as endowments or are committed to capital construction projects.

Revenues are reported net of discounts and allowances. As a result, student financial aid expenditures are reported as an allowance against tuition and fees revenue while stipends and other payments made directly to students are recorded as scholarship and fellowship expenditures on the statement of revenues, expenses and other changes to net assets and are included in supplies and services on the statement of cash flows. Discounts and allowances for tuition and fees and Auxiliary Enterprises are calculated using the Alternate Method.

**Summary of Operations\***

**Combined and Condensed Statement of Net Assets  
As of June 30 (in thousands of dollars)**

|   | <b>2010</b>        | <b>2011</b>        | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | <b>University</b>  | <b>University</b>  | <b>University</b>  | <b>University</b>  | <b>University</b>  |
| <b>ASSETS</b>                                       |                    |                    |                    |                    |                    |
| Current Assets                                      | \$ 554,377         | \$ 581,207         | \$ 617,093         | \$ 579,824         | \$ 592,750         |
| Noncurrent Assets                                   |                    |                    |                    |                    |                    |
| Investment in Plant Net of Accumulated Depreciation | 2,324,392          | 2,582,651          | 3,098,186          | 3,705,517          | 4,064,786          |
| All Other Noncurrent Assets                         | 1,476,628          | 1,862,508          | 1,594,140          | 1,403,449          | 1,543,391          |
| <b>Total Assets</b>                                 | <b>\$4,355,397</b> | <b>\$5,026,366</b> | <b>\$5,309,419</b> | <b>\$5,688,790</b> | <b>\$6,200,927</b> |
| <b>LIABILITIES</b>                                  |                    |                    |                    |                    |                    |
| Current Liabilities                                 | \$ 584,562         | \$ 609,291         | \$ 880,104         | \$ 772,922         | \$ 674,330         |
| Noncurrent Liabilities                              | 1,801,682          | 2,275,685          | 2,039,939          | 2,415,798          | 2,821,182          |
| <b>Total Liabilities</b>                            | <b>\$2,386,244</b> | <b>\$2,884,976</b> | <b>\$2,920,043</b> | <b>\$3,188,720</b> | <b>\$3,495,512</b> |
| <b>NET ASSETS</b>                                   |                    |                    |                    |                    |                    |
| Invested in Capital Assets Net of Related Debt      | \$1,133,264        | \$1,283,888        | \$1,502,171        | \$1,682,173        | \$1,800,767        |
| Restricted  |                    |                    |                    |                    |                    |
| Nonexpendable                                       | 16,899             | 17,112             | 17,773             | 18,058             | 17,387             |
| Expendable  | 218,517            | 184,909            | 162,341            | 156,469            | 174,530            |
| Unrestricted  | 600,473            | 655,481            | 707,091            | 757,656            | 825,611            |
| <b>Total Net Assets</b>                             | <b>\$1,969,153</b> | <b>\$2,141,390</b> | <b>\$2,389,376</b> | <b>\$2,614,356</b> | <b>\$2,818,295</b> |

\* Derived from the Annual Audited Financial Report for Fiscal Years 2010-2014. The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on total net assets.

**Combined Statement of Revenues, Expenses and Changes in Net Assets  
For The Years Ended June 30 (in thousands of dollars)**

| <b>REVENUES</b>                            | <b>2010</b>        | <b>2011</b>        | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | <b>University</b>  | <b>University</b>  | <b>University</b>  | <b>University</b>  | <b>University</b>  |
| <i>Operating Revenues</i>                  |                    |                    |                    |                    |                    |
| Tuition and Fees*                          | \$ 552,419         | \$ 597,200         | \$ 659,180         | \$ 707,495         | \$ 740,116         |
| Federal Grants and Contracts               | 333,538            | 371,426            | 355,792            | 334,697            | 322,047            |
| State Grants and Contracts                 | 64,328             | 62,597             | 67,927             | 68,794             | 74,996             |
| Local Grants and Contracts                 | 1,880              | 1,937              | 3,077              | 2,253              | 2,223              |
| Private Grants and Contracts               | 104,368            | 107,767            | 109,235            | 106,714            | 112,428            |
| Sales & Service, Educational               | 17,530             | 18,011             | 19,311             | 19,237             | 21,792             |
| Auxiliary Enterprises                      | 257,852            | 272,020            | 297,956            | 319,544            | 349,485            |
| Other Operating Revenues                   |                    |                    |                    |                    |                    |
| Sales & Service, Independent Operations    | 50,442             | 52,619             | 61,087             | 46,062             | 44,296             |
| Sales & Service, Public Service Activities | 596,976            | 670,557            | 383,855            | 447,119            | 448,478            |
| Other                                      | 74,455             | 74,979             | 98,107             | 100,839            | 93,418             |
| <b>Total Operating Revenues</b>            | <b>\$2,053,788</b> | <b>\$2,229,113</b> | <b>\$2,055,527</b> | <b>\$2,152,754</b> | <b>\$2,209,279</b> |
| <br><b>EXPENSES</b>                        |                    |                    |                    |                    |                    |
|  | <b>2010</b>        | <b>2011</b>        | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        |
|  | <b>University</b>  | <b>University</b>  | <b>University</b>  | <b>University</b>  | <b>University</b>  |
| <i>Operating Expenses</i>                  |                    |                    |                    |                    |                    |
| Educational and General                    |                    |                    |                    |                    |                    |
| Instruction                                | \$ 555,833         | \$ 596,341         | \$ 633,481         | \$ 657,841         | \$ 690,635         |
| Research                                   | 403,217            | 414,268            | 417,124            | 405,223            | 407,223            |
| Public Service                             | 67,080             | 66,548             | 75,665             | 74,510             | 77,985             |
| Academic Support                           | 124,126            | 133,253            | 147,767            | 145,551            | 151,000            |
| Student Services                           | 88,985             | 98,361             | 107,246            | 108,746            | 119,295            |
| Institutional Support                      | 156,845            | 190,227            | 198,941            | 209,975            | 219,920            |
| Operation and Maintenance of Plant         | 200,761            | 202,950            | 215,292            | 203,115            | 214,972            |
| Depreciation and Amortization              | 155,746            | 159,854            | 163,166            | 185,261            | 204,233            |
| Scholarships and Fellowships               | 34,634             | 41,238             | 47,626             | 49,731             | 49,242             |
| Auxiliary Enterprises                      | 204,004            | 216,852            | 235,633            | 248,765            | 265,080            |
| Other Expenditures                         |                    |                    |                    |                    |                    |
| Independent Operations                     | 58,437             | 41,911             | 53,734             | 47,826             | 44,861             |
| Public Service Activities                  | 538,880            | 626,981            | 293,951            | 327,293            | 365,252            |
| <b>Total Operating Expenses</b>            | <b>\$2,588,548</b> | <b>\$2,788,784</b> | <b>\$2,589,626</b> | <b>\$2,663,837</b> | <b>\$2,809,900</b> |
| <b>Operating Loss</b>                      | <b>(\$534,760)</b> | <b>(\$559,671)</b> | <b>(\$534,099)</b> | <b>(\$511,083)</b> | <b>(\$600,621)</b> |

