SUPPLEMENT DATED MARCH 13, 2015

TO THE OFFICIAL STATEMENT DATED FEBRUARY 25, 2015

relating to

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

$298,795,000
Project Revenue Bonds
Senior Series 2015-1

$191,825,000
Refunding Revenue Bonds
Senior Series 2015-2

This Supplement to the Official Statement dated February 25, 2015 (the “Official Statement”) relating to the above-referenced bonds should be read in conjunction with the Official Statement.

In the table appearing on page H-3, within Appendix H to the Official Statement, the redemption date for the University of Massachusetts Building Authority Revenue Bonds, Senior Series 2009-1 are corrected to reflect a redemption date of May 1, 2019 for each maturity or sinking fund installment.
In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain
provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included
in the gross income of holders of the Bonds for federal income tax purposes, and interest on the Bonds
will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed
on certain individuals and corporations, although such interest will be taken into account in determining
adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion
of Bond Counsel, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts
personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See “TAX
MATTERS” herein.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

$298,795,000 Project Revenue Bonds
Senior Series 2015-1

$191,825,000 Refunding Revenue Bonds
Senior Series 2015-2

Dated: Date of Initial Delivery
Due: As shown on the inside cover

The Project Revenue Bonds, Senior Series 2015-1 (the “Series 2015-1 Bonds”) and Refunding Revenue Bonds,
Senior Series 2015-2 (the “Series 2015-2 Bonds” and together with the Series 2015-1 Bonds, the “Bonds”) will be
issued by the University of Massachusetts Building Authority (the “Authority”) as fully registered bonds and will be
registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York.
Individual purchases of beneficial ownership of the Bonds will be made in book-entry form, in the denominations
of $5,000 or any integral multiple thereof. No physical delivery of the Bonds will be made to purchasers. So long
as Cede & Co. is the registered owner of the Bonds, principal and semiannual interest are payable to DTC by U.S.
Bank National Association, Boston, Massachusetts, as Trustee. See “BOOK-ENTRY ONLY SYSTEM” herein. The
Bonds, including the redemption terms, are more fully described herein under “THE BONDS.”

The Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject
to the approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond
Counsel. Certain legal matters will be passed upon for the Authority and the University by its Disclosure Counsel,
Nixon Peabody LLP, Boston, Massachusetts, and for the Underwriters by their counsel, McCarter & English, LLP,
Boston, Massachusetts. It is expected that the Bonds in definitive form will be available for delivery through DTC
in New York on or about March 25, 2015.

February 25, 2015
### AMOUNTS, MATURITIES, INTEREST RATES AND PRICES OR YIELDS

$298,795,000  
University of Massachusetts Building Authority  
Project Revenue Bonds, Senior Series 2015-1

$134,605,000 Serial Bonds

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<th>Amount</th>
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$64,985,000 5.00% Term Bonds due November 1, 2040 to yield 3.17%*  CUSIP†: 914440QM7

$99,205,000 4.00% Term Bonds due November 1, 2045 to yield 3.67%*  CUSIP†: 914440QN5

* Yield to the first optional redemption date of November 1, 2025.
† The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside cover of this Official Statement have been assigned by an organization not affiliated with the Authority or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and no representation is made as to the correctness of the CUSIP numbers printed on the inside cover hereof. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority nor the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof.
$191,825,000
University of Massachusetts Building Authority
Refunding Revenue Bonds, Senior Series 2015-2

$191,825,000 Serial Bonds

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<th>Due Date</th>
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<th>Yield</th>
<th>CUSIP†</th>
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<td>6,780,000</td>
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</tr>
</tbody>
</table>

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UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

225 Franklin Street, 12th Floor
Boston, Massachusetts 02110
Telephone: (617) 287-3200

Authority Members

Philip W. Johnston, Chair
Paul J. Carney, Vice Chair
Karen G. Courtney, Secretary-Treasurer
Francis X. Callahan, Jr.
Richard P. Campbell
Edward W. Collins, Jr.
William F. Kennedy
Paul Lonergan
Jeffrey B. Mullan
Christopher Philbin
Henry M. Thomas, III

Executive/Senior Staff

Patricia Filippone, Executive Director, Chief Financial Officer and Assistant Secretary-Treasurer
Joanna Aalto, Treasurer and Director of Construction Audits
Joseph Naughton, Director of Capital Projects
Mary Kaitlin McSally, General Counsel

Trusted
U.S. Bank National Association
Boston, Massachusetts

Financial Advisor
First Southwest Company
Boston, Massachusetts

Bond Counsel
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
Boston, Massachusetts

Independent Accountants
for the Authority and the University
Grant Thornton LLP
Boston, Massachusetts

Disclosure Counsel
Nixon Peabody LLP
Boston, Massachusetts
No dealer, broker, salesman or other person has been authorized by the University of Massachusetts Building Authority (the “Authority”), The Commonwealth of Massachusetts (the “Commonwealth”), the University of Massachusetts (the “University”) or the Underwriters to give any information or to make any representation with respect to the Bonds other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Authority, the University, The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Authority, the Commonwealth, the University or the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

U.S. Bank National Association by acceptance of its duties as Trustee under the Project Trust Agreement described herein has not reviewed this Official Statement and makes no representations as to the information contained herein, including but not limited to any representations as to the use of the proceeds of the Bonds or related activities.

All quotations from and summaries and explanations of provisions of laws, the Project Trust Agreement, the Contract, the Bonds, the Series Resolutions and other documents herein do not purport to be complete; reference is made to said laws, the Project Trust Agreement, the Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Trustee.

Information included in this Official Statement includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties (“Forward-Looking Statements”). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the Authority and the University and on information currently available to such management and (ii) generally identifiable by words such as “estimates,” “expects,” “anticipates,” “plans,” “believes” and other similar expressions. Events that could cause future results to differ materially from those expressed in or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the Authority and the University.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

The financial advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The financial advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the financial advisor does not guarantee the accuracy or completeness of such information.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.
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INTRODUCTORY STATEMENT

General

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to furnish information in connection with the offering by the University of Massachusetts Building Authority (the “Authority”) of its $298,795,000 Project Revenue Bonds, Senior Series 2015-1 (the “Series 2015-1 Bonds”) and its $191,825,000 Refunding Revenue Bonds, Senior Series 2015-2 (the “Series 2015-2 Bonds” and together with the Series 2015-1 Bonds, the “Bonds”). Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in Appendix D – “Summary of Legal Documents.”

The Bonds are issued pursuant to Chapter 773 of the Acts of 1960 of the Commonwealth of Massachusetts, as amended (the “Enabling Act”) and the Trust Agreement dated as of November 1, 2000 (the “Project Trust Agreement”), between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee (the “Trustee”). The Series 2015-1 Bonds are issued pursuant to the Series Resolution Authorizing the Issuance of Project Revenue Bonds, Senior Series 2015-1 (the “2015-1 Series Resolution”), adopted by the Authority on September 16, 2014. The Series 2015-2 Bonds are issued pursuant to the Series Resolution Authorizing the Issuance of Refunding Revenue Bonds, Senior Series 2015-2 (the “2015-2 Series Resolution,” and together with the 2015-1 Series Resolution, the “Series Resolutions”), adopted by the Authority on September 16, 2014.

The Authority was created by the Enabling Act as a body politic and corporate and a public instrumentality of the Commonwealth of Massachusetts (the “Commonwealth”) for the general purpose of aiding and contributing to the performance of the educational and other purposes of the University of Massachusetts (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 the Enabling Act. See “THE AUTHORITY.”

The Series 2015-1 Bonds are being issued to finance and refinance projects set forth in the University’s capital plan. See “THE PROJECTS.” The proceeds of the Series 2015-1 Bonds will be used to finance the costs of such projects, to pay down approximately $50 million of principal and interest on commercial paper notes issued by the Authority, and to pay costs of issuing the Series 2015-1 Bonds.

The Series 2015-2 Bonds are being issued to refund the bonds listed on Appendix H (the “Refunded Bonds”) and to pay costs of issuance of the Series 2015-2 Bonds.

The Enabling Act prohibits the Authority from initiating any project except upon request made by the University and upon written approval from the Secretary of the Executive Office for Administration and Finance of the Commonwealth. In connection with the Bonds, such request has been made and all such approvals shall be obtained prior to the issuance of the Bonds. The Enabling Act provides that any refunding of Authority indebtedness shall be approved by the Trustees of the University, which approval has been obtained with respect to the issuance of the Series 2015-2 Bonds.

The Bonds will be special obligations of the Authority payable solely from funds provided under the Enabling Act, the Project Trust Agreement and the Series Resolutions, including payments made by the University under the Amended and Restated Master Contract for Financial Assistance, Management and Services dated as of February 25, 2014 (the “Contract”) among the Commonwealth, acting by and through the University, the University and the Authority.
Under the Contract, the University is obligated to pay debt service on the Bonds and other costs of the Authority related thereto with respect to the Projects from all available funds of the University. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The obligations of the University in connection with the Bonds do not constitute a general obligation of the University or a debt or obligation of the Commonwealth, and (a) the Commonwealth shall not be obligated to pay the Bonds, and (b) neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the Bonds. The Enabling Act does not in any way create a so-called moral obligation of the Commonwealth or of any political subdivision thereof to pay debt service with respect to the Bonds. The Authority does not have taxing power.

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through H hereto. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Information about the University is set forth in Appendix A. Financial Statements of the Authority and of the University, respectively, as of and for the fiscal years ended June 30, 2014 and 2013 are set forth in Appendices B and C. A summary of certain provisions of the Project Trust Agreement and the Contract is included as Appendices D-1 and D-2, respectively. The proposed form of opinions of Bond Counsel is included in Appendix E. Appendix F includes a summary of the Continuing Disclosure Agreement with respect to the Authority and the University. Appendix G includes information about The Depository Trust Company and the book-entry only system. Appendix H includes information about the Refunded Bonds.

The summaries of the agreements and other documents herein do not purport to be comprehensive or definitive and all references to any contract, agreement and other document described herein are qualified in their entirety by reference to each such contract, agreement and other document. Definitive copies of all contracts, agreements and other documents described in the Official Statement are available for inspection prior to the date of issuance of the Bonds at the offices of the Authority, located at 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110, and subsequent to the date of issuance of the Bonds, at the principal corporate trust office of the Trustee.

THE AUTHORITY

General

The Authority was created in 1960 by the Enabling Act as a body politic and corporate and a public instrumentality placed in the Commonwealth’s Department of Education, but not subject to the supervision or regulation of that Department or of any other department, commission, board, bureau or agency of the Commonwealth except as specifically provided in the Enabling Act and described herein. In 1995, the Authority was consolidated with and assumed the obligations of the Southeastern Massachusetts Building Authority and the University of Lowell Building Authority, following the University of Lowell and Southeastern Massachusetts University, respectively, being made the University’s Lowell Campus and Dartmouth Campus in 1991.

The Authority was created 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 primarily for (i) the use of the University, its students, staff and their dependents, (ii) lease to or use by an organization or association of students or others, the activities of which are a part of the activities at the University and subject to regulation by the University, (iii) a research foundation or other research organization the operation of which is approved by the University or (iv) any other entity the activities of which are approved by the University as furthering the purposes of the University.

The Enabling Act prohibits the Authority from refunding outstanding bonds except upon approval of the University.
The Authority is empowered, among other things, to acquire, construct, remove, demolish, add to, alter, enlarge, reconstruct, remodel and do other work upon any building or structure and to provide and install furnishings, furniture, machinery, equipment, approaches, driveways, walkways, parking areas, planting, landscaping and other facilities therein. The Enabling Act authorizes the Authority, among other things, to acquire property from the Commonwealth or others (but the Authority has no eminent domain power), to rent or lease as lessor or lessee any portion of a project, to operate projects, to employ experts and other persons, to enter into contracts, to borrow money to finance and refinance projects it undertakes and to issue and sell its revenue bonds and notes therefor payable solely from its revenues.

The Authority’s outstanding debt has primarily been issued under the Project Trust Agreement. This includes bonds that refunded debt previously issued by the Authority, the University of Lowell Building Authority and the Southeastern Massachusetts University Building Authority. The Authority also has issued bonds under the Trust Agreement dated as of December 1, 2000 (the “Facilities Trust Agreement”), between the Authority and the Trustee. Such bonds are designated Facilities Revenue Bonds and are secured by amounts pledged therefor under the Facilities Trust Agreement and under contracts with the University executed in connection with the issuance of such bonds. Facilities Revenue Bonds, unlike bonds issued under the Project Trust Agreement, are not secured by all available funds of the University.

For information about outstanding indebtedness of the Authority, including the Authority’s authorized $200 million commercial paper program, see Appendix A under the heading “INDEBTEDNESS OF THE UNIVERSITY – Bonds Issued by the Authority.” See Appendix B for a copy of the Authority’s audited financial statements as of and for the years ended June 30, 2014 and 2013.

Under the Enabling Act, the Authority may have up to $200 million principal amount of notes and bonds issued by the Authority that are outstanding and guaranteed by the Commonwealth. As of January 15, 2015, $122,490,000 principal amount of Commonwealth guaranteed bonds were outstanding, including all outstanding bonds issued under the Facilities Trust Agreement ($24,270,000 par amount) and $98,220,000 of bonds issued under the Project Trust Agreement.

The Bonds are not guaranteed by the Commonwealth.

The Enabling Act requires approval by the Treasurer and Receiver General of the Commonwealth and the Secretary of the Executive Office for Administration and Finance of the Commonwealth, or by their designees, of the sale and terms of bonds or notes sold by the Authority, which approval the Authority will obtain prior to the sale of the Bonds.

Members, Officers and Staff

The Authority consists of eleven members appointed by the Governor of the Commonwealth, five of whom shall be appointive members of the Board of Trustees of the University and may, but need not, be graduates of the University, and two others who shall be graduates of the University. Members from the Board of Trustees of the University serve while they are Trustees of the University; each other member serves for a term expiring on June 30 in the sixth calendar year after the calendar year in which his or her term began (unless appointed to fill a vacancy in which case such member shall serve for the unexpired term). Each member continues in office until his or her successor is appointed and qualified. The Authority annually elects a chairman and vice-chairman from its members and also elects a secretary-treasurer and may elect an assistant secretary-treasurer, neither of whom needs to be a member of the Authority.