\* Net of scholarship allowances of \$201,186 at June 30, 2014, \$189,753 at June 30, 2013, \$177,420 at June 30, 2012, \$178,676 at June 30, 2011, and \$177,850 at June 30, 2010.

(continued)  
**Combined Statement of Revenues, Expenses and Changes in Net Assets  
For The Years Ended June 30 (in thousands of dollars)**

**NONOPERATING REVENUES/(EXPENSES)**

|  |                    |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Federal Appropriations   | \$ 5,922           | \$ 5,826           | \$ 6,845           | \$ 6,774           | \$7,020            |
| State Appropriations   | 415,889            | 505,799            | 517,392            | 519,311            | 570,618            |
| State Appropriations – Federal Stimulus Funds                              | 150,639            | 37,897             | 10                 |                    |                    |
| Gifts  | 28,603             | 26,504             | 22,143             | 30,044             | 29,013             |
| Investment Income  | 65,863             | 77,773             | 27,192             | 56,037             | 86,685             |
| Endowment Income   | 5,583              | 10,207             | 15,623             | 13,614             | 16,642             |
| Interest on Indebtedness   | (49,113)           | (65,358)           | (64,434)           | (91,364)           | (89,496)           |
| Non-operating Federal Grants   | 60,324             | 70,643             | 73,908             | 70,586             | 74,279             |
| Other Non-operating Income   | 3,868              | 5,225              | 780                | 1,002              | 1,046              |
| <i>Net Non-operating Revenues</i>  | <b>\$687,578</b>   | <b>\$674,516</b>   | <b>\$599,459</b>   | <b>\$606,004</b>   | <b>\$695,807</b>   |
| <i>Income/(Loss) Before Other Revenues,<br/>Expenses, Gains and Losses</i> | <b>\$152,818</b>   | <b>\$114,845</b>   | <b>\$65,360</b>    | <b>\$94,921</b>    | <b>\$95,186</b>    |
| Capital Appropriations   | \$28,635           | \$28,109           | \$150,367          | \$112,581          | \$112,132          |
| Capital Grants and Contracts   | 18,981             | 30,354             | 43,891             | 39,347             | 21,987             |
| University Related Organization Transactions                               |                    |                    |                    |                    |                    |
| Capital Contribution   | 29,810             | 4,361              | (345)              | 1,514              | 250                |
| Disposal of Plant Facilities   | (12,125)           | (10,682)           | (13,606)           | (8,802)            | (6,198)            |
| Gain from Sale of Discontinued Operations                                  |                    | 9,655              |                    |                    |                    |
| Other Additions/Deductions   | 9,729              | (4,405)            | 2,317              | 2,939              | (19,418)           |
| <i>Total Other Revenues, Expenses, Gains and<br/>Losses</i>                | <b>\$75,030</b>    | <b>\$57,392</b>    | <b>\$182,624</b>   | <b>\$150,579</b>   | <b>\$108,753</b>   |
| <i>Total Increase in Net Assets</i>  | <b>\$227,848</b>   | <b>\$172,237</b>   | <b>\$247,984</b>   | <b>\$245,500</b>   | <b>\$203,939</b>   |
| <b>NET ASSETS</b>  |                    |                    |                    |                    |                    |
| Net Assets at Beginning of Year  | \$1,741,305        | \$1,969,153        | \$2,141,392        | \$2,368,856        | \$2,614,356        |
| <i>Net Assets at End of Year</i>   | <b>\$1,969,153</b> | <b>\$2,141,390</b> | <b>\$2,389,376</b> | <b>\$2,614,356</b> | <b>\$2,818,295</b> |

**SUMMARY OF FINANCIAL RESULTS, FISCAL YEARS 2012 THROUGH 2014**

The following is a summary of the University's financial results for fiscal years 2012 through 2014.

**Fiscal Year 2014**

Financial Highlights

The University's net assets (not including University related organizations) increased approximately \$203.9 million from \$2.61 billion in fiscal year 2013 to \$2.82 billion in fiscal year 2014. The major components of the increase are due to physical plan improvements and positive operating results due primarily to greater student fee revenues associated with increased enrollment, cost reductions and strong market performance for the University's investments.

The University expended approximately \$215 million on plant operations and maintenance activities during fiscal year 2014.

Summary of Assets and Liabilities

At June 30, 2014, the University's total assets (not including University Related Organizations) were approximately \$6.20 billion, an increase of approximately \$512.1 million over the approximately \$5.69 billion in

assets recorded in fiscal year 2013. The University's largest asset continues to be its net investment in its physical plant of \$4.06 billion at June 30, 2014 (\$3.71 billion in fiscal year 2013). Other significant assets include current and noncurrent investments and cash and securities held by the University Trustees.

University liabilities (not including University Related Organizations) totaled approximately \$3.50 billion at June 30, 2014, an increase of approximately \$306.8 million compared to the approximately \$3.19 billion in liabilities in fiscal year 2013.

The University's current assets of approximately \$592.8 million in fiscal year 2014 were below the current liabilities of approximately \$674.3 million, as the current ratio was 0.88 dollars in assets to every one-dollar in liabilities. In fiscal year 2013, the current ratio was 0.75 (approximately \$579.8 million in current assets and \$772.9 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately \$1.0 billion, which represents approximately 36% of total operating expenditures of approximately \$2.81 billion during fiscal year 2014.

In fiscal year 2014, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately \$825.6 million. Substantially all unrestricted net assets are designated to support academic, research, Auxiliary Enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

#### Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2014 were approximately \$2.21 billion. This represents an increase of approximately \$56.5 million over the approximately \$2.15 billion in operating revenues in fiscal year 2013. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Medical School campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 33%, 23%, 16% and 28%, respectively, of total operating revenues.

In fiscal year 2014, University operating expenditures, including depreciation and amortization of approximately \$204.2 million, totaled approximately \$2.81 billion. Of this total, approximately \$1.37 billion or 49% was used to support the academic core activities of the University, including approximately \$407.2 million in research.

#### State Appropriations

In fiscal year 2014, state appropriations represented approximately 20% of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2014, the net state appropriation increased approximately \$51.31 million over fiscal year 2013 amounts, with the increase attributable to the adoption of the first year of the 50/50 initiative.

### **Fiscal Year 2013**

#### Financial Highlights

The University's net assets (not including University related organizations) increased approximately \$242.5 million from \$2.39 billion in fiscal year 2012 to \$2.61 billion in fiscal year 2013. The major components of the increase in fiscal year 2013 relate to investments in infrastructure and positive operating margins due primarily to greater student fee revenues and cost reductions.

The University expended approximately \$203 million on plant operations and maintenance activities during fiscal year 2013.

#### Summary of Assets and Liabilities

At June 30, 2013, the University's total assets (not including University Related Organizations) were approximately \$5.69 billion, an increase of approximately \$455.0 million over the approximately \$5.31 billion in assets recorded in fiscal year 2012. The University's largest asset continues to be its net investment in its physical plant of \$3.71 billion at June 30, 2013 (\$3.10 billion in fiscal year 2012). Other significant assets include current and noncurrent investments and cash and securities held by the University Trustees.

University liabilities (not including University Related Organizations) totaled approximately \$3.19 billion at June 30, 2013, an increase of approximately \$268.7 million compared to the approximately \$2.92 billion in liabilities in fiscal year 2012.

The University's current assets of approximately \$579.8 million were below the current liabilities of approximately \$772.9 million, as the current ratio was 0.75 dollars in assets to every one-dollar in liabilities. In fiscal year 2012, the current ratio was 0.70 (approximately \$617.1 million in current assets and \$880.1 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately \$914.1 million, which represents approximately 34% of total operating expenditures of approximately \$2.66 billion during fiscal year 2013.

In fiscal year 2013, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately \$757.7 million. Substantially all unrestricted net assets are designated to support academic, research, Auxiliary Enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

#### Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2013 were approximately \$2.15 billion. This represents an increase of approximately \$97.2 million over the approximately \$2.06 billion in operating revenues in fiscal year 2012. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Medical School campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 33%, 24%, 15% and 28%, respectively, of total operating revenues.

In fiscal year 2013, University operating expenditures, including depreciation and amortization of approximately \$185.3 million, totaled approximately \$2.66 billion. Of this total, approximately \$1.32 billion or 50% was used to support the academic core activities of the University, including approximately \$405.3 million in research.

#### State Appropriations

In fiscal year 2013, state appropriations represented approximately 19% of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2013, the net state appropriation increased approximately \$1.92 million over fiscal year 2012 amounts, with the increase attributable to an increase in fringe benefit support allocated to University employees paid through the state appropriation.

## **Fiscal Year 2012**

### Financial Highlights

The University's net assets (not including University Related Organizations) increased approximately \$248.0 million from \$2.14 billion in fiscal year 2011 to \$2.39 billion in fiscal year 2012. The major components of the increase in fiscal year 2012 relate to investments in infrastructure and positive operating margins due primarily to greater student fee revenues and cost reductions.

The University expended approximately \$215 million on plant operations and maintenance activities during fiscal year 2012.

### Summary of Assets and Liabilities

At June 30, 2012, the University's total assets (not including University Related Organizations) were approximately \$5.31 billion, an increase of approximately \$283.1 million over the approximately \$5.03 billion in assets recorded in fiscal year 2011. The University's largest asset continues to be its net investment in its physical plant of \$3.10 billion at June 30, 2012 (\$2.58 billion in fiscal year 2011). Other significant assets include current and noncurrent investments and cash and securities held by the University Trustees.

University liabilities (not including University Related Organizations) totaled approximately \$2.92 billion at June 30, 2012, an increase of approximately \$35.1 million compared to the approximately \$2.88 billion in liabilities in fiscal year 2011.

The University's current assets of approximately \$617.1 million were below the current liabilities of approximately \$880.1 million, as the current ratio was 0.70 dollars in assets to every one-dollar in liabilities. In fiscal year 2011, the current ratio was 0.95 (approximately \$581.2 million in current assets and \$609.3 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately \$869.4 million, which represents approximately 34% of total operating expenditures of approximately \$2.59 billion during fiscal year 2012.

In fiscal year 2012, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately \$707.1 million. Substantially all unrestricted net assets are designated to support academic, research, Auxiliary Enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

### Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2012 were approximately \$2.06 billion. This represents a decrease of approximately \$173.6 million from the approximately \$2.23 billion in operating revenues in fiscal year 2011. This decline in revenue is attributable to the 2011 sale of MedMetrics Health Partners, a non-profit pharmacy benefits management organization, which was included in the Medical School results. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Medical School campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 32%, 26%, 14% and 27%, respectively, of total operating revenues.

In fiscal year 2012, University operating expenditures, including depreciation and amortization of approximately \$163.2 million, totaled approximately \$2.59 billion. Of this total, approximately \$1.27 billion or 49% was used to support the academic core activities of the University, including approximately \$417.1 million in research.

### State Appropriations

In fiscal year 2012, state appropriations represented approximately 19% of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2012, the net state appropriation increased approximately \$11.6 million over fiscal year 2011 amounts; however this was offset by the \$37.9 million decrease in federal stimulus funding from \$37.9 million in fiscal year 2011 to \$10,000 in fiscal year 2012.