The present members and officers of the Authority and the dates of expiration of their respective terms are as follows:
<table>
<thead>
<tr>
<th>Member’s Name, Position, Residence and Profession</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip W. Johnston,* Chair, Marshfield President, Philip W. Johnston Associates</td>
<td>September 13, 2017</td>
</tr>
<tr>
<td>Paul J. Carney, Vice Chair, Montecito, California</td>
<td>June 30, 2014**</td>
</tr>
<tr>
<td>Karen G. Courtney, Secretary-Treasurer, Winchester President, K Courtney &amp; Associates, Inc.</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Francis X. Callahan, Jr., Member, Arlington President, Massachusetts Building Trades Council, AFL-CIO</td>
<td>June 30, 2015</td>
</tr>
<tr>
<td>Richard P. Campbell,* Member, Cohasset Attorney, Campbell Campbell Edwards &amp; Conroy, P.C.</td>
<td>September 1, 2016</td>
</tr>
<tr>
<td>Edward W. Collins, Jr.,* Member, Springfield International Representative, International Brotherhood of Electrical Workers</td>
<td>September 13, 2017</td>
</tr>
<tr>
<td>William F. Kennedy, Member, Quincy Attorney, Nutter McClennen &amp; Fish, LLP</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Paul Lonergan, Member, Cambridge President, Congress Wealth Management</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Jeffrey B. Mullan,* Member, Milton Attorney, Foley Hoag LLP</td>
<td>September 1, 2016</td>
</tr>
<tr>
<td>Christopher Philbin, Member, Berlin Vice President, UMass Memorial Health Care Inc.</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Henry M. Thomas, III,* Member, Springfield President and Chief Executive Officer, Urban League of Springfield, Inc.</td>
<td>September 13, 2017</td>
</tr>
</tbody>
</table>

* University Trustee member of Authority Board. Pursuant to the Enabling Act, the members who are appointive members of the University Trustees shall continue in office as members of the Authority so long as they continue in office as University Trustees. The date indicated is the expiration date of such member’s term as a University Trustee.

** Pursuant to the Enabling Act, members with expired terms continue to serve until reappointed or a successor is appointed.

Patricia Filippone is the Executive Director, Chief Financial Officer and Assistant Secretary-Treasurer of the Authority. Prior to joining the Authority in June 2012, Ms. Filippone served in various positions at The Broad Institute since 2008, including Chief Financial Officer and Assistant Treasurer, Senior Financial Officer and Controller. Previously, she was Director of Allston Finance at Harvard University. Prior to that, Ms. Filippone was at the Massachusetts Water Resources Authority for 12 years in various positions, including as Director of Finance and Chief Financial Officer, Treasurer and Controller. She began her career at Coopers & Lybrand and has been a Certified Public Accountant since 1991. She received a B.S. from Babson College.

Joanna Aalto is Treasurer and Director of Construction Audits of the Authority. Prior to joining the Authority in June 2013, Ms. Aalto was the Controller/Director of Audits of the Massachusetts School Building Authority since January 2005. Prior to that, Joanna spent seven years at PriceWaterhouseCoopers LLP in the Audit and Business Assurance group and two years as an analyst at PaineWebber Inc. Joanna received her Master of Management from the Kellogg School of Management and a Bachelor of Arts from Harvard University and is a Certified Public Accountant.
Joseph Naughton is the Director of Capital Projects of the Authority. Previously, Mr. Naughton worked for the University’s President’s Office since 2006 in various positions, including as Director of Budget and Planning and Assistant Budget Director and Manager of Capital Planning. Prior to that, he was the Bond Fund Manager of the Capital Expenditure and Program Office for the Commonwealth’s Department of Transportation. Mr. Naughton received a B.S. in Accounting from the Carroll School of Management at Boston College.

Mary Kaitlin McSally is the General Counsel of the Authority. Prior to joining the Authority in April 2012, Ms. McSally worked at the Commonwealth’s Division of Capital Asset Management and Maintenance as Deputy General Counsel since 2004. Previously, after clerking for the Supreme Court of Rhode Island, she was in private practice and in-house counsel in the Washington, D.C. area from 1993 to 2001 and then in private practice in Massachusetts from 2001 to 2004. She received her J.D. from Suffolk University and her B.S. from Boston College.

The Authority maintains offices at 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110. The Authority’s telephone number is (617) 287-3200. Its website can be found at http://www.massachusetts.edu/buildingauthority/bahome.html.

**THE BONDS**

**General**

The Bonds will be issued as fully registered bonds in the aggregate principal amounts as set forth on the inside cover page hereof, will be dated the date of delivery and will bear interest from that date to their respective maturities as set forth on the inside cover page hereof, subject to redemption as described below. Ownership interests in the Bonds will be available in denominations of $5,000 and integral multiples thereof.

So long as Cede & Co. is the registered owner of Bonds, all payments of principal and interest on the Series Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, which will, in turn, remit such amounts to the DTC Participants for subsequent disposition to Beneficial Owners. See Appendix G – “Book-Entry Only System” herein.

The Series 2015-1 Bonds will be issued in the aggregate principal amount of $298,795,000. The Series 2015-1 Bonds will be dated the date of initial delivery thereof, will mature (unless redeemed prior to maturity) on November 1 of each of the years and will bear interest from their date at the rates per annum, all as set forth on the inside cover page of this Official Statement. Interest on the Series 2015-1 Bonds will be payable on May 1, 2015 and on each November 1 and May 1 thereafter or, if any such day is not a Business Day, the next Business Day. The Series 2015-1 Bonds are subject to optional and mandatory sinking fund redemption as described below.

The Series 2015-2 Bonds will be issued in the aggregate principal amount of $191,825,000. The Series 2015-2 Bonds will be dated the date of initial delivery thereof, will mature (unless redeemed prior to maturity) on November 1 of each of the years and will bear interest from their date at the rates per annum, all as set forth on the inside cover page of this Official Statement. Interest on the Series 2015-2 Bonds will be payable on May 1, 2015 and on each November 1 and May 1 thereafter or, if any such day is not a Business Day, the next Business Day. The Series 2015-2 Bonds are subject to optional and mandatory sinking fund redemption as described below.

**Redemption Provisions**

*Redemption by Sinking Fund Installments.* The Series 2015-1 Bonds stated to mature on November 1, 2040 and November 1, 2045 shall be redeemed as provided in the 2015-1 Series Resolution by mandatory Sinking Fund Installments on November 1 at their principal amounts without premium, plus accrued interest to the redemption date as follows:
<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2037</td>
<td>$15,050,000</td>
</tr>
<tr>
<td>2038</td>
<td>15,820,000</td>
</tr>
<tr>
<td>2039</td>
<td>16,630,000</td>
</tr>
<tr>
<td>2040</td>
<td>17,485,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2041</td>
<td>$18,290,000</td>
</tr>
<tr>
<td>2042</td>
<td>19,035,000</td>
</tr>
<tr>
<td>2043</td>
<td>19,805,000</td>
</tr>
<tr>
<td>2044</td>
<td>20,620,000</td>
</tr>
<tr>
<td>2045</td>
<td>21,455,000</td>
</tr>
</tbody>
</table>

Optional Redemption. The Bonds maturing on or after November 1, 2026 are subject to optional redemption prior to their stated maturity date on or after November 1, 2025 at the option of the Authority, in whole or in part, at any time, at a Redemption Price equal to the principal amount of the Bonds or portion thereof to be redeemed, without premium, plus interest accrued thereon to the date fixed for redemption. Any optional redemption may be stated to be conditional, and shall be conditioned upon the Trustee’s receipt of funds sufficient to pay the Redemption Price of the Bonds to be redeemed on or prior to the Redemption Date.

Notice of Redemption. The Trustee is required to give notice of redemption of any Bonds, specifying the date of redemption, the portions of the principal amounts thereof to be redeemed and the redemption price, by mail, not more than sixty (60) days nor less than thirty (30) days prior to the redemption date, to the registered owners of any Bonds, or portions thereof, to be redeemed. Notice of redemption will be mailed to DTC or its nominee, as registered owner of the Bonds. The Trustee will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee. The Authority is not responsible for mailing any notice of redemption.

Selection of Bonds To Be Redeemed Upon Partial Redemption. If less than all of the Bonds or a series are to be redeemed, the particular maturities, bearing interest at a particular rates, or Sinking Fund Installments of the series of Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

Effect of Redemption. Notice of redemption having been given in the manner provided above, and money sufficient for the redemption being held by the Trustee for such purpose, the Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue and the owners of the Bonds so called for redemption shall thereafter no longer have any security or benefit under the Project Trust Agreement except to receive payment of the redemption price for such Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are special obligations of the Authority payable solely from the funds provided under the provisions of the Enabling Act, the Project Trust Agreement and the Series Resolutions, including payments received from the University under the Contract.

Pursuant to the Contract, the University is obligated to make payments to the Authority to pay debt service on the Bonds and other costs related to the Bonds and the Projects. Such payments are secured by a pledge of the University of 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, under the Contract, the
University is obligated to cause to be available in the Unrestricted Net Assets at all times amounts sufficient to pay such costs.

However, the obligations of the University in connection with the Bonds do not constitute a general obligation of the University or a debt or obligation of the Commonwealth, and (a) the Commonwealth shall not be obligated to pay the Bonds, and (b) neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the Bonds. The Enabling Act does not in any way create a so-called moral obligation of the Commonwealth or of any political subdivision thereof to pay debt service with respect to the Bonds. The Authority does not have taxing power.

**Contract**

The following is a brief overview of the terms of the Contract. For more details, see Appendix D-2 – “Summary of Certain Provisions of the Contract.”

In connection with the issuance of the Bonds, the Authority and the University will certify that the Bonds are subject to the Contract.

Under the Contract, the University has agreed to remit to the Trustee amounts sufficient to pay debt service on the Authority bonds and notes that are secured by the Contract, including the Bonds, and to maintain, repair and operate the projects financed or refinanced by such bonds or notes.

The Contract also sets forth the Authority’s and the University’s respective obligations with respect to the projects that are the subject of the Contract, including, as applicable, acquisition, planning, construction, completion, operation, management, maintenance and repair thereof.

Under the Contract, the Authority shall annually certify by March 1 to the University for the twelve-month period commencing the next succeeding November 1, the amount estimated to cover the costs of debt service and other related expenses, including amounts to be funded under the Project Trust Agreement or Facilities Trust Agreement, as applicable, and costs related to the projects that are the subject of the Contract, in each case detailed by component of the financed projects. Such certificate, which may be revised from time to time as necessary, shall include the date on which such amounts are due and the source of such payments. For any project operated by the Authority for which the Authority sets rates and charges for such project, such certificate shall detail the fees, rents, rates and other charges proposed for the use of such projects, which shall be fixed so as to be sufficient, in the aggregate, together with other available moneys, to cover all of the costs allocable to such projects.

Under the Contract, the University pledges to the making of payments required thereunder from all available funds of the University, including trust funds and other funds administered by the University as gifts, grants or trusts. In addition, the University shall cause to be available in the Unrestricted Net Assets at all times amounts sufficient to pay such portion of the amounts certified by the Authority required to be paid therefrom and to provide for any other payments required under the MDFA Financing Agreements (as defined in Appendix D and referred to below under “Additional Indebtedness”). This pledge of the general obligation of the University does not apply to certain projects, referred to in the Contract as “Specific Revenue Projects” and bonds or notes related thereto. See Appendix D-2.

By April 1 of each year, the University Treasurer shall certify in writing to the Authority whether or not there are sufficient funds in the Unrestricted Net Assets to pay the amounts so required to be paid therefrom and, if so, that such funds will be held in trust in the Unrestricted Net Assets for the equal and ratable benefit of the Authority and each other person or entity for whose benefit amounts will be applied to the payment of amounts required to be paid therefrom and will not be expended for any other purpose. Such funds will be so held and not expended for any other purpose; provided, however, that if any portion of the amount to be paid to the Authority is paid from gifts or trust funds or funds generated by the Authority from projects, then after any such payment an amount equal to such portion so paid need no longer be held in the Unrestricted Net Assets.

If such certification states that sufficient funds are not available in the Unrestricted Net Assets to pay such amounts, such certification shall state the amount of funds so available and ratably portion of such funds and hold
them in trust for the benefit of the Authority to be applied pro rata. Notwithstanding any shortfall, the University will continue to be obligated to make payments in full. Further, under the Contract, the Authority is authorized to adopt or revise fee and other charges for the use of its projects and to bill and collect from students in the University the amounts necessary to cover any such shortfall. To date, there has never been such a shortfall.

Pledge of Revenues Under the Project Trust Agreement

The following is a brief overview of certain terms of the Project Trust Agreement. For more details, see Appendix D-1 – “Summary of Certain Provisions of the Project Trust Agreement.”

The Project Trust Agreement assigns, pledges and grants to the Trustee a security interest in all rights of the Authority under the Contract to receive amounts payable to the Authority thereunder and pledged under the Project Trust Agreement.

The Project Trust Agreement pledges to the Trustee for the benefit of the holders of the Bonds and all other bonds issued under the Project Trust Agreement (i) all moneys paid or payable for deposit in or on deposit in any Fund, Account or subaccount created under the Project Trust Agreement, all investments received or receivable for deposit in or on deposit in any Fund, Account or subaccount created under the Project Trust Agreement and all interest or other income on such investments paid or payable for deposit in or on deposit in any Fund, Account or subaccount created thereunder and all rights of the Authority to receive such moneys, investments and interest or other income (except for the Rebate Fund), subject to application of such moneys, investments and other income as provided in the Project Trust Agreement and (ii) subject to the Project Trust Agreement, (a) the Revenues from each project financed or refinanced under the Project Trust Agreement and (b) the Revenues, including Secondary Revenues payable to the Authority from Other Projects, except as set forth in the Project Trust Agreement.