### **Endowment and Fundraising**

The combined University and Foundation endowment assets have increased to approximately \$743.7 million at June 30, 2014, from approximately \$652.0 million at June 30, 2013. The University raised approximately \$116.6 million in cash, pledges, gifts-in-kind and private research grants in fiscal year 2014. The number of endowed chairs has grown from four in 1995 to approximately 76 in 2014, enhancing the University's academic reputation.

The total investment return for fiscal year 2014, including realized and unrealized activity was a net gain of approximately \$81.8 million. The endowment funds for all five of the University's campuses are commingled into a pooled investment fund and are tracked by the Foundation using unit value accounting. The Foundation employs a market value unit method of accounting, whereby participating endowment funds enter and withdraw from the pooled investment fund based on monthly unit values. Changes in market value and monthly income are allocated proportionately to each endowment fund participant. The actual spending rate for Foundation endowment funds was 4% for fiscal year 2014, which represents approximately 1% of the University's total operating and non-operating revenues.

The following details the University and Foundation endowment assets at June 30 (in thousands):

#### **University and Foundation Endowment Assets\***

| <u>2010</u> <sup>+</sup> | <u>2011</u> <sup>+</sup> | <u>2012</u> <sup>+</sup> | <u>2013</u> <sup>+</sup> | <u>2014</u> <sup>+</sup> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| \$449,811                | \$518,334                | \$554,538                | \$652,033                | \$743,710                |

\*The above presentation of total University and Foundation Endowment Assets has been changed to no longer include current funds.

+The Kennedy Institute quasi-endowment has been removed from the University and Foundation Endowment Assets presented here. The Kennedy Institute invested approximately \$10 million in the Foundation's pooled Endowment in December 2009. The Kennedy Institute quasi-endowment is recorded by the Foundation on an agency basis.

### **CURRENT AND FUTURE CAPITAL PLANS**

The University Trustees have reviewed and approved a five-year approximately \$3.39 billion capital plan for fiscal years 2015-2019, including projects already in process with prior approval of the University Trustees as well as new projects recommended by the University Trustees Committee on Administration & Finance. The University generally has funded its capital plans through a combination of funds received from University operations, bonds issued by UMBA, bonds issued by the Massachusetts Health and Educational Facilities Authority ("MHEFA") (which was merged into MDFA in October, 2010), Commonwealth appropriations and private fund raising.

The following table summarizes the source of funding for the fiscal year 2015-2019 capital plan:

| Source of Funds<br>University of Massachusetts<br>Five Year Capital Plan<br>FY2015- FY2019* |                 |     |               |     |               |     |               |     |               |     |                 |     |
|---|-----------------|-----|---------------|-----|---------------|-----|---------------|-----|---------------|-----|-----------------|-----|
|   | Amherst         |     | Boston        |     | Dartmouth     |     | Lowell        |     | Worcester     |     | Total           |     |
| <b>Estimated Funds To be Spent FY2015-FY2019</b>  |                 |     |               |     |               |     |               |     |               |     |                 |     |
| <b>University Local Funds</b>   | \$52,460,000    | 4%  | \$40,290,000  | 4%  | \$16,110,681  | 6%  | \$84,500,000  | 13% | \$35,040,000  | 19% | \$228,400,681   | 7%  |
| <b>University External Funds</b>  | \$15,900,000    | 1%  | \$17,150,000  | 2%  | \$16,514,005  | 6%  | \$24,000,000  | 4%  | \$8,200,000   | 5%  | \$81,764,005    | 2%  |
| <b>University Borrowing</b>   | \$770,776,000   | 59% | \$486,935,000 | 50% | \$97,779,826  | 36% | \$373,500,000 | 56% | \$82,150,000  | 46% | \$1,811,140,826 | 53% |
| <b>State Approved Capital Support</b>   | \$451,550,000   | 35% | \$211,350,000 | 22% | \$109,250,000 | 41% | \$123,600,000 | 19% | \$21,500,000  | 12% | \$917,250,000   | 27% |
| <b>State Pending Capital Support</b>  | \$0             | 0%  | \$22,650,000  | 2%  | \$20,000,000  | 7%  | \$61,000,000  | 9%  | \$0           | 0%  | \$103,650,000   | 3%  |
| <b>Contingent on Funding</b>  | \$15,800,000    | 1%  | \$189,500,000 | 20% | \$9,184,000   | 3%  | \$0           | 0%  | \$32,850,000  | 18% | \$247,334,000   | 7%  |
| <b>FY15-19 Programmed Spending</b>  | \$1,306,486,000 |     | \$967,875,000 |     | \$268,838,512 |     | \$666,600,000 |     | \$179,740,000 |     | \$3,389,539,512 |     |

\* Source: University of Massachusetts Fiscal Year 2015 to 2019 Five-Year Capital Plan Update dated December 2014.

The University must follow certain procedures for state capital spending as defined by the Commonwealth's Executive Office for Administration and Finance ("EOAF"). Such spending may be financed through the issuance of Commonwealth general or special obligation bonds or other designated revenue, including transfers from budgeted funds. The Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") manages a five-year capital-spending plan, which is approved by the Commonwealth's Secretary of Administration and Finance. The University works closely with DCAMM to ensure that the priorities of the University are included in the five-year capital plan for state funding.

The University Trustees, the administration and campus leadership, have identified capital issues as instrumental to the University's goal of continuing to improve educational quality at all five campuses by enhancing academic achievement and student experience. Following a period of limited investment in the University's capital assets in the 1980s and 1990s, the University has invested more than \$3.5 billion in capital projects between fiscal years 2004 and 2014. Given the average age of the University's campus buildings, a significant need to maintain and upgrade capital assets is expected over the next decade. The University's administration works closely with each of the campuses in developing the capital plan to reflect the needs and goals of each of the campuses. To further improve project planning and implementation across the University, the University administration and UMBA have collaborated with campus leadership to design an integrated project assessment and tracking process. Furthermore, within budgetary limitations and programmatic requirements, the University is making a concerted effort to incorporate the principles of energy efficiency and sustainability in all its capital projects.

In August 2008, the Legislature passed the Higher Education Improvement Act, which authorized \$2.2 billion for capital improvement spending over ten years for higher education facilities in the Commonwealth, including more than \$1 billion of funding for University projects exclusively. The capital investment plan released by EOAF in 2014 maintains the commitment to fund \$1 billion of capital activity at the University over a ten-year period (fiscal year 2009 through fiscal year 2019). In 2008, the Legislature enacted the Life Sciences Industry Investment Act, which authorized \$500 million of capital funding over ten years. To date, the University has been awarded approximately \$171 million in capital funding for a major research complex at the Medical School, a bio-manufacturing facility affiliated with the Dartmouth Campus and capital equipment investments at the Lowell and Boston Campuses. A planning grant has been awarded to the Amherst Campus to lay the groundwork for a major research facility at that campus and the University is in negotiations regarding additional equipment investments at the Boston Campus. An additional \$62 million of commitments are anticipated in the coming year. In addition to capital funding, the life sciences initiative has positioned the University to be an active participant in the planning and program implementation of this important economic development effort.

The Higher Education Improvement Act and the Life Sciences Industry Investment Act are statutory authorizations necessary to allow the Commonwealth to spend state general obligation bond proceeds on University projects. EOAF and DCAMM are the state agencies that develop the state's capital plan, file bond bills, approve projects that will receive state funding and allocate funds to approved projects. DCAMM is responsible for designing and constructing public facilities and improvements. Accordingly, DCAMM has recognized the importance and scale of the authorized higher education investment program and has reorganized itself in anticipation of increased activity at the Commonwealth's public colleges and the University.

Beginning in the late 1990s, the University enhanced its program to address deferred maintenance needs at its campuses. As a result, the University has made investments to repair and renovate facilities at its campuses from a combination of University sources, including bonds issued by UMBA, MDFA and direct Commonwealth support. Addressing deferred maintenance remains a priority within the University's 2015-2019 capital plan, which includes approximately \$1.1 billion for deferred maintenance projects.

The University is committed to moving forward with its five-year capital plan for fiscal years 2015-2019. The five-year capital plan is summarized by project type and planned spending below:

| <b>FY2015-2019 Capital Plan Spending by Project Type*</b> | <b>Total Planned Spending</b> | <b>Percentage of Total Planned Spending</b> |
|---|-------------------------------|---|
| Renovation and Renewal                                    | \$846,080,500                 | 25%   |
| New Construction  | 2,266,450,000                 | 67  |
| Information Technology & Equipment                        | 43,000,000                    | 1   |
| Other Capital Spending                                    | 234,009,012                   | 7   |
| <b>Total Planned Spending</b>                             | <b>\$3,389,539,512</b>        | <b>100%</b>                                 |

\* Source: University of Massachusetts Fiscal Year 2015 to 2019 Five-Year Capital Plan Update dated December 2014.

The projects within the capital plan are also organized by program type in order to demonstrate the manner in which requested projects in the capital plan support the University's mission:

**Basic Infrastructure Projects** – projects that will benefit the entire campus and are critical to all operations, including steam-lines, power plants, roadways, general public safety improvements such as fire alarm systems and hazardous waste removal systems and administrative computing.

**Research** – projects such as new research building construction, renovations and improvements to existing research facilities and large acquisitions of lab equipment.

**Student Life** – projects such as improvements and renovations to, or the construction of, student centers, dining halls, recreation facilities, dormitories or other facilities that improve the student experience.

**Teaching & Learning** – projects such as improvements to, or the construction of, classroom facilities, auditoria, studios, library facilities and instructional equipment.

The following chart summarizes the five-year capital plan by these program types:

| <b>FY2015 to 2019 Capital Plan Spending by Program Type*</b> | <b>Total Planned Spending</b> | <b>Percentage of Total Planned Spending</b> |
|--|-------------------------------|---|
| Basic Infrastructure   | \$666,219,012                 | 20%   |
| Research   | 978,555,500                   | 29  |
| Student Life & Residential                                   | 822,300,000                   | 24  |
| Teaching & Learning  | 922,465,000                   | 27  |
| <b>Total</b>   | <b>\$3,389,539,512</b>        | <b>100%</b>                                 |

\* Source: University of Massachusetts Fiscal Year 2015 to 2019 Five-Year Capital Plan Update dated December 2014.

Set forth below is a more detailed description of the projects comprising the capital plan, organized by campus location:

*Amherst Campus.* The Amherst Campus is the University's flagship institution and its 2015-2019 capital plan is structured with priorities that support the strategic challenges and campus goals of improving teaching, increasing research, enhancing student life and recruiting and retaining quality students and faculty. The Amherst Campus has completed or is nearing completion of several major new projects that provide new facilities to support its teaching and research mission. Near term priorities include reduction of deferred maintenance projects, new construction projects, renovation and modernization projects, and an on-going strategy of infrastructure improvements with the goal of increasing energy performance and sustainability. Construction of the new Life Science Laboratories, the new Commonwealth Honors Residential College and the new Academic Classroom Building, which will provide new academic space for the Communications/Journalism and Linguistics programs are complete. Construction of improvements to the McGuirk Alumni Stadium are complete, and construction of a new Champions Center for men's and women's basketball will be completed in late spring 2015. The aggregate amount of planned investments in capital projects for the Amherst Campus in the University's 2015-2019 capital plan is \$1.3 billion.

*Boston Campus.* In order to meet the increased enrollment at the Boston Campus, its 2015-2019 capital plan includes construction of new academic buildings and changes to the campus's utilities and other infrastructure. The construction of the first new academic building since the campus opened in 1974 is underway with construction of the Integrated Sciences Complex and design for a new General Academic Building is also underway. Other ongoing projects include the design for a new utility infrastructure, roadway and surface improvements plan. Stabilization of the campus substructure and related deferred maintenance projects are also underway and are critical to addressing long-standing issues with the quality of construction of the original campus. Eventually, the relocation of the utilities will allow for the demolition of the substructure and the creation of a central quadrangle for students and faculty. The aggregate amount of planned investments in capital projects for the Boston Campus in the University's 2015-2019 capital plan is \$967.9 million.