Pursuant to the Enabling Act, Revenues pledged by the Project Trust Agreement and received by the Authority in connection with the projects financed or refinanced by any Series of bonds issued under the Project Trust Agreement are pledged to the payment of the principal of and interest on all Outstanding bonds under the Project Trust Agreement as they become due, the redemption price or the purchase price of Outstanding bonds redeemed or purchased as provided in the Project Trust Agreement and other costs payable with respect to Outstanding bonds under the Project Trust Agreement. As of January 15, 2015, there were $2,405,065,000 principal amount of bonds outstanding under the Project Trust Agreement.

Rate Covenant

Under the Project Trust Agreement, the Authority covenants that it will fix, revise, adjust and collect fees, rents, rates and other charges for the use of each Project and any other projects or property the Revenues from which are pledged under such Project Trust Agreement to provide Revenues sufficient in the aggregate to pay all expenses of the Authority allocable to projects financed or refinanced under the Project Trust Agreement and debt service on all bonds issued and Outstanding under the Project Trust Agreement, all as set forth in Appendix D-1 – “Summary of Legal Documents.”

Additional Indebtedness

The Project Trust Agreement provides that the Authority may issue additional bonds on a parity with or subordinate to the Bonds issued under the Project Trust Agreement. See Appendix D-1 – “Summary of Certain Provisions of the Project Trust Agreement.”

For a description of the Authority’s indebtedness, see Appendix B.

Pursuant to certain financing agreements between the University, acting in the name and on behalf of the Commonwealth, and the Massachusetts Health and Educational Facilities Authority and its successor, the Massachusetts Development Finance Agency, in connection with the issuance of other debt for the University, the University agreed not to request or permit the Authority to issue additional indebtedness on behalf of the University except (i) indebtedness that is payable from all available funds of the University or (ii) indebtedness secured by pledged revenues derived from the project or projects being financed, new or increased student fees, existing
pledged revenues or any combination of the foregoing, provided, that the maximum annual debt service on all such revenue-backed indebtedness then outstanding, including the proposed additional indebtedness, does not exceed 10% of the amount shown on the then most recent audited financial statements of the University as total available revenues. In addition, no such indebtedness shall be subject to acceleration.

For a description of the University’s indebtedness, see Appendix A.

**Annual Debt Service Requirements**

The following table sets forth for each fiscal year ending June 30 the debt service on Outstanding bonds under the Project Trust Agreement and the Facilities Trust Agreement, following the issuance of the Bonds, including principal (whether at maturity or by mandatory sinking fund redemption), interest and total debt service.

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Debt Service on Outstanding Authority Bonds(1)(2)</th>
<th>Debt Service on Principal of Authority Bonds(1)</th>
<th>Debt Service on Interest on Authority Bonds(1)</th>
<th>Total Debt Service Requirements for the Bonds(1)(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest on Principal of Bonds</td>
<td>Interest on Bonds</td>
<td>Total Debt Service on Bonds</td>
<td>Interest on Bonds</td>
</tr>
<tr>
<td></td>
<td>Series 2015-1</td>
<td>Series 2015-2</td>
<td>Bonds</td>
<td>Bonds</td>
</tr>
<tr>
<td>2015</td>
<td>$184,586,585</td>
<td>$1,367,905</td>
<td>$909,235</td>
<td>$2,277,140</td>
</tr>
<tr>
<td>2016</td>
<td>186,951,706</td>
<td>-</td>
<td>9,092,350</td>
<td>22,771,400</td>
</tr>
<tr>
<td>2017</td>
<td>185,999,381</td>
<td>-</td>
<td>9,092,350</td>
<td>22,771,400</td>
</tr>
<tr>
<td>2018</td>
<td>184,172,843</td>
<td>2,825,000</td>
<td>9,094,975</td>
<td>25,554,025</td>
</tr>
<tr>
<td>2019</td>
<td>186,000,141</td>
<td>2,925,000</td>
<td>8,949,100</td>
<td>25,553,150</td>
</tr>
<tr>
<td>2020</td>
<td>182,683,225</td>
<td>6,270,000</td>
<td>8,733,850</td>
<td>28,682,900</td>
</tr>
<tr>
<td>2021</td>
<td>167,169,868</td>
<td>22,040,000</td>
<td>8,055,025</td>
<td>43,774,075</td>
</tr>
<tr>
<td>2022</td>
<td>154,113,122</td>
<td>24,435,000</td>
<td>6,949,800</td>
<td>45,063,850</td>
</tr>
<tr>
<td>2023</td>
<td>154,291,066</td>
<td>25,620,000</td>
<td>5,765,275</td>
<td>45,064,325</td>
</tr>
<tr>
<td>2024</td>
<td>163,125,381</td>
<td>17,350,000</td>
<td>4,743,100</td>
<td>35,772,150</td>
</tr>
<tr>
<td>2025</td>
<td>154,391,202</td>
<td>10,035,000</td>
<td>4,071,425</td>
<td>27,758,475</td>
</tr>
<tr>
<td>2026</td>
<td>151,408,455</td>
<td>8,420,000</td>
<td>3,611,425</td>
<td>33,864,975</td>
</tr>
<tr>
<td>2027</td>
<td>147,060,799</td>
<td>8,850,000</td>
<td>3,182,800</td>
<td>33,849,600</td>
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<tr>
<td>2028</td>
<td>145,750,548</td>
<td>9,310,000</td>
<td>2,733,175</td>
<td>33,830,975</td>
</tr>
<tr>
<td>2029</td>
<td>146,894,980</td>
<td>9,785,000</td>
<td>2,385,550</td>
<td>32,975,975</td>
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<tr>
<td>2030</td>
<td>133,041,404</td>
<td>10,290,000</td>
<td>2,083,175</td>
<td>31,357,100</td>
</tr>
<tr>
<td>2031</td>
<td>118,823,574</td>
<td>11,603,000</td>
<td>1,769,550</td>
<td>28,840,475</td>
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<tr>
<td>2032</td>
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<td>21,884,100</td>
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(1) Includes interest on the Authority’s Project Revenue Bonds, Senior Series 2008-1, Facilities Revenue Bonds, Senior Series 2008-A Bonds, Project Revenue Bonds, Senior Series 2011-1 and Project Revenue Bonds, Senior Series 2011-2, each issued as variable rate debt, Outstanding as of January 15, 2015 in the principal amounts of $194,530,000, $21,930,000, $129,690,000 and $98,220,000, respectively, and amortizing in accordance with the terms thereof, assumed at the rates of 3.388%, with respect to the 2008-1 Bonds; 3.378%, with respect to the 2008-A Bonds; and 3.482%, with respect to the 2011-1 Bonds and 2011-2 Bonds, respectively. These assumed rates are based on the fixed rates being paid to the counterparties under interest rate swap agreements associated with such bonds. See Note 5 to the Financial Statements of the Authority as of and for the years ended June 30, 2014 and 2013 attached hereto as Appendix B and see also Appendix A under the heading “INDEBTEDNESS OF THE UNIVERSITY – Bonds Issued by the Authority – Interest Rate Swap Agreements.” With respect to the Authority’s Project Revenue Bonds, Senior Series 2009-2 and Project Revenue Bonds, Senior Series 2010-2, which were issued as so-called “Build America Bonds” under the American Recovery and Reinvestment Act of 2009, outstanding as of January 15, 2015 in the aggregate principal amount of $702,175,000 and amortizing in accordance with the terms thereof, interest include the cash subsidy payments expected to be received from the United States Department of the Treasury. Excludes debt service payable after the date of issuance of the Bonds on the Refunded Bonds issued under the Project Trust Agreement.

(2) Includes anticipated debt service on the Bonds, expected to be issued on March 25, 2015.
THE PROJECTS

The Series 2015-1 Bonds are being issued to finance projects in the University’s capital plan that meet certain conditions set forth in the 2015-1 Series Resolution (collectively, the “Series 2015-1 Projects”), including without limitation all or a portion of the costs of the projects listed below:

On the Amherst Campus:

- Construction of the McGuirk training facility and pressbox;
- Maintenance and improvements to the DuBois library;
- Construction of a campus electrical substation and related electrical improvements,
- Infrastructure improvements for the central campus;
- Construction of the Champions Center;
- Improvements to the Integrated Design Building;
- Improvements to the South College Academic Building;
- Expansion and renovation of the Isenberg School of Management,
- Maintenance and improvements to Whitmore, Marston and Thompson buildings;
- Replacement of oil filled transformers;
- Improvements to the Fine Arts Center;
- Improvements to the Lincoln Campus Center Concourse;
- Renovations to the backfill of the Life Science Laboratories;
- Renovations to Marks Meadow portion of Furcolo Hall;
- Restoration of and improvements to Old Chapel;
- Expansion of and improvements to central chilled water plants; and
- Fit out of the Office of Information Technologies data center and Life Science Laboratories.

On the Boston Campus:

- Improvements to the Healy Building;
- Improvements to the Service and Supply Building;
- General improvements and projects (other than deferred maintenance);
- Construction of the Utility Corridor and Roadway Relocation (UCRR);
- Construction of General Academic Building No. 1;
- Renovations of and improvements to existing academic buildings; and
- Construction of new pool facility.

On the Lowell Campus:

- Construction of The Pulichino Tong Building;
- Acquisition and construction of new residence hall; and
- Renovations to McGauvran Hall for dining repurpose.

See Appendix A under the heading “CURRENT AND FUTURE CAPITAL PLANS” for additional information about the Series 2015-1 Projects and the University’s capital plan. Under the 2015-1 Series Resolution, the Authority may substitute other projects in the University’s capital plan that have been requested by the University to be initiated by the Authority and that have been approved by the Secretary of the Executive Office for Administration and Finance of the Commonwealth.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2015-2 Bonds will be used to refund the Refunded Bonds listed in Appendix H. Such proceeds will be deposited into accounts of refunding trust funds held by U.S. Bank National Association, as trustee for the Refunded Bonds, in amounts which will be invested in direct obligations of, or obligations the payment of the principal and interest on which are unconditionally guaranteed by, the United States of America (the “Defeasance Obligations”). According to the report described under the heading “VERIFICATION OF MATHEMATICAL COMPUTATIONS,” the Defeasance Obligations will mature at such times and earn...
interest in such amounts that, together with any initial cash deposits, will produce sufficient moneys to provide for the payment of the redemption prices, plus accrued interest on the Refunded Bonds to the redemption date, as set forth in Appendix H.

**APPLICATION OF PROCEEDS OF THE BONDS**

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<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Costs of the Series 2015-1 Projects, including repayment of commercial paper notes</td>
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<td>Refunding of the Refunded Bonds</td>
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<td>Costs of issuance</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$560,283,974.50</strong></td>
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</table>

**LITIGATION**

There is no litigation of any nature now pending or, to the knowledge of the Authority, threatened seeking to restrain or enjoin or restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the validity of the Contract, or any proceedings of the Authority or of the Commonwealth taken with respect thereto, or of the pledge of any moneys or security provided under the Project Trust Agreement for the payment of the Bonds or the existence or powers of the Authority or the titles of its officers to their offices.

See Appendix A under the caption “Litigation” for information about the University.

**LEGALITY FOR INVESTMENT**

As declared by the Enabling Act, the Bonds are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all savings banks, insurance companies, trust companies in their commercial departments and, within the limits set by Section 40 of Chapter 172 of the General Laws of the Commonwealth, banking associations, investment companies, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereto be authorized to invest in bonds or other obligations of a similar nature, may properly and legally invest funds, including capital, in their control or belonging to them. The Bonds are securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereto be authorized by law.

**TAX MATTERS**

Bond Counsel is of the opinion that, under existing law, interest on the Bonds, including any accrued original issue discount, as discussed below, will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), which requirements must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that interest on the Bonds is and continues to be excludable from the gross income of the holders thereof. Failure to so comply could cause the interest on the Bonds to be included in the gross income of the holders thereof, retroactive to the date of issuance of the Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of proceeds and payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Authority has provided covenants and certificates as to continued compliance with such requirements.

A portion of the Series 2015-2 Bonds will be used to refinance certain projects of the University used by Worcester City Campus Corporation (“WCCC”), a corporation which has received a determination from the Internal Revenue Service that it is exempt from federal income taxation pursuant to Section 501(c)(3) of the Code. Such portion of the Series 2015-2 Bonds will be treated as “qualified 501(c)(3) bonds” under the Code and the maintenance
of exempt status of the WCCC requires compliance with general rules governing the organization and operation of tax-exempt entities, including its operation for charitable or educational purposes, and its avoidance of transactions that may cause its earnings or assets to inure to the benefit of private individuals. Failure of WCCC to comply with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate its facilities refinanced by a portion of the Series 2015-2 Bonds in a manner that is substantially related to their charitable or educational purpose under Section 513(a) of the Code, may result in interest payable with respect to such qualified 501(c)(3) Bonds being included in federal gross income, possibly from the date of the original issue of the Bonds. To maintain continued compliance, the Authority will obtain from the WCCC covenants and certificates with the requirements for maintaining its exempt status. In addition, Bond Counsel has relied, among other things, representations of WCCC concerning its exempt status and “unrelated trade or business” activities as defined in Section 513(a) of the Code.

In the opinion of Bond Counsel, under existing law, interest on the Bonds will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code. However, interest on the Bonds will be included in “adjusted current earnings” of corporate holders of the Bonds and therefore will be taken into account under section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Interest on the Bonds includes any accrued original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of a Bond over the initial offering price at which price a substantial amount of all Bonds with the same maturity were sold (other than to underwriters and other intermediaries). Original issue discount accrues actuarially over the term of a Bond and results in a corresponding increase in the holder’s tax basis in such Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of a Bond will result in reduction of the holder’s tax basis in such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium.

Bond Counsel has not opined as to other federal tax consequences of holding the Bonds. However, prospective purchasers should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of the holder’s interest expense allocated to such Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Bonds and (vi) receipt of investment income, including interest on the Bonds, may, pursuant to section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit otherwise provided by section 32(a) of the Code.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or any state tax benefit. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could
affect the market value or marketability of the Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences. Holders should consult their own tax advisors with respect to any of the foregoing.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service (“IRS”) and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to “backup withholding” if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences resulting from holding the Bonds. However, prospective purchasers should be aware that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of states other than the Commonwealth.

On the date of delivery of the Bonds, the original purchasers of the Bonds will be furnished with an opinion of Bond Counsel substantially in the form shown in “Proposed Form of Opinions of Bond Counsel” attached hereto as Appendix E.

RATINGS

The Bonds have been rated “AA,” “Aa2” and “AA-”, respectively, by Fitch Ratings, Inc., Moody’s Investors Service and Standard & Poor’s Credit Rating Services, a division of the McGraw-Hill Companies, Inc.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel for the Authority. The approving opinion of Bond Counsel, substantially in the form attached hereto as Appendix E, will be delivered on the date of delivery of the Bonds. Certain matters will be passed upon for the Authority and the University by its Disclosure Counsel, Nixon Peabody LLP, Boston, Massachusetts and for the Underwriters by their counsel, McCarter & English, LLP, Boston, Massachusetts.

DISCLOSURE CERTIFICATES

At the time of delivery of the Bonds, the Executive Director of the Authority will furnish a certificate to the effect that, to the best of her knowledge and belief, the Preliminary Official Statement as of its date and as of the date of the Official Statement and the Official Statement as of its date and as of the date of delivery of the Bonds did not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading. To the extent that such certificate covers information regarding the University, the Executive Director of the Authority will rely solely upon the certificates of the University discussed in the following paragraph.
At the time of delivery of the Bonds, the President and Senior Vice President for Administration and Finance & Treasurer of the University will deliver a certificate to the effect that, to the best of their knowledge and belief, the information set forth in the Preliminary Official Statement relating to the University, as of the date of the Preliminary Official Statement and as of the date of the Official Statement, and the information set forth in the Official Statement relating to the University, as of the date of the Official Statement and the date of delivery of the Bonds did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

UNDERWRITING

The Bonds are being purchased for reoffering by the Underwriters pursuant to a purchase contract (the “Purchase Contract”) between the Authority and Citigroup Global Markets Inc. and Raymond James & Associates, Inc., acting jointly as representative of the Underwriters. The Underwriters have agreed to purchase the Bonds at an aggregate discount of $2,411,607.57 from the public offering prices set forth on the inside cover page hereof. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the public offering prices stated on the inside cover page hereof. The Purchase Contract provides that the Underwriters will purchase all the Bonds if any are purchased. The Underwriters may allow concessions from the public offering price to certain dealers, banks and others. After the initial public offering at the offering price or prices set forth on the inside cover of this Official Statement, the public offering price or prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority or the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority or the University.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

Citigroup Global Markets Inc. has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC (“JPMS”) has entered into retail agreements to expand our access to retail customers on behalf of our issuer clients. Specifically, JPMS has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLP (“LPL”) for the retail distribution of certain municipal securities offerings to the retail customers of CS&Co. and LPL at the original issue prices. Subject to your consent, and assuming suitability for retail investors, JPMS would invite CS&Co. and
LPL to participate in the offering of UMBA’s Series 2015-1 and 2015-2 Bonds to their retail customers at the original issue prices. As compensation to CS&Co. and LPL, JPMS will share a portion of the selling concession with CS&Co. and LPL.

Loop Capital Markets LLC (“Loop Capital Markets”), one of the Underwriters of the Bonds, has entered into distribution agreements (each a “Distribution Agreement”) with each of Deutsche Bank Securities Inc. (“DBS”) and Credit Suisse Securities USA LLC (“CS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of DBS and CS will purchase the Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee, discount or commission paid to Piper Jaffray & Co.

Wells Fargo Bank, National Association (“WFBNA”), one of the Underwriters of the Bonds, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”).

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters, on behalf of the Authority relating to (a) computation of anticipated receipts of principal and interest on Defeasance Obligations and the anticipated payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields on the Bonds and the Defeasance Obligations was verified by AMTEC Corporation of Avon, Connecticut and Ross & Company, PLLC (a Certified Public Accountant) of Louisville, Kentucky (together, the “Verification Agent”). Such computations were based solely upon information supplied by the Underwriters, on behalf of the Authority. The Verification Agent has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions reflected in its report, or the achievability of future events.

CONTINUING DISCLOSURE

The Authority and the University will undertake to provide annual reports and notices of certain events. A description of these undertakings is set forth in Appendix F attached hereto.

With respect to previous undertakings of the Authority and the University, due to an administrative oversight, the audited financial statements of the Authority required to be filed for fiscal year 2011 were filed late. Additionally, certain of the Authority and University financial statements and annual financial information and operating data during such five year period were filed on a timely basis, but such information did not appear under
certain CUSIP numbers on the databases of nationally recognized municipal securities information repositories or MSRB’s Electronic Municipal Marketplace Access database (“EMMA”) and certain notices with respect to rating changes were not filed on a timely basis or were filed and not properly linked with every CUSIP number. At this time, all such information has been refiled or relinked on EMMA.

FINANCIAL ADVISOR

The University of Massachusetts Building Authority has retained FirstSouthwest (the “Financial Advisor”) to serve as its financial advisor in connection with the issuance of the Bonds. The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds, and receipt by the Authority of payment therefor. The Authority may engage the Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of proceeds of the Bonds.

FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of and for the years ended June 30, 2014 and 2013, included in this Official Statement as Appendix B, have been audited by Grant Thornton LLP certified public accountants, as stated in their report included therein.

FINANCIAL STATEMENTS OF THE UNIVERSITY

The Annual Financial Report of the University for Fiscal Year 2014 is included in this Official Statement as Appendix C. It includes the financial statements of the business-type activities and the aggregate discretely presented component units of the University, which collectively comprise the University’s basic financial statements, as of and for the years ended June 30, 2014 and 2013, which have been audited by Grant Thornton LLP, independent accountants, as set forth in their report included therein.

MISCELLANEOUS

All quotations from and summaries and explanations of the Enabling Act, the Project Trust Agreement, the Series Resolutions and the Contract contained herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Project Trust Agreement, the Series Resolutions and the Contract may be obtained upon request directed to the University of Massachusetts Building Authority, 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110, Attention: Executive Director.

Any statements in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Bonds.

The execution and delivery of this Official Statement by its Executive Director have been duly authorized by the Authority.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

By: /s/ Patricia Filippone
    Patricia Filippone
    Executive Director and Chief Financial Officer
UNIVERSITY
OF
MASSACHUSETTS
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APPENDIX A

February 25, 2015

University of Massachusetts Building Authority
225 Franklin Street, 12th Floor
Boston, MA 02110

Members of the University of Massachusetts Building Authority:

In connection with the issuance by the University of Massachusetts Building Authority (the “Authority”) of its Project Revenue Bonds, Senior Series 2015-1 (the “Series 2015-1 Bonds”) and its Refunding Revenue Bonds, Senior Series 2015-2 (the “Series 2015-2 Bonds” and together with the Series 2015-1 Bonds, the “Bonds”), we are pleased to submit the following information with respect to the University of Massachusetts (the “University” or “UMass”) and other pertinent matters for inclusion in this Official Statement. As more particularly described in the front part of the Official Statement and in APPENDIX D-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE CONTRACT,” the University is obligated under the Contract to pay debt service on the Bonds. The University is also obligated under other contractual arrangements to pay debt service on other indebtedness issued on its behalf, including indebtedness issued by the Authority and the Massachusetts Development Finance Agency (“MDFA”) other than the Bonds. See “INDEBTEDNESS OF THE UNIVERSITY” herein. Unless otherwise indicated by context, all utilization and financial data for any year refers to the fiscal year ended June 30. Unless otherwise indicated, the University is the source of all information included in this Appendix A.

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 91st 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, 27th highest in American public universities and 54th 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.
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 Authority. 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, the Authority 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 “SNESL”), 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 SNESL. 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, UMASSDTRANSFORM2020, 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, the Authority 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, the Authority 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, the Authority 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 the Authority, 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 Authority 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 Authority 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 49th 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; to serve community needs for education in the critical areas of economic development, health and welfare and education; and to raise 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; 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 the Authority, 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 33rd 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 the Authority, 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 the Authority 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.

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

Phillip J. Geoffroy, Chelmsford  
*Non-voting Student Member, Appointed April 2012*  
University of Massachusetts, Lowell

Zoila M. Gomez, J.D., Lawrence  
*Appointed September 2011*  
Attorney, Law Offices of Zoeila M. Gomez

Philip W. Johnston, Marshfield  
*Appointed September 2007*  
President, Philip W. Johnston Associates

Alyce J. Lee, Milton  
*Appointed September 2011*  
Founding Trustee and Vice Chair, Board of Trustees, Boston Medical Center (BMC) and Former Chief of Staff to Mayor Thomas M. Menino

Patrick Lowe, Worcester  
*Non-voting Student Member, Appointed April 2013*  
University of Massachusetts, Worcester

Jacob Miller, Fairhaven  
*Non-voting Student Member, Appointed April 2014*  
University of Massachusetts, Dartmouth

Jeffrey B. Mullan, J.D., Milton  
*Appointed September 2011*  
Partner, Foley Hoag LLP

Nolan O’Brien, Quincy  
*Voting Student Member, Appointed April 2013*  
University of Massachusetts, Boston

Kerri Osterhaus-Houle, M.D., Hudson  
*Appointed September 2007*  
Partner, Women’s Health of Central Massachusetts, PC

R. Norman Peters, J.D., Paxton  
*Appointed September 2009*  
Partner, Peters & Sowyrda

James A. Peyser, MALD, Milton  
*Appointed January 2015*  
Secretary of Education, Executive Office of Education Commonwealth of Massachusetts  
*Serves ex-officio*

Henry M. Thomas, III, J.D., Springfield  
*Appointed September 2007*  
President and CEO, Urban League of Springfield, Inc.

Margaret D. Xifaras, J.D., Marion  
*Appointed September 2011*  
Attorney, Law Offices of Lang, Xifaras & Bullard
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 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**

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

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

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

### Boston Campus

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

### Dartmouth Campus

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-state undergraduate</td>
<td>7,400</td>
<td>7,214</td>
<td>7,123</td>
<td>6,969</td>
<td>6,939</td>
</tr>
<tr>
<td>Out-of-state undergraduate</td>
<td>349</td>
<td>366</td>
<td>439</td>
<td>468</td>
<td>515</td>
</tr>
<tr>
<td>In-state graduate</td>
<td>1,201</td>
<td>1,152</td>
<td>1,128</td>
<td>1,019</td>
<td>979</td>
</tr>
<tr>
<td>Out-of-state graduate</td>
<td>482</td>
<td>493</td>
<td>520</td>
<td>597</td>
<td>678</td>
</tr>
<tr>
<td>Total</td>
<td>9,432</td>
<td>9,225</td>
<td>9,210</td>
<td>9,053</td>
<td>9,111</td>
</tr>
</tbody>
</table>

### Lowell Campus

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

### Worcester Campus

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical School</td>
<td>487</td>
<td>514</td>
<td>519</td>
<td>853</td>
<td>832</td>
</tr>
<tr>
<td>Other</td>
<td>671</td>
<td>675</td>
<td>641</td>
<td>308</td>
<td>271</td>
</tr>
<tr>
<td>Total++</td>
<td>1,158</td>
<td>1,189</td>
<td>1,160</td>
<td>1,161</td>
<td>1,103</td>
</tr>
</tbody>
</table>

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

### Total Headcount Enrollment

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

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

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

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

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 (%)**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of Campus Averages</td>
<td>70-89</td>
<td>74-89</td>
<td>74-88</td>
<td>76-89</td>
<td>79-90</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Entry Graduation After 6 Years - Range of Campus Averages</td>
<td>41-69</td>
<td>40-68</td>
<td>38-70</td>
<td>44-77</td>
<td>42-76</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>2009-2010*</th>
<th>2010-2011*</th>
<th>2011-2012*</th>
<th>2012-2013*</th>
<th>2013-2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of Campus Averages</td>
<td>1053-1169</td>
<td>1043-1189</td>
<td>1056-1197</td>
<td>1052-1208</td>
<td>1029-1218</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>2009-2010</th>
<th>2010-2011</th>
<th>2011-2012</th>
<th>2012-2013</th>
<th>2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate’s/Certificate</td>
<td>247</td>
<td>248</td>
<td>445</td>
<td>547</td>
<td>472</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>9,363</td>
<td>9,958</td>
<td>10,399</td>
<td>10,910</td>
<td>11,544</td>
</tr>
<tr>
<td>Master’s/CAGS*</td>
<td>3,641</td>
<td>3,889</td>
<td>4,166</td>
<td>4,225</td>
<td>4,385</td>
</tr>
<tr>
<td>Doctorate/Professional</td>
<td>552</td>
<td>616</td>
<td>678</td>
<td>765</td>
<td>773</td>
</tr>
</tbody>
</table>

*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.