*Dartmouth Campus.* The Dartmouth Campus 2015-2019 capital plan includes an investment in infrastructure and addressing deferred maintenance, pursuing an ongoing commitment to become a "clean energy" campus by investing in alternative energy projects (wind and solar) and in upgrading the performance and efficiency of mechanical, electrical and plumbing systems on campus. New academic buildings are focused on research in an "innovation triangle" including renovations to existing research and teaching laboratories on the Dartmouth Campus, purchase of the Advanced Technology and Manufacturing Center in Fall River and renovation and construction of a new marine science and technology center in New Bedford. Improvements to student and residential life include a renovation and expansion of the athletic center and investment in existing residence halls. The aggregate amount of planned investments in capital projects for the Dartmouth Campus in the University's 2015-2019 capital plan is \$268.8 million.

*Lowell Campus.* The Lowell Campus 2015-2019 capital plan has as its goals addressing deferred maintenance, energy performance and sustainability, the creation of additional modern academic and research space, increasing residential capacity and recreational opportunities, and increasing the ability of the campus to host academic, entertainment and civic events. On the North campus, academic building improvements include renovations of existing buildings and construction of a new School of Business building. The recently completed University Crossing includes a student bookstore, dining facility, student activities and services, admissions, registrar and financial aid offices and similar services and facilities. The South campus master plan academically reorganizes the existing buildings and provides for new buildings to address programmatic space needs, as well as addressing deferred maintenance. Parking garages are being built on both the North and South campuses. The aggregate amount of planned investments in capital projects for the Lowell Campus in the University's 2015-2019 capital plan is \$666.6 million.

*Worcester Campus.* The Worcester Campus 2015-2019 capital plan emphasizes the Medical School's evolving needs and the commitment to maintaining its operational efficiency now and into the foreseeable future. The projects with the highest priority include infrastructure additions or improvements, research related and support items, projects which support teaching and learning functions, and projects to support student life functions. These important projects directly support current campus needs and specifically address repurposing space in the Medical

School and Lazare Research Buildings vacated by moves to the Sherman Center (backfill projects), deferred maintenance, infrastructure investments, and improvement priorities in the Medical School Building and campus energy grid. The aggregate amount of planned investments in capital projects for the Worcester Campus in the University's 2015-2019 capital plan is \$179.7 million.

## **INDEBTEDNESS OF THE UNIVERSITY**

The University is obligated, under various contractual arrangements, to make payments on indebtedness issued on its behalf, including indebtedness issued by UMBA and MDFA, as described below.

### **Bonds Issued by UMBA**

UMBA was created as a body politic and corporate and a public instrumentality of the Commonwealth for the general purpose of aiding and contributing to the performance of the educational and other purposes of the University by providing dormitories, dining commons and other buildings and structures for the use of the University, its students, staff and their dependents and for lease to certain other entities related to the University, all in accordance with UMBA's enabling legislation.

As of June 30, 2014, UMBA had outstanding bonds of approximately \$2.480 billion for which the University is contractually obligated to provide for the payment of debt service or act as UMBA's agent to collect rates, rents, fees and other charges. As of June 30, 2014, approximately \$2.454 billion principal amount of UMBA's bonds are secured by and payable from, in addition to other moneys, all available funds of the University, including trust funds and other funds administered by the University as gifts, grants or trusts, or as provided in the University enabling act. Further, the University is obligated to UMBA to cause to be available in its Unrestricted Net Assets at all times amounts sufficient to pay such costs.

#### *Interest Rate Swap Agreements*

UMBA has entered into three separate interest rate swap agreements (the "Swaps") under which UMBA pays a fixed rate and receives a floating rate. The Swaps hedge four series of outstanding variable rate bonds of UMBA, the Project Revenue Bonds, Senior Series 2008-1 (the "Series 2008-1 Bonds"), Facilities Revenue Bonds, Senior Series 2008-A (the "Series 2008-A Bonds"), Project Revenue Bonds, Senior Series 2011-1 (the "Series 2011-1 Bonds") and Project Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Bonds" and collectively with the Series 2011-1 Bonds, the "Series 2011 Bonds"). The Swap for the Series 2008-1 Bonds is with UBS AG, and UMBA pays an amount equal to 3.388% per annum of the notional amount and receives the floating rate based on 70% of one-month LIBOR. The Swap for the Series 2008-A Bonds is with Deutsche Bank AG and UMBA pays an amount equal to 3.378% per annum of the notional amount and receives a floating rate based on 70% of one-month LIBOR. The Swap for the Series 2011 Bonds is with Citibank, N.A. and UMBA pays an amount equal to 3.482% per annum of the notional amount and receives the floating rate based on 60% of one-month LIBOR plus 0.18%.

The Swaps are subject to periodic "mark-to-market" valuations and may have a negative impact on the financial statements of UMBA and the University. In addition, the counterparty to each Swap may be able to terminate its respective Swap upon certain events of default under such Swap, in which case UMBA could be required to make a material termination payment to the counterparty, which payment is a contractual obligation of the University to UMBA. In addition, UMBA and the University may be exposed to basis risk (imperfect correlation between the floating rates paid on the applicable bonds and received under the related swap). With respect to the Swap for the Series 2011 Bonds, UMBA and the University would be required to post collateral in certain market situations if the ratings on the Series 2011 Bonds fell to "A2" or below by Moody's or "A" or below by S&P.

### *Letters of Credit and Liquidity Facilities*

The Series 2008-A Bonds, the Series 2008-1 Bonds and the Series 2011-1 Bonds are variable rate demand obligations subject to put by the holders thereof and are supported by standby bond purchase agreements.

### *Commercial Paper*

In August 2013, UMBA established its commercial paper program, consisting of its \$125 million Commercial Paper Notes, Series 2013 A (the “Series 2013A Notes”), supported by an irrevocable letter of credit provided by State Street Bank and Trust Company, which expires in August 2016, and its \$75 million Commercial Paper Notes, Series 2013 B (the “Series 2013B Notes”) secured by a standby liquidity facility provided by U.S. Bank National Association, which expires in August 2016. UMBA may issue notes under either series on a taxable or tax-exempt basis to further UMBA’s and the University’s efforts to establish a “just in time” borrowing program to fund the University’s capital plan as needed during construction periods. Such notes are secured under the Trust Agreement dated as of November 1, 2000, between UMBA and U.S. Bank National Association, Boston, Massachusetts, as successor trustee, and a contract with the University and are repayable from the proceeds of rollover commercial paper notes, funds advanced under the liquidity facilities, bonds to be issued by UMBA in the future or available funds of the University. UMBA currently has \$30 million outstanding under its Series 2013 A Notes and \$25 million outstanding under its Series 2013 B Notes, for a total amount of \$55 million.