[Remainder of page intentionally left blank]
## AMHERST CAMPUS
### Tuition & Mandatory Fees: FY 2011-2015

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

---

1. 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.
2. Includes an increase in fees approved by the University Trustees on June 8, 2011.
3. Includes an increase in fees approved by the University Trustees on June 5, 2012.
4. Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative.
5. 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**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TUITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate (MA resident)</td>
<td>$1,714</td>
<td>$1,714</td>
<td>$1,714</td>
<td>$1,714</td>
<td>$1,714</td>
</tr>
<tr>
<td>Undergraduate (non-resident)</td>
<td>9,758</td>
<td>9,758</td>
<td>9,758</td>
<td>9,758</td>
<td>9,758</td>
</tr>
<tr>
<td>Graduate (MA resident)</td>
<td>2,590</td>
<td>2,590</td>
<td>2,590</td>
<td>2,590</td>
<td>2,590</td>
</tr>
<tr>
<td>Graduate (non-resident)</td>
<td>9,758</td>
<td>9,758</td>
<td>9,758</td>
<td>9,758</td>
<td>9,758</td>
</tr>
<tr>
<td><strong>CURRICULUM &amp; OTHER MANDATORY FEES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate (MA resident)</td>
<td>$8,897</td>
<td>$9,693</td>
<td>$10,252</td>
<td>$10,252</td>
<td>$10,252</td>
</tr>
<tr>
<td>Undergraduate (non-resident)</td>
<td>13,430</td>
<td>15,169</td>
<td>16,390</td>
<td>17,672</td>
<td>18,632</td>
</tr>
<tr>
<td>Graduate (MA resident)</td>
<td>9,387</td>
<td>10,285</td>
<td>10,916</td>
<td>11,578</td>
<td>12,428</td>
</tr>
<tr>
<td>Graduate (non-resident)</td>
<td>13,443</td>
<td>15,183</td>
<td>16,405</td>
<td>17,687</td>
<td>19,334</td>
</tr>
<tr>
<td><strong>TOTAL MANDATORY FEES &amp; TUITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate (MA resident)</td>
<td>$10,611</td>
<td>$11,407</td>
<td>$11,966</td>
<td>$11,966</td>
<td>$11,966</td>
</tr>
<tr>
<td>Undergraduate (non-resident)</td>
<td>23,188</td>
<td>24,927</td>
<td>26,148</td>
<td>27,430</td>
<td>28,390</td>
</tr>
<tr>
<td>Graduate (MA resident)</td>
<td>11,977</td>
<td>12,875</td>
<td>13,506</td>
<td>14,168</td>
<td>15,018</td>
</tr>
<tr>
<td>Graduate (non-resident)</td>
<td>23,201</td>
<td>24,921</td>
<td>26,163</td>
<td>27,445</td>
<td>29,092</td>
</tr>
</tbody>
</table>

---

1. 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.
2. Includes an increase in fees approved by the University Trustees on June 8, 2011.
3. Includes an increase in fees approved by the University Trustees on June 5, 2012.
4. Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative.
5. 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

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

---

1 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.

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

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

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

5 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*

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

1 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.
2 Includes an increase in fees approved by the University Trustees on June 8, 2011.
3 Includes an increase in fees approved by the University Trustees on June 5, 2012
4 Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the first year of the 50/50 Initiative.
5 Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as supported by the second year of the 50/50 Initiative.
6 Graduate tuition charges at UMass Lowell are on a 9-credit load basis.
7 Graduate fee charges at UMass Lowell are on a 9-credit load basis.
### WORCESTER CAMPUS

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

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

1 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.
2 Includes an increase in fees approved by the University Trustees on June 8, 2011.
3 Includes an increase in fees approved by the University Trustees on June 5, 2012.
4 Includes an increase in fees approved by the University Trustees on June 19, 2013.
5 Includes an increase in fees approved by the University Trustees on June 18, 2014.

"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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UMass Base Appropriation</td>
<td>$424.1</td>
<td>$418.0</td>
<td>$418.1</td>
<td>$463.5</td>
<td>$519.0</td>
</tr>
<tr>
<td>Collective Bargaining Costs</td>
<td>5.5</td>
<td>-</td>
<td>25.7</td>
<td>15.3</td>
<td>-</td>
</tr>
<tr>
<td>9C Budget Reductions</td>
<td>-</td>
<td>-</td>
<td>(4.2)</td>
<td>-</td>
<td>(7.8)</td>
</tr>
<tr>
<td><strong>Total UMass Base State</strong></td>
<td><strong>$429.5</strong></td>
<td><strong>$418.0</strong></td>
<td><strong>$439.6</strong></td>
<td><strong>$478.9</strong></td>
<td><strong>$511.2</strong></td>
</tr>
</tbody>
</table>

*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.
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 $6.6 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 measurable 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)**

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

* 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)

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees*</td>
<td>$552,419</td>
<td>$597,200</td>
<td>$659,180</td>
<td>$707,495</td>
<td>$740,116</td>
</tr>
<tr>
<td>Federal Grants and Contracts</td>
<td>333,538</td>
<td>371,426</td>
<td>355,792</td>
<td>334,697</td>
<td>322,047</td>
</tr>
<tr>
<td>State Grants and Contracts</td>
<td>64,328</td>
<td>62,597</td>
<td>67,927</td>
<td>68,794</td>
<td>74,936</td>
</tr>
<tr>
<td>Local Grants and Contracts</td>
<td>1,880</td>
<td>1,937</td>
<td>3,077</td>
<td>2,253</td>
<td>2,233</td>
</tr>
<tr>
<td>Private Grants and Contracts</td>
<td>104,368</td>
<td>107,767</td>
<td>109,235</td>
<td>106,714</td>
<td>112,428</td>
</tr>
<tr>
<td>Sales &amp; Service, Educational</td>
<td>17,530</td>
<td>18,011</td>
<td>19,311</td>
<td>19,237</td>
<td>21,792</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>257,852</td>
<td>272,020</td>
<td>297,956</td>
<td>319,544</td>
<td>349,485</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>50,442</td>
<td>52,619</td>
<td>61,087</td>
<td>46,062</td>
<td>44,296</td>
</tr>
<tr>
<td>Sales &amp; Service, Independent Operations</td>
<td>596,976</td>
<td>670,557</td>
<td>383,855</td>
<td>447,119</td>
<td>448,478</td>
</tr>
<tr>
<td>Sales &amp; Service, Public Service Activities</td>
<td>74,455</td>
<td>74,979</td>
<td>98,107</td>
<td>100,839</td>
<td>93,418</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$2,053,788</td>
<td>$2,229,113</td>
<td>$2,055,527</td>
<td>$2,152,754</td>
<td>$2,209,279</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and General Instruction</td>
<td>$555,833</td>
<td>$596,341</td>
<td>$633,481</td>
<td>$657,841</td>
<td>$690,635</td>
</tr>
<tr>
<td>Research</td>
<td>403,217</td>
<td>414,268</td>
<td>417,124</td>
<td>405,223</td>
<td>407,223</td>
</tr>
<tr>
<td>Public Service</td>
<td>67,080</td>
<td>66,548</td>
<td>75,665</td>
<td>74,510</td>
<td>77,985</td>
</tr>
<tr>
<td>Academic Support</td>
<td>124,126</td>
<td>133,253</td>
<td>147,767</td>
<td>145,551</td>
<td>151,000</td>
</tr>
<tr>
<td>Student Services</td>
<td>88,985</td>
<td>98,361</td>
<td>107,246</td>
<td>108,746</td>
<td>119,295</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>156,845</td>
<td>190,227</td>
<td>198,941</td>
<td>209,975</td>
<td>219,920</td>
</tr>
<tr>
<td>Operation and Maintenance of Plant</td>
<td>200,761</td>
<td>202,950</td>
<td>215,292</td>
<td>203,115</td>
<td>214,972</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>155,746</td>
<td>159,854</td>
<td>163,166</td>
<td>185,261</td>
<td>204,233</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>34,634</td>
<td>41,238</td>
<td>47,626</td>
<td>49,731</td>
<td>49,242</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>204,004</td>
<td>216,852</td>
<td>235,633</td>
<td>248,765</td>
<td>265,080</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>58,437</td>
<td>41,911</td>
<td>53,734</td>
<td>47,826</td>
<td>44,861</td>
</tr>
<tr>
<td>Public Service Activities</td>
<td>538,880</td>
<td>626,981</td>
<td>293,951</td>
<td>327,293</td>
<td>365,252</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$2,588,548</td>
<td>$2,788,784</td>
<td>$2,589,626</td>
<td>$2,663,837</td>
<td>$2,809,900</td>
</tr>
</tbody>
</table>

Operating Loss
($534,760) ($559,671) ($534,099) ($511,083) ($600,621)

(continued)

**Combined Statement of Revenues, Expenses and Changes in Net Assets**

For The Years Ended June 30 (in thousands of dollars)

### NONOPERATING REVENUES/(EXPENSES)

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Federal Appropriations</td>
<td>$5,922</td>
<td>$5,826</td>
<td>$6,845</td>
<td>$6,774</td>
<td>$7,020</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>415,889</td>
<td>505,799</td>
<td>517,392</td>
<td>519,311</td>
<td>570,618</td>
</tr>
<tr>
<td>State Appropriations – Federal Stimulus Funds</td>
<td>150,639</td>
<td>37,897</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td>28,603</td>
<td>26,504</td>
<td>22,143</td>
<td>30,044</td>
<td>29,013</td>
</tr>
<tr>
<td>Investment Income</td>
<td>65,863</td>
<td>77,773</td>
<td>27,192</td>
<td>56,037</td>
<td>86,685</td>
</tr>
<tr>
<td>Endowment Income</td>
<td>5,583</td>
<td>10,207</td>
<td>15,623</td>
<td>13,614</td>
<td>16,642</td>
</tr>
<tr>
<td>Interest on Indebtedness</td>
<td>(49,113)</td>
<td>(65,358)</td>
<td>(64,434)</td>
<td>(91,364)</td>
<td>(89,496)</td>
</tr>
<tr>
<td>Non-operating Federal Grants</td>
<td>60,324</td>
<td>70,643</td>
<td>73,908</td>
<td>70,586</td>
<td>74,279</td>
</tr>
<tr>
<td>Other Non-operating Income</td>
<td>3,868</td>
<td>5,225</td>
<td>780</td>
<td>1,002</td>
<td>1,046</td>
</tr>
<tr>
<td><strong>Net Non-operating Revenues</strong></td>
<td>$687,578</td>
<td>$674,516</td>
<td>$599,459</td>
<td>$606,004</td>
<td>$695,807</td>
</tr>
</tbody>
</table>

### Income/(Loss) Before Other Revenues, Expenses, Gains and Losses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Appropriations</td>
<td>$28,635</td>
<td>$28,109</td>
<td>$150,367</td>
<td>$112,581</td>
<td>$112,132</td>
</tr>
<tr>
<td>Capital Grants and Contracts</td>
<td>18,981</td>
<td>30,354</td>
<td>43,891</td>
<td>39,347</td>
<td>21,987</td>
</tr>
<tr>
<td>University Related Organization Transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Contribution</td>
<td>29,810</td>
<td>4,361</td>
<td>(345)</td>
<td>1,514</td>
<td>250</td>
</tr>
<tr>
<td>Disposal of Plant Facilities</td>
<td>(12,125)</td>
<td>(10,682)</td>
<td>(13,606)</td>
<td>(8,802)</td>
<td>(6,198)</td>
</tr>
<tr>
<td>Gain from Sale of Discontinued Operations</td>
<td></td>
<td>9,655</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Additions/Deductions</td>
<td>9,729</td>
<td>(4,405)</td>
<td>2,317</td>
<td>2,939</td>
<td>(19,418)</td>
</tr>
<tr>
<td><strong>Total Other Revenues, Expenses, Gains and Losses</strong></td>
<td>$75,030</td>
<td>$57,392</td>
<td>$182,624</td>
<td>$150,579</td>
<td>$108,753</td>
</tr>
</tbody>
</table>

### Total Increase in Net Assets

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Assets at End of Year</strong></td>
<td>$1,969,153</td>
<td>$2,141,390</td>
<td>$2,389,376</td>
<td>$2,614,356</td>
<td>$2,818,295</td>
</tr>
</tbody>
</table>

### 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):

<table>
<thead>
<tr>
<th>University and Foundation Endowment Assets*</th>
<th>2010+</th>
<th>2011+</th>
<th>2012+</th>
<th>2013+</th>
<th>2014+</th>
</tr>
</thead>
<tbody>
<tr>
<td>$449,811</td>
<td>$518,334</td>
<td>$554,538</td>
<td>$652,033</td>
<td>$743,710</td>
<td></td>
</tr>
</tbody>
</table>

*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 the Authority, 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:

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>University of Massachusetts</th>
<th>Five Year Capital Plan</th>
<th>FY2015- FY2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Funds To be Spent FY2015-FY2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Local Funds</td>
<td>$52,460,000 4%</td>
<td>$40,290,000 4%</td>
<td>$16,110,681 6%</td>
</tr>
<tr>
<td>University External Funds</td>
<td>$15,900,000 1%</td>
<td>$17,150,000 2%</td>
<td>$16,514,005 6%</td>
</tr>
<tr>
<td>University Borrowing</td>
<td>$770,776,000 59%</td>
<td>$486,935,000 50%</td>
<td>$97,779,826 36%</td>
</tr>
<tr>
<td>State Approved Capital Support</td>
<td>$451,550,000 35%</td>
<td>$211,350,000 22%</td>
<td>$109,250,000 41%</td>
</tr>
<tr>
<td>State Pending Capital Support</td>
<td>0 0%</td>
<td>$22,650,000 2%</td>
<td>$20,000,000 7%</td>
</tr>
<tr>
<td>Contingent on Funding</td>
<td>$15,800,000 1%</td>
<td>$189,500,000 20%</td>
<td>$9,184,000 3%</td>
</tr>
<tr>
<td>FY15-19 Programmed Spending</td>
<td>$1,306,486,000</td>
<td>$967,875,000</td>
<td>$268,838,512</td>
</tr>
</tbody>
</table>


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 the Authority 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 biomanufacturing 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 the Authority, 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:

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


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:

<table>
<thead>
<tr>
<th>FY2015 to 2019 Capital Plan Spending by Program Type*</th>
<th>Total Planned Spending</th>
<th>Percentage of Total Planned Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Infrastructure</td>
<td>$666,219,012</td>
<td>20%</td>
</tr>
<tr>
<td>Research</td>
<td>978,555,500</td>
<td>29</td>
</tr>
<tr>
<td>Student Life &amp; Residential</td>
<td>822,300,000</td>
<td>24</td>
</tr>
<tr>
<td>Teaching &amp; Learning</td>
<td>922,465,000</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,389,539,512</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

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, renovations 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 the Authority and MDFA, as described below.

Bonds Issued by the Authority

As described in more detail in the front part of this Official Statement under the heading “THE AUTHORITY,” the Authority 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 the Authority’s enabling legislation.

As of June 30, 2014, the Authority 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 the Authority’s agent to collect rates, rents, fees and other charges. As of June 30, 2014, approximately $2.454 billion principal amount of the Authority’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 the Authority to cause to be available in its Unrestricted Net Assets at all times amounts sufficient to pay such costs. As described in the front part of the Official Statement under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” the Bonds are secured on a parity with such outstanding bonds by all such funds of the University.

Interest Rate Swap Agreements

The Authority has entered into three separate interest rate swap agreements (the “Swaps”) under which the Authority pays a fixed rate and receives a floating rate. The Swaps hedge four series of outstanding variable rate bonds of the Authority, 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 the Authority 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 the Authority 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 the Authority 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 the Authority 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 the Authority could be required to make a material termination payment to the counterparty, which payment is a contractual obligation of the University to the Authority. In addition, the Authority 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, the Authority 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. For additional information concerning the Swaps, see APPENDIX C – “Financial Report of the University, including Financial Statements,” Note 8 – Bonds Payable – Interest Rate Swaps.
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, the Authority 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. The Authority may issue notes under either series on a taxable or tax-exempt basis to further the Authority 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 the Authority 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 the Authority in the future or available funds of the University. The Authority 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, a portion of which is expected to be paid off from a portion of the proceeds of the Bonds.

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 Authority and MDFA Bonds

The table on the following page sets forth for each fiscal year ending June 30, the debt service due on bonds issued by the Authority and the MDFA on behalf of the University following the issuance of the Bonds, and the refunding of the Refunded Bonds, as described in the front part of this Official Statement under the heading “Plan of Refunding.”

[Remainder of page intentionally left blank]
## Annual Debt Service on Authority and MDFA Bonds

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Outstanding Authority Bonds&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Outstanding MDFA Bonds</th>
<th>Total&lt;sup&gt;(1)(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$186,863,725</td>
<td>$15,825,045</td>
<td>$202,688,770</td>
</tr>
<tr>
<td>2016</td>
<td>209,723,106</td>
<td>13,946,114</td>
<td>223,669,220</td>
</tr>
<tr>
<td>2017</td>
<td>208,769,781</td>
<td>14,644,658</td>
<td>223,414,439</td>
</tr>
<tr>
<td>2018</td>
<td>209,726,868</td>
<td>11,203,864</td>
<td>220,930,732</td>
</tr>
<tr>
<td>2019</td>
<td>211,553,291</td>
<td>11,216,166</td>
<td>222,769,457</td>
</tr>
<tr>
<td>2020</td>
<td>211,366,125</td>
<td>11,106,574</td>
<td>222,472,699</td>
</tr>
<tr>
<td>2021</td>
<td>210,943,943</td>
<td>11,132,719</td>
<td>222,076,662</td>
</tr>
<tr>
<td>2022</td>
<td>199,176,972</td>
<td>11,074,163</td>
<td>210,251,135</td>
</tr>
<tr>
<td>2023</td>
<td>199,355,391</td>
<td>11,056,925</td>
<td>210,412,316</td>
</tr>
<tr>
<td>2024</td>
<td>198,897,531</td>
<td>11,049,891</td>
<td>209,947,422</td>
</tr>
<tr>
<td>2025</td>
<td>182,176,677</td>
<td>11,318,403</td>
<td>193,495,080</td>
</tr>
<tr>
<td>2026</td>
<td>185,273,430</td>
<td>11,523,406</td>
<td>196,796,836</td>
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<tr>
<td>2027</td>
<td>180,910,399</td>
<td>11,180,325</td>
<td>192,090,724</td>
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<td>179,581,523</td>
<td>11,161,731</td>
<td>190,743,254</td>
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<tr>
<td>2029</td>
<td>175,870,955</td>
<td>11,159,194</td>
<td>187,030,149</td>
</tr>
<tr>
<td>2030</td>
<td>164,398,504</td>
<td>11,149,931</td>
<td>175,548,435</td>
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<tr>
<td>2031</td>
<td>147,664,049</td>
<td>30,793,281</td>
<td>178,457,330</td>
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<td>2032</td>
<td>148,078,070</td>
<td>10,418,800</td>
<td>158,496,870</td>
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<tr>
<td>2033</td>
<td>147,331,224</td>
<td>1,988,600</td>
<td>149,319,824</td>
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<td>2034</td>
<td>131,334,683</td>
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<td>133,319,883</td>
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<tr>
<td>2035</td>
<td>146,048,331</td>
<td>1,983,900</td>
<td>148,032,231</td>
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<tr>
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<td>159,431,445</td>
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<td>159,431,445</td>
</tr>
<tr>
<td>2037</td>
<td>158,494,704</td>
<td>-</td>
<td>158,494,704</td>
</tr>
<tr>
<td>2038</td>
<td>150,616,111</td>
<td>-</td>
<td>150,616,111</td>
</tr>
<tr>
<td>2039</td>
<td>142,991,750</td>
<td>-</td>
<td>142,991,750</td>
</tr>
<tr>
<td>2040</td>
<td>115,760,470</td>
<td>-</td>
<td>115,760,470</td>
</tr>
<tr>
<td>2041</td>
<td>114,285,318</td>
<td>-</td>
<td>114,285,318</td>
</tr>
<tr>
<td>2042</td>
<td>84,413,908</td>
<td>-</td>
<td>84,413,908</td>
</tr>
<tr>
<td>2043</td>
<td>84,415,423</td>
<td>-</td>
<td>84,415,423</td>
</tr>
<tr>
<td>2044</td>
<td>81,390,276</td>
<td>-</td>
<td>81,390,276</td>
</tr>
<tr>
<td>2045</td>
<td>56,247,741</td>
<td>-</td>
<td>56,247,741</td>
</tr>
<tr>
<td>2046</td>
<td>21,884,100</td>
<td>-</td>
<td>21,884,100</td>
</tr>
</tbody>
</table>

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

<sup>(2)</sup> 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 Authority 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.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Net Assets</td>
<td>$600,473,000</td>
<td>$655,481,000</td>
<td>$707,091,000</td>
<td>$757,655,000</td>
<td>$825,611,000</td>
</tr>
</tbody>
</table>

* 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 the Authority, the University may, without limit, issue additional indebtedness or request the Authority 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 the Authority 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 the Authority, (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 the Authority located on a campus of the University, such as the Mullins Center, dining commons and most dormitories, are insured by the Authority. 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 Autootive 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 identity 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 Contergix 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 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 consortia 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.

UNIVERSITY OF MASSACHUSETTS

By: /s/ Christine M. Wilda
Christine M. Wilda
Senior Vice President for
Administration & Finance and Treasurer
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FINANCIAL STATEMENTS OF THE AUTHORITY
Financial Statements and Report of Independent Certified Public Accountants

University of Massachusetts Building Authority (A Component Unit of the University of Massachusetts)

June 30, 2014 and 2013
## Contents

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<td>3</td>
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<td>Statements of Net Position</td>
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<td>Statements of Cash Flows</td>
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<td>16</td>
</tr>
</tbody>
</table>
Report of Independent Certified Public Accountants

Members of the Board
University of Massachusetts Building Authority

We have audited the accompanying financial statements of the University of Massachusetts Building Authority (the "Authority"), a component unit of the University of Massachusetts, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information
Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (“MD&A”) as listed in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financing reporting for placing the financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD&A information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

Boston, Massachusetts
December 18, 2014
This section of the annual financial statements of University of Massachusetts Building Authority (the “Authority”) presents a discussion and analysis of the Authority’s financial activity for the fiscal years ended June 30, 2014 and 2013. This discussion and analysis has been prepared by management and should be read in conjunction with, and is qualified in its entirety by, the Authority’s financial statements and related note disclosures.

INTRODUCTION

The Authority is an independent body politic and corporate and a public instrumentality of the Commonwealth of Massachusetts (the “Commonwealth”), which was created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended (the “Enabling Act”). The Authority was created with the general purposes of providing dormitories, dining commons and other buildings and structures for use by the University of Massachusetts (the “University”), its students, staff and their dependents and other entities associated with the University as specified in the Enabling Act, as requested by authority of the Trustees of the University (the “Trustees”).

The Authority is empowered to acquire, construct, remove, demolish, add to, alter, enlarge, reconstruct, remodel and do other work upon any building or structure and to provide and install furnishings, furniture, machinery, equipment, approaches, driveways, walkways, parking areas, planting, landscaping and other facilities therein. The Enabling Act authorizes the Authority to acquire property from the Commonwealth or others (but the Authority has no eminent domain power), to rent or lease as lessor or lessee any portion of a project, to operate projects, to employ experts and other persons, to enter into contracts, to borrow money to finance and refinance projects it undertakes, and to issue and sell its revenue bonds and notes which are payable solely from its revenues. The Authority’s assets and projects are located on all five campuses of the University. The 11 members of the Authority are appointed by the Governor. Five of the members must be Trustees. Two of the other members must be graduates of the University. Non-trustee members serve terms of approximately six years. Trustee members serve as long as they are Trustees. Members whose terms expire continue as members until they are reappointed or replaced.

FINANCIAL HIGHLIGHTS

- The net position of the Authority continued to grow, reaching $734.2 million in fiscal year 2014 compared to $581.9 million in fiscal year 2013.
- Capital spending totaled $459.0 million in fiscal year 2014 which represents a $102.1 million decrease as compared to fiscal year 2013. A majority of the capital spending in fiscal year 2014 relates to investments in new buildings and renovation projects, which include the McGuirk Stadium, the Lincoln Campus Center Dining Renovations and the Champions Center at the Amherst campus, the University Crossing Campus Center and renovations to the Leitch and Bourgeois dormitories at the Lowell campus, and the General Academic Building and Utility Corridor and Roadway Relocation Project at the Boston campus.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s financial statements comprise two primary components: 1) the financial statements and 2) the notes to the financial statements.
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The Financial Statements

The accompanying financial statements are designed to provide readers with a broad overview of the Authority's finances and are comprised of three basic statements.

The statements of net position present information on all of the Authority’s assets, liabilities, and deferred outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses and changes in net position present information that shows how the Authority’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payments to vendors after year-end for services prior to year-end).

The statements of cash flows are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., income from contracts) and disbursements (e.g., cash paid to vendors for services), as well as capital and related financing and noncapital financing activities.

The financial statements can be found on pages 12 to 15 of this report.

The Authority’s financial statements report its activities as business-type, in accordance with generally accepted accounting principles in the United States for government entities, using the economic resources measurement focus, and the full accrual basis of accounting.

The Authority is a blended component unit of the University. Therefore, the results of the Authority’s operations, its net position, and its cash flows are included in the University’s financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding the accounting policies the Authority has adopted as well as additional details of certain amounts contained in the financial statements.

The notes to the financial statements can be found on pages 16 to 41 of this report.
MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued

Financial Analysis

As noted earlier, over time the Authority’s net position may serve as a useful indicator of the Authority’s financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities by $734.2 million at the close of the most recent fiscal year.

A portion of the Authority’s net position reflects its investment in capital assets (e.g. buildings, equipment and furnishings) less any related debt used to acquire those assets that is still outstanding for the most recent fiscal year. The Authority uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the Authority’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Authority’s primary sources of funds used to repay the debt are receipts related to the Authority’s financial contracts with the University. These contracts generally call for the Authority to bill and collect all revenue from the projects and remit to the Trustee under the Authority’s trust agreements (the “Bond Trustee”) funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects.

University of Massachusetts Building Authority’s net position (in thousands) is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 78,300</td>
<td>$ 69,363</td>
<td>$ 55,061</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>3,243,826</td>
<td>2,765,143</td>
<td>2,462,075</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,322,126</td>
<td>2,834,506</td>
<td>2,517,136</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>112,880</td>
<td>109,152</td>
<td>145,355</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>318,417</td>
<td>389,404</td>
<td>479,064</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>2,382,357</td>
<td>1,972,348</td>
<td>1,674,666</td>
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<tr>
<td>Total liabilities</td>
<td>2,700,774</td>
<td>2,361,752</td>
<td>2,153,730</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>681,352</td>
<td>535,356</td>
<td>470,821</td>
</tr>
<tr>
<td>Restricted</td>
<td>47,721</td>
<td>43,460</td>
<td>36,975</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,159</td>
<td>3,090</td>
<td>965</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 734,232</td>
<td>$ 581,906</td>
<td>$ 508,761</td>
</tr>
</tbody>
</table>

Note: The impact of adoption of GASB Statement 65 has been applied retroactively to all periods presented within MD&A. In addition, all adjustments related to contract revenues and related accounts receivables has been reflected in all periods processed. Refer to Note B of the financial statements for further discussions.

Current assets increased in the fiscal year 2014 compared to 2013 primarily due to increases in cash of approximately $1.2 million and increases in receivables of $7.8 million. Current assets increased in the fiscal year 2013 compared to 2012 primarily due to increases in cash of approximately $5.7 million and increases in receivables of $8.7 million.
Non-current assets continued to increase in fiscal year 2014 and fiscal year 2013 due to additional spending on new and existing projects. Capital assets, net of depreciation, totaled $2.6 billion as of June 30, 2014 compared to $2.2 billion as of June 30, 2013.

Deferred outflows of resources totaled $112.9 million, $109.2 million, and $145.4 million at the end of fiscal year 2014, 2013 and 2012, respectively. These amounts relate to the Authority’s effective hedging relationship related to its outstanding interest rate swap agreements (“swaps”). In accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (“GASB No. 53”), the Authority is able to defer the related changes in fair value as a deferred outflow at year-end. In addition, the Authority adopted GASB 65 effective July 1, 2012. In connection with this new standard any loss on refunding of debt is now reported as a component of deferred outflows. It was previously reported as a reduction of bonds payable.

Current liabilities decreased in fiscal year 2014 compared to 2013 by $71.0 million primarily due to a decrease of $123.0 million in the current portion of bonds payable which was partially offset by an increase in commercial paper of $50.0 million and an increase in other liabilities of $8.1 million. The $123.0 million decrease in the current portion of bonds payable in fiscal year 2014 compared to 2013 is primarily due to the Senior Series 2011-1 bonds (“2011-1 bonds”). In fiscal year 2013, the entire balance of the 2011-1 bonds was classified as a current liability because the stand-by bond purchase agreement supporting these bonds expired during fiscal year 2014. This agreement was extended during fiscal year 2014 and the entire balance totaling $131.0 million was classified as long-term as of June 30, 2014.