### **Bonds Issued by the Massachusetts Development Finance Agency**

As of June 30, 2014, the MDFA has outstanding bonds of approximately \$259.165 million, for which the University is contractually obligated to pay debt service.

### **Annual Debt Service on UMBA and MDFA Bonds**

The table on the following page sets forth the principal and interest due on bonds issued by UMBA and the MDFA on behalf of the University as of June 30, 2014, on a fiscal year basis.

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### Annual Debt Service on UMBA and MDFA Bonds

| Fiscal Year<br>Ending<br><u>June 30</u> | <u>Outstanding<br/>UMBA Bonds</u> <sup>(1)</sup> | <u>Outstanding<br/>MDFA Bonds</u> | <u>Total</u> <sup>(1)(2)</sup> |
|---|--|-----------------------------------|--------------------------------|
| 2015                                    | \$187,172,905                                    | \$18,133,270                      | \$205,306,175                  |
| 2016                                    | 192,124,346                                      | 18,562,564                        | 210,686,910                    |
| 2017                                    | 191,171,021                                      | 19,261,108                        | 210,432,128                    |
| 2018                                    | 189,345,483                                      | 18,706,314                        | 208,051,797                    |
| 2019                                    | 191,172,781                                      | 18,715,253                        | 209,888,034                    |
| 2020                                    | 191,240,865                                      | 18,608,211                        | 209,849,076                    |
| 2021                                    | 191,158,258                                      | 18,629,456                        | 209,787,714                    |
| 2022                                    | 179,397,262                                      | 18,567,063                        | 197,964,324                    |
| 2023                                    | 179,578,706                                      | 18,547,890                        | 198,126,596                    |
| 2024                                    | 179,113,931                                      | 18,541,341                        | 197,655,272                    |
| 2025                                    | 162,410,002                                      | 18,801,628                        | 181,211,631                    |
| 2026                                    | 156,775,755                                      | 19,005,046                        | 175,780,801                    |
| 2027                                    | 152,427,099                                      | 18,646,875                        | 171,073,974                    |
| 2028                                    | 151,109,598                                      | 18,618,531                        | 169,728,130                    |
| 2029                                    | 147,040,230                                      | 18,614,744                        | 165,654,974                    |
| 2030                                    | 136,091,654                                      | 18,597,106                        | 154,688,760                    |
| 2031                                    | 118,823,574                                      | 38,234,456                        | 157,058,030                    |
| 2032                                    | 119,247,595                                      | 17,850,725                        | 137,098,320                    |
| 2033                                    | 118,502,499                                      | 9,419,906                         | 127,922,405                    |
| 2034                                    | 102,506,833                                      | 9,409,500                         | 111,916,333                    |
| 2035                                    | 117,234,256                                      | 9,407,181                         | 126,641,437                    |
| 2036                                    | 130,617,920                                      | 7,412,656                         | 138,030,576                    |
| 2037                                    | 129,689,729                                      | 7,406,831                         | 137,096,561                    |
| 2038                                    | 128,724,911                                      | -                                 | 128,724,911                    |
| 2039                                    | 121,102,300                                      | -                                 | 121,102,300                    |
| 2040                                    | 93,872,270                                       | -                                 | 93,872,270                     |
| 2041                                    | 92,394,993                                       | -                                 | 92,394,993                     |
| 2042                                    | 62,521,508                                       | -                                 | 62,521,508                     |
| 2043                                    | 62,524,523                                       | -                                 | 62,524,523                     |
| 2044                                    | 59,506,176                                       | -                                 | 59,506,176                     |
| 2045                                    | 34,357,141                                       | -                                 | 34,357,141                     |

(1) Assumes the fixed rate payable under the Swaps with respect to UMBA's outstanding variable rate bonds and excludes the subsidy amount expected to be received in connection with UMBA's outstanding "Build America Bonds" issued under ARRA. See "Bonds Issued by UMBA –Interest Rate Swap Agreements" herein for a description of the Swaps.

(2) Totals may not add due to rounding.

**Unrestricted Net Assets\***  
**(Referred to as Expendable Fund Balance Under the Former Financial Reporting Model)**

As of June 30, 2014, the outstanding principal amount of UMBA and MDFA debt secured by the University's unrestricted net assets was approximately \$2.6 billion. The chart below details the University's unrestricted net assets (not including University Related Organizations) in fiscal years 2010-2014.

| <b>Fiscal Year</b>      | <b>2010</b>   | <b>2011</b>   | <b>2012</b>   | <b>2013</b>   | <b>2014</b>   |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Unrestricted Net Assets | \$600,473,000 | \$655,481,000 | \$707,091,000 | \$757,655,000 | \$825,611,000 |

\* Derived from the Annual Audited Financial Report for Fiscal Years 2010-2014. The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on total net assets.

**Additional Indebtedness**

Under the terms of the trust agreements and financing agreements securing the above-referenced indebtedness issued by UMBA, the University may, without limit, issue additional indebtedness or request UMBA or MDFA to issue additional indebtedness on behalf of the University so long as such indebtedness is payable from all funds of the University permitted by law to be applied thereto. With certain exceptions described below, the University may not pledge, or permit to exist any lien on, any of its funds or revenues. The University may request UMBA to issue additional indebtedness on behalf of the University that is not payable from all funds of the University permitted by law to be applied thereto, provided: (i) the additional indebtedness is secured by (a) pledged revenues derived from the project or projects being financed, (b) new or increased student fees whether imposed by the University or UMBA, (c) existing pledged revenues, or (d) any combination of the foregoing; and (ii) the maximum annual debt service on all revenue indebtedness then outstanding, including the proposed additional indebtedness, does not exceed 10% of the amount shown in the then most recent audited financial statements of the University as total available revenues. Indebtedness of the University may not be subject to acceleration.

**Capitalized Leases**

The University is also obligated under certain capital lease agreements, primarily relating to telecommunications, software and co-generation systems, for future minimum capital lease payments having a present value of approximately \$2 million at June 30, 2014.