Current liabilities decreased in fiscal year 2013 compared to fiscal year 2012 by $89.6 million primarily due to a decrease of $87.6 million in the current portion of bonds payable. In fiscal year 2012, the 2008-1 and 2008-A variable rate bonds were classified as current because the liquidity facilities supporting the 2008-1 and 2008-A bonds expired in April 2013. During fiscal year 2013, the Authority entered into new standby bond purchase agreements to support the 2008-1 and 2008-A variable rate bonds. These agreements expire in April 2016 and, as a result of the new agreements, the Authority classified these bonds as long-term debt in fiscal year 2013. This decrease was offset by the classification of the 2011-1 bonds as current as described in the preceding paragraph. Also, in fiscal year 2014, 2013, and 2012, the Authority classified its 2011-2 window bonds as current because the 2011-2 window bonds have no supporting liquidity facility. Consistent with prior years, the Authority expects to redeem this bond based on its original amortization schedule which calls for principal reductions each year through 2034.

Non-current liabilities increased in fiscal year 2014 compared to 2013 by $410.0 million primarily due to an increase in long-term debt of $405.2 million. During 2014, the Authority issued $490.5 million of new debt, and classified the 2011-1 as long-term from current liabilities. These increases in long-term debt were offset by a $151.7 million decrease in the bonds payable associated with the partial refunding of the 2009-1 and the 2005-2 bonds and principal payments of $67.3 million. In fiscal year 2013 compared to fiscal year 2012, non-current liabilities increased by $297.6 million primarily due to an increase in long-term debt of $330.1 million due to issuances of new debt.

Net investment in capital assets represents capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt, as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted net position represents funds primarily restricted for capital projects and debt service. Capital project restricted net assets are funds primarily provided by debt financing for the completion of University projects. The debt service restricted component of net position represents the funds primarily provided as additional collateral to the bond holders (e.g. debt service reserve funds).
Unrestricted net position represents those funds that are not subject to restrictions, or for which restrictions have expired.

The Authority’s changes in net position (in thousands) are presented in the table below. It should be noted that, primarily due to the implementation of GASB Statement 65 during fiscal year 2014 as described in Note B, the net position at the beginning of fiscal year 2013 was adjusted and certain reclassifications have been made to the fiscal year 2013 and 2012 balances to conform to the presentation used in fiscal year 2014:

<table>
<thead>
<tr>
<th>For the year ended</th>
<th>For the year ended</th>
<th>For the year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing income and fees for services</td>
<td>$159,417</td>
<td>$146,518</td>
</tr>
<tr>
<td>Interest income and interest subsidies, net</td>
<td>15,420</td>
<td>16,737</td>
</tr>
<tr>
<td>Grants from HUD and other income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>174,837</td>
<td>163,255</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility operating costs</td>
<td>5,554</td>
<td>5,176</td>
</tr>
<tr>
<td>Interest expense</td>
<td>74,773</td>
<td>70,105</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>72,462</td>
<td>53,877</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>6,163</td>
<td>4,113</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>158,952</td>
<td>133,271</td>
</tr>
<tr>
<td>Net operating income</td>
<td>15,885</td>
<td>29,984</td>
</tr>
<tr>
<td>Total non-operating income (expenses)</td>
<td>2,995</td>
<td>2,850</td>
</tr>
<tr>
<td>Total capital contributions</td>
<td>133,446</td>
<td>40,311</td>
</tr>
<tr>
<td>Change in net position</td>
<td>152,326</td>
<td>73,145</td>
</tr>
<tr>
<td>Net position at the beginning of the year</td>
<td>581,906</td>
<td>508,761</td>
</tr>
<tr>
<td>Net position at the end of the year</td>
<td>$734,232</td>
<td>$581,906</td>
</tr>
</tbody>
</table>
FINANCING INCOME AND FEES FOR SERVICES are primarily related to contracts the Authority has with the University. The Authority has entered into various contracts with the University, acting by and through the Trustees, related to the management of certain Authority projects and the payment to the Authority of certain fees and operating costs. The Authority fixes fees, rents, rates and other charges for the use of its projects in amounts sufficient to provide for the debt service and other payments related to the Authority’s obligations and for the Authority’s operating expenses. These contracts generally call for the Trustees to bill and collect all revenue derived from the projects and remit to the Authority or to the trustee under the Authority’s trust agreements funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects the amounts fluctuate based on the debt service requirements of the Authority bonds in any particular year. Revenue increased by $12.9 million in fiscal year 2014 compared to fiscal year 2013 primarily because the Authority charged the campuses more in debt service than the prior year. Revenue increased by $14.3 million in fiscal year 2013 compared to fiscal year 2012 for the same reason.

INTEREST INCOME, and INTEREST SUBSIDY - UNITED STATES GOVERNMENT decreased by 7.9%, or $1.3 million, in fiscal year 2014 compared to fiscal year 2013 due to lower investments compared to the prior year. Interest income decreased by $1.0 million in fiscal year 2014 compared to fiscal year 2013 due to a reduction in the balance of investments at June 30, 2014 compared to the prior year. Cash and cash equivalents increased by $171.9 million and investments decreased by $79.8 million in fiscal year 2014 compared to fiscal year 2013. Interest income and interest subsidies, net decreased by $3.0 million in fiscal year 2013 compared to fiscal year 2012 due to lower cash, cash equivalents and investments compared to the prior year. Cash and cash equivalents and investments decreased by $51.4 million and $145.0 million, respectively in fiscal year 2013 compared to fiscal year 2012, in order to fund current capital activities.

In fiscal year 2014, 2013 and 2012, the Authority recorded revenue associated with the interest rate subsidy provided by the United States Government related to the Authority’s issuance of bonds under the Build America Bond (“BAB”) program. Under the program, the Government provides a direct 35% subsidy of the interest rate paid to bondholders. The interest paid to bondholders is based on the taxable, rather than the tax-exempt, debt market and the interest received by the bondholders is fully taxable to them. During fiscal year 2013, the federal government implemented automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. As a result, the Authority’s November 1, 2013 and May 1, 2014 subsidy payments related to the Senior Series 2009-2 Project Revenue Build America Bonds and the Senior Series 2010-2 Project Revenue Build America Bonds were reduced by 8.7% and 7.2%, respectively. The Authority’s May 1, 2013 subsidy payments related to the Senior Series 2009-2 Project Revenue Build America Bonds and the Senior Series 2010-2 Project Revenue Build America Bonds were reduced by 8.7% due to sequestration. This reduction accounts for the $664,982 and $602,000 decrease in Interest Subsidy Revenue in fiscal years 2014 and 2013 compared to fiscal year 2012.

FACILITY OPERATING COSTS primarily reflect the operating costs of the UMass Club, certain operating costs of the Authority, rental expenses and expenses paid by the Authority out of reserves for maintenance of Authority-owned buildings. Facility operating costs increased in fiscal year 2014 compared to fiscal year 2013 due to an increase in Authority operating costs and utilities. In fiscal year 2013, costs increased compared to the prior year due to an increase in Authority operating costs and an increase in rental agreements.

INTEREST EXPENSE represents interest paid to the holders of Authority issued debt. In fiscal year 2014, interest expense increased by $4.6 million compared to the prior year. This increase is primarily due to an increase of $282.2 million in total bonds payable during fiscal year 2014, and an increase in associated interest expense due to the new 2013-3, 2014-1, 2014-2, and 2014-4 debt issuances. In fiscal year 2013, expenses increased by $22.1 million compared to the prior year. (See Note E for more information on fiscal year 2013 and 2014 issues).
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Depreciation and amortization in fiscal years 2014, 2013 and 2012 increased as additional new capital assets were placed into service during those years.

Non-operating income is $3.0 million and $2.9 million in fiscal year 2014 and fiscal year 2013, respectively. In fiscal year 2014 the Authority sold two buildings at the Lowell campus with a net book value of $214,000 for proceeds of $3.2 million in the effort to consolidate academic and core campus activities on its main campus. Non-operating income in fiscal year 2013 related to an appropriation from the Commonwealth to fund the construction of the ETIC project at the Lowell campus.

Capital contributions represent certain grants and gifts provided to the Authority for capital construction at the five campuses. In fiscal year 2014, the University and the state Division of Capital Asset Management and Maintenance (“DCAMM”) contributed $85.3 million and $10.0 million worth of construction, respectively, to the Authority for the Life Sciences Laboratory project at the Amherst campus. In 2014, the Authority also received $14.6 million from the University to fund the construction of the following projects at the Amherst campus: Lincoln Campus Center Dining, Commonwealth Honors College residence and walkway, Hampshire Dining Commons, Furcolo Hall renovations, and McGuirk Stadium improvements. During fiscal years 2010-2013, the Authority was receiving payments under a $90 million funding agreement with the Massachusetts Life Sciences Center (“MLSC”) for the Sherman Center Project on the Worcester campus. The Authority received the final $16.7 million payment of that grant during fiscal year 2013. In 2013, the Authority also recorded MLSC grant revenue of $13.8 million related to the Bioprocessing Center at the Dartmouth campus and $4.3 million related to the Emerging Technology Innovation Center (“ETIC”) on the Lowell campus. In 2013, the Authority received $3.0 million from the University to fund the construction of Fox Hill Dining in Lowell. In 2013, Amherst contributed $1.9 million to the Authority to fund the Life Sciences Laboratory at the Amherst campus. In fiscal year 2012, the Authority received a grant from the Commonwealth of Massachusetts of $420,000.

CAPITAL ASSETS OF THE AUTHORITY

The Authority’s investment in capital assets as of June 30, 2014 and 2013 amounted to $2.6 billion and $2.2 billion, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings, improvements, furnishings and equipment. Net capital assets increased by $387.7 million or 17.8% in fiscal year 2014. This increase was primarily due to capital improvements and construction in progress outpacing depreciation expenses as follows:

- Buildings and building components increased by $447.2 million, net of accumulated depreciation, in fiscal year 2014. The increase was primarily due to placing in service of newly constructed and renovations of existing buildings on the Amherst, Boston, Dartmouth, and Lowell campuses.

- Construction in progress (“CIP”) decreased $68.4 million in fiscal year 2014 as the Authority transferred a number of significant projects from CIP to depreciable property as follows: the Commonwealth Honors College Residence, Power Plant Project, Hampshire Dining Commons and the Life Science Laboratorie...
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

DEBT OF THE AUTHORITY

The Authority carries debt in the form of bond obligations. This debt was approximately $2.5 billion and $2.2 billion at June 30, 2014 and 2013, respectively. The increase of $282.2 million in fiscal year 2014 is primarily attributable to the Authority’s issuance of new debt totaling $490.5 million (with an associated premium of $23.0 million) during fiscal year 2014 offset by refundings totaling $151.7 million and by $12.2 million of bond payments and premium/discount amortization. On July 17, 2013, the Building Authority issued $24.7 million of Senior Series 2013-3 Project and Refunding Revenue Bonds (the “2013-3 Bonds”). The 2013-3 Bonds included a premium of $1.2 million. The 2013-3 Bonds are tax-exempt and mature at various dates through 2043. The interest on these bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 4.00% to 5.00%. The 2013-3 bonds were issued to finance and refinance a project set forth in the University’s capital plan, the Edward M. Kennedy Institute for the United States Senate on the Boston campus of the University (the “EMK Project”).

On February 5, 2014, the Building Authority issued $293.9 million of Senior Series 2014-1 Project Revenue Bonds (the “2014-1 Bonds”). The 2014-1 Bonds include a premium of $21.8 million. The 2014-1 Bonds are tax-exempt and mature at various dates through 2044. The interest on these bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 3.00% to 5.00%. On February 5, 2014, the Building Authority issued $14.1 million of Senior Series 2014-2 Project Revenue Bonds (the “2014-2 Bonds”). The 2014-2 Bonds are tax-exempt and mature at various dates through 2019. The interest on these bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 0.44% to 2.109%. The 2014-1 and 2014-2 bonds will be used to finance capital projects located on the Amherst, Boston, and Lowell campuses included in the University’s capital plan.

On May 20, 2014, the Building Authority issued $157.9 million of Senior Series 2014-4 Project Revenue Bonds (the “2014-4 Bonds”). The 2014-4 Bonds are tax-exempt and mature at various dates through 2025. The interest on these bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 0.2% to 3.381%. The 2014-4 bonds were issued to refinance a portion of the Senior Series 2005-2 bonds.

In fiscal year 2014, the Authority initiated a commercial paper program; commercial paper is a low-cost alternative financing vehicle that allows the Authority to draw on funds on short notice. On August 13, 2013, the Authority issued Commercial Paper Notes, Series 2013A and 2013B in the amount of $50.0 million. The maximum aggregate principal amount of commercial paper which may be outstanding at any one time is $200.0 million. A portion of these notes is secured by an Irrevocable Letter of Credit (“LOC”) provided by State Street Bank and Trust Company (“State Street”) with respect of the $125.0 million Commercial Paper Notes, Series 2013A, which expires in August 2016. The remaining $75.0 million Commercial Paper Notes, Series 2013B are secured by a Standby Liquidity Facility Agreement provided by U.S. Bank National Association, which also expires in August 2016.

The amount of bond obligation guaranteed by the Commonwealth on bonds outstanding series 2004-A, 2008-A, and 2011-2 was $125.6 million and $129.5 million at June 30, 2014 and June 30, 2013, respectively. Refer to Note E of the financial statements for more information.

As of June 30, 2014, the ratings assigned to the Authority’s bonds are as follows: Aa2 by Moody’s Investor Services, AA by Fitch Ratings, and AA- by Standard and Poor’s Investor Services.
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

THE UNIVERSITY OF MASSACHUSETTS CLUB

The Authority operates the University of Massachusetts Club (the “Club”). The Club is a private club open to membership for alumni, faculty, staff and friends of the University and is located on the 33rd floor of 225 Franklin Street in downtown Boston, Massachusetts. The Club is managed by UMass Club Management, LLC, a wholly owned subsidiary of ClubCorp USA, a nationally known business club management company. More information can be found on the Club’s web site, www.umassclub.com.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in them. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, University of Massachusetts Building Authority, 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110. Additional information on the Authority can be found on its web site, www.umassba.net.
**UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY**  
(A Component of the University of Massachusetts)  
**Statements of Net Position**  
June 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes B and C)</td>
<td>$19,711,223</td>
<td>$18,565,616</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance of $15,697 and $7,900, respectively</td>
<td>215,590</td>
<td>218,557</td>
</tr>
<tr>
<td>Intergovernmental receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Massachusetts Life Sciences Center</td>
<td>18,771,110</td>
<td>16,860,547</td>
</tr>
<tr>
<td>United States Government</td>
<td>2,142,726</td>
<td>2,308,971</td>
</tr>
<tr>
<td>University of Massachusetts</td>
<td>36,082,074</td>
<td>29,780,169</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>49,826</td>
<td>301,777</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>1,327,034</td>
<td>1,326,799</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>78,299,583</td>
<td>69,362,436</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes B and C)</td>
<td>676,075,388</td>
<td>505,303,700</td>
</tr>
<tr>
<td>Investments (Notes B and C)</td>
<td>5,318,056</td>
<td>85,103,420</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation (Note D)</td>
<td>2,562,312,428</td>
<td>2,174,606,458</td>
</tr>
<tr>
<td>Other assets</td>
<td>120,235</td>
<td>129,374</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>3,243,826,107</td>
<td>2,765,142,952</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$3,322,125,690</td>
<td>$2,834,505,388</td>
</tr>
</tbody>
</table>

**Deferred Outflows of Resources**

- Fair value of interest rate swap agreements: 41,081,628
- Loss on debt refunding: 71,798,692

**Total deferred outflows of resources**: 112,880,320

**Total assets and deferred outflows of resources**: 3,435,006,010

**Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$48,776,535</td>
<td>$46,223,227</td>
</tr>
<tr>
<td>Retainage payable to contractors</td>
<td>11,115,976</td>
<td>19,481,032</td>
</tr>
<tr>
<td>Bonds payable, current portion (Note E)</td>
<td>174,625,001</td>
<td>297,599,998</td>
</tr>
<tr>
<td>Commercial paper notes (Note F)</td>
<td>50,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Accrued bond interest payable</td>
<td>18,159,319</td>
<td>18,453,957</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>15,739,780</td>
<td>7,645,370</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>318,416,611</td>
<td>389,403,584</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable, net of current portion and unamortized bond premium (Note E)</td>
<td>2,303,067,212</td>
<td>1,897,887,824</td>
</tr>
<tr>
<td>Derivative instruments - interest rate swap agreements (Note E)</td>
<td>68,844,006</td>
<td>69,325,882</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>10,446,265</td>
<td>5,133,889</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>2,382,357,483</td>
<td>1,972,347,595</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,700,774,094</td>
<td>2,361,751,179</td>
</tr>
</tbody>
</table>

**Net Position**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>681,352,339</td>
<td>535,355,372</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital projects</td>
<td>319,481</td>
<td>1,958,830</td>
</tr>
<tr>
<td>Debt service</td>
<td>47,401,152</td>
<td>41,501,694</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,158,944</td>
<td>3,090,202</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$734,231,916</td>
<td>$581,906,098</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
### (A Component of the University of Massachusetts)
### Statements of Revenues, Expenses and Changes in Net Position
### For the Years Ended June 30, 2014 and 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing income and fees for services</td>
<td>$159,416,714</td>
<td>$146,518,006</td>
</tr>
<tr>
<td>Interest income</td>
<td>3,190,394</td>
<td>4,213,757</td>
</tr>
<tr>
<td>Interest subsidy - United States Government</td>
<td>12,586,204</td>
<td>13,251,186</td>
</tr>
<tr>
<td>Realized and unrealized (losses) gains on investments, net</td>
<td>(356,384)</td>
<td>(727,859)</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>174,836,928</td>
<td>163,255,090</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility operating costs</td>
<td>5,553,922</td>
<td>5,175,549</td>
</tr>
<tr>
<td>Interest expense</td>
<td>74,772,551</td>
<td>70,105,170</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>72,462,481</td>
<td>53,877,408</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,321,405</td>
<td>1,166,619</td>
</tr>
<tr>
<td>Professional fees</td>
<td>4,676,129</td>
<td>2,785,232</td>
</tr>
<tr>
<td>Office, administration and miscellaneous</td>
<td>165,983</td>
<td>160,338</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>158,952,471</td>
<td>133,270,316</td>
</tr>
<tr>
<td><strong>Net operating income</strong></td>
<td>15,884,457</td>
<td>29,984,774</td>
</tr>
<tr>
<td><strong>Non-operating revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td>-</td>
<td>2,850,000</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>2,994,977</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>2,994,977</td>
<td>2,850,000</td>
</tr>
<tr>
<td><strong>Capital contributions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Massachusetts (Note G)</td>
<td>102,612,330</td>
<td>4,944,000</td>
</tr>
<tr>
<td>Massachusetts Life Sciences Center</td>
<td>20,866,666</td>
<td>35,366,481</td>
</tr>
<tr>
<td>Commonwealth of Massachusetts</td>
<td>9,967,388</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total capital contributions</strong></td>
<td>133,446,384</td>
<td>40,310,481</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td>152,325,818</td>
<td>73,145,255</td>
</tr>
<tr>
<td><strong>Net position at beginning of year</strong></td>
<td>581,906,098</td>
<td>508,760,843</td>
</tr>
<tr>
<td><strong>Net position at end of year</strong></td>
<td>$734,231,916</td>
<td>$581,906,098</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY  
(A Component of the University of Massachusetts)  
Statements of Cash Flows  
For the Years Ended June 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from financing income, fees for services and other income</td>
<td>$153,126,680</td>
<td>$142,124,783</td>
</tr>
<tr>
<td>Cash from U.S. Government for BABs interest subsidy</td>
<td>12,752,449</td>
<td>13,251,186</td>
</tr>
<tr>
<td>Cash from investments</td>
<td>2,167,772</td>
<td>2,956,485</td>
</tr>
<tr>
<td>Payments to bondholders for interest</td>
<td>(104,105,987)</td>
<td>(92,970,340)</td>
</tr>
<tr>
<td>Payments to vendors and suppliers</td>
<td>(12,129,555)</td>
<td>(4,881,577)</td>
</tr>
<tr>
<td>Payments of salaries and benefits</td>
<td>(2,517,610)</td>
<td>(2,246,972)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>49,293,749</td>
<td>58,233,565</td>
</tr>
</tbody>
</table>

| **Cash flows from capital and related financing activities** |               |               |
| Capital asset expenditures | (337,343,809) | (533,567,577) |
| Repayment of bond principal | (67,375,000)  | (60,775,000)  |
| Repayment of commercial paper obligations | (20,000,000) | -             |
| Bond issuance expenses paid | (3,646,915)   | (2,151,423)   |
| Proceeds from commercial papers | 70,000,000    | -             |
| Proceeds from state appropriation | -            | 2,850,000     |
| Proceeds from capital contributions | 36,462,950    | 36,035,189    |
| Proceeds from bond obligations | 338,805,000   | 284,375,000   |
| Proceeds from bond premium | 23,067,206    | 19,376,741    |
| **Net cash provided by (used in) capital and related financing activities** | 39,969,432    | (253,857,070) |

| **Cash flows from investing activities** |               |               |
| Proceeds from sale of investments | 79,339,914    | 144,233,765   |
| Proceeds from sale of capital assets | 3,314,200     | -             |
| **Net cash provided by investing activities** | 82,654,114    | 144,233,765   |
| **Net increase (decrease) in cash and cash equivalents** | 171,917,295   | (51,389,740)  |

| **Cash and cash equivalents - beginning of year** | 523,869,316   | 575,259,056   |
| **Cash and cash equivalents - end of year** | $695,786,611  | $523,869,316  |

The accompanying notes are an integral part of these financial statements.
**UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY**  
(A Component of the University of Massachusetts)  
Statements of Cash Flows - Continued  
For the Years Ended June 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013 adjusted (Note B)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reconciliation of operating income to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating income</td>
<td>$15,884,457</td>
<td>$29,984,774</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile net operating income to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>(27,917,500)</td>
<td>(27,410,615)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>68,909,715</td>
<td>57,591,448</td>
</tr>
<tr>
<td>Unrealized (gain) loss from investments</td>
<td>356,384</td>
<td>(607,133)</td>
</tr>
<tr>
<td>Change in bad debt reserve</td>
<td>(7,782)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>251,951</td>
<td>99,460</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(235)</td>
<td>167,964</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(2,426,697)</td>
<td>(92,159)</td>
</tr>
<tr>
<td>Other assets</td>
<td>9,139</td>
<td>9,139</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable - non-construction related</td>
<td>(1,591,022)</td>
<td>8,471</td>
</tr>
<tr>
<td>Accrued bond interest payable</td>
<td>(294,638)</td>
<td>2,960,423</td>
</tr>
<tr>
<td>Accounts receivable (University billing)</td>
<td>(3,880,023)</td>
<td>(4,478,207)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$49,293,749</td>
<td>$58,233,565</td>
</tr>
</tbody>
</table>

**Supplemental disclosure of cash flow information**

- **Non-cash capital and related financing activities:**
  - Capital assets acquired and included in accounts and retainage payable and other liabilities | $80,366,251 | $77,079,980 |
  - Capital assets transferred from Amherst campus and the Commonwealth of Massachusetts, as part of capital contribution | $95,239,116 | - |
  - In fiscal year 2014, the Authority issued Project and Refunding revenue bonds to refund certain debt issued in 2005 and 2009, as described in the Note E of the financial statements. | $151,665,000 | - |

The accompanying notes are an integral part of these financial statements.
NOTE A – OPERATIONS OF THE AUTHORITY

The University of Massachusetts Building Authority (the “Authority” or “UMBA”) is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) and was created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended (the “Enabling Act”). The purpose of the Authority are to provide dormitories, dining commons and other buildings and structures for use by the University of Massachusetts (the “University”), its students, staff and their dependents and other entities associated with the University as requested by authority of the Trustees of the University (the “Trustees”).

The Enabling Act provides that the Authority shall have eleven members, five of whom shall also be trustees of the University. Members of the Authority are appointed by the Governor of the Commonwealth. Non-trustee members serve terms of approximately six years while trustee members serve until they are no longer trustees of the University. Members whose terms have expired continue to be members until reappointed or replaced.

The major functions of the Authority include the issuance of bonds to finance projects requested by the Trustees; the planning and construction or renovations related to those projects; the setting and collection of fees, rents, rates and other charges related to such projects; debt service administration; and maintenance and repair of its projects. In conjunction with its financings, the Authority has entered into contracts with the Commonwealth, acting by and through the Trustees, with respect to its projects that provide for payments for debt service and other costs of the financings as well as the operating costs of the Authority and its projects.

As stated in the Enabling Act, the Authority may sell bonds and notes, in either a public or private sale, at a price and with such terms as it may determine are in the best interest of the Authority, provided that the bonds of each issue mature no later than fifty years from their date and the sale and terms thereof have been approved by the Treasurer and Receiver-General and the Secretary of Administration and Finance of the Commonwealth or their designees.

The Authority is a component unit of the University of Massachusetts which is a component unit of the Commonwealth of Massachusetts and is exempt from federal and state income tax under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. The Building Authority qualifies as a public charity under Section 170(b)(1)(A)(iv) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Authority’s financial statements are included in the University’s financial statements as a blended component unit.
NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority’s significant accounting policies are described below.

**Basis of Accounting**

The Authority’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, the Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses result primarily from providing, operating and maintaining Authority facilities for use by the University. The principal sources of operating revenues include financing income, which represents amounts needed for debt service and related expenses received from the University, income on investments held for capital construction and debt service requirements, and fees charged to the University for services. Operating expenses for the Authority include the interest expense on bonds, facility operating costs, depreciation of capital assets, professional fees and other administrative costs. All revenues and expenses not categorized as operating revenues and expenses are reported as non-operating.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of when the related cash flow takes place.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

Certain proceeds of the Authority’s bonds, as well as certain resources set aside for their repayment, are classified as restricted assets in the statement of net position because their use is limited by bond trust agreements.

The following sets forth the restricted cash and cash equivalent and investment balances as of June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital projects fund</td>
<td>$666,902,484</td>
<td>$497,525,400</td>
</tr>
<tr>
<td>Debt service fund</td>
<td>$9,172,904</td>
<td>$7,778,300</td>
</tr>
<tr>
<td><strong>Total restricted cash and cash equivalents</strong></td>
<td><strong>$676,075,388</strong></td>
<td><strong>$505,303,700</strong></td>
</tr>
<tr>
<td>Capital projects fund</td>
<td>$ -</td>
<td>$79,785,364</td>
</tr>
<tr>
<td>Debt service fund</td>
<td>$5,318,056</td>
<td>$5,318,056</td>
</tr>
<tr>
<td><strong>Total restricted investments</strong></td>
<td><strong>$5,318,056</strong></td>
<td><strong>$85,103,420</strong></td>
</tr>
</tbody>
</table>

Capital Assets and Depreciation

Property, Plant and Equipment are stated at cost on the date of acquisition, or at fair market value if contributed. Construction in progress is included as a capital asset. Construction in progress is stated at cost, which includes direct construction costs and other expenditures related to construction including capitalized interest, if any. All construction costs related to projects which are not yet completed are charged to construction in progress until such time as the projects are completed and placed in operation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets from the date the property is placed in operation. Land is not depreciated. The useful lives applicable to the Authority are as follows:

- Buildings: 20 to 50 years
- Building and leasehold improvements: 3 to 20 years
- Equipment: 4 to 10 years
- Furnishings: 3 to 10 years
NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**Capitalized Interest**

The Authority