**INSURANCE**

The University, as an agency of the Commonwealth, is self-insured for property loss exposure, subject to appropriation from the Legislature. However, properties owned by UMBA located on a campus of the University, such as the Mullins Center, dining commons and most dormitories, are insured by UMBA. In addition, certain properties owned by other University Related Organizations and leased to the University are insured by the related organization. The University's liability for damages to third parties as a result of negligence by University employees is limited under Chapter 258 of the General Laws. The University maintains certain liability insurance policies, including Commercial General Liability, leased Automotive Liability, Directors and Officers and Comprehensive Crime policies. Employees of the University are covered for Worker's Compensation protection under Chapter 152 of the General Laws.

**TECHNOLOGICAL INITIATIVES**

The University campuses and the President's Office have undertaken a variety of planning and organizing activities designed to establish project structures, roles and responsibilities and collaborative plans and processes for technology improvements at the University. The University has implemented system-wide human resources/payroll, financial, e-procurement and grants management systems, which it will continue to update. These systems are expected to continue to enhance business functions by further consolidating processing, streamlining operations and increasing utilization through new features and self-service offerings. A major focus in fiscal years

2014-2017 will be application upgrades to leverage contemporary functionality. The University will conduct a system-wide project to address its next generation wide area network to meet the current and future demand for bandwidth and throughput.

The University is a participant in a consortium of academic institutions and government and business leaders in the construction and operation of an approximately \$95 million Massachusetts Green High Performance Computing Center in Holyoke, Massachusetts. The cutting-edge, research-oriented facility relies on hydroelectric power and is intended to encourage economic development in the region and serve as a vehicle for collaboration between key participants while establishing Massachusetts as a global leader in the application and development of next generation computing technologies. In addition to the University, academic partners include the Massachusetts Institute of Technology, Boston University, Harvard University, and Northeastern University, and key business participants include Cisco Systems and EMC Corporation. This facility was fully commissioned in February 2013.

In the past year, UMassOnline has engaged in several technology initiatives that resulted in immediate and long-term implications to the University's internal and external constituents. As of early 2014, the five UMass Campuses and non-UMass partner institutions had completed their migration to the next generation Learning Management System ("LMS"), Blackboard's Learn 9 platform – the primary eLearning platform for delivering online courses. This effort included content migration, course development, user identify management and systems integration with other campus-based University-wide enterprise systems. Currently, UMassOnline's primary focus is to support a robust LMS environment with various integrations devoted to automating formerly manual processes, which will streamline the facilitation of administering and delivering online course content. In addition, UMassOnline successfully completed the migration of our website with the deployment of the Drupal web content management system (CMS) during fiscal year 2014.

UMassOnline continues to collaborate with our commercial support providers, including UMass's University Information Technology Services ("UITs") for production-level LMS and Helix streaming video hosting, Amazon Web Services for website hosting and development efforts, and Contegix for Atlassian product hosting and service.

Currently, UMassOnline is in the process of evaluating technologies used within and outside of the LMS platform. Some of these technologies include a new cloud based managed hosting platform, Synchronous collaboration services (Project Apollo by Blackboard), and a secure online testing and plagiarism services.

Recently, UMassOnline has implemented a "fee-for-service" financial model enabled through a state-wide shared-service model for technology system services and support. The shared service model allows UMassOnline to extend our eLearning services to Higher-Ed institutions across the Commonwealth in order to reduce costs, redundancy, and increase efficiencies.

UMassOnline, working closely with UITs, UMass' Donahue Institute, as well as its existing commercial partners (to align contracting), will continue to develop the technology infrastructure and raise awareness across consortia (UMassOnline, Mass Colleges Online, Massachusetts Community Colleges, Department of Education/K-12) for adoption of the fee-for-service and shared-service models. Our Business Development Team is currently working with a variety of institutions and consortiums to group together to reduce operating costs, share resources, and increase partnerships between UMassOnline and many other state entities.

## **LITIGATION**

The University is a defendant in various lawsuits; however, University management is of the opinion that the ultimate outcome of any such litigation will not have any material effect on the financial position or financial results of the University.

## **EMPLOYEE RELATIONS**

The University employs 17,506 full and part-time faculty, professional and clerical and maintenance support staff, of which 10,792 are covered by collective bargaining units (not including post-doctoral employees,

graduate employees and undergraduate resident assistants). Of those covered, 4,177 are faculty, 2,797 are professional staff, 3,633 are clerical and maintenance support staff and 185 are police officers. In total, the University currently has 39 collective bargaining units (including two post-doctoral employee units, three graduate employee units and one undergraduate resident assistants unit). The majority of the University's collective bargaining agreements expired on June 30, 2014. Successor agreements covering the period July 1, 2014 through June 30, 2017 have been ratified with 15 of the collective bargaining units, with the remainder of the expired agreements still under negotiation. Employees covered by University collective bargaining units cannot strike under Massachusetts law. The Commonwealth appropriates supplemental funds to support collective bargaining wage increases and other economic benefits for state funded employees.

In general, University employees are covered by a contributory Massachusetts retirement system set up by Chapter 32 of the General Laws, the State Employees' Retirement System ("SERS" or "State Retirement Plan"). The State Retirement Plan is a defined benefit plan that provides retirement benefits based upon age at retirement, years and months of service and the average of the highest three consecutive years of base salary. As an alternative to SERS, eligible employees have the option of participating in the Commonwealth's Optional Retirement Program (the "ORP"). The ORP is a defined contribution plan, administered by the DHE. Eligibility for participation in the ORP has recently been significantly expanded by Chapter 68, Section 44 of the Acts of 2011. Employees can also participate in various optional supplemental retirement programs, such as the University of Massachusetts 403(b) Elective Deferral Savings Plan and the Commonwealth's 457(b) Deferred Compensation Plan. Employees generally are eligible to participate in various fringe benefit plans such as the dependent care assistance program and the health, dental, life and disability insurance plans. The majority of these benefits are sponsored by the Commonwealth. However, the University does sponsor a smaller subset of benefits for employees of the Worcester Campus, including dental and vision plans as well as life and long-term disability plans.

Dated: February 25, 2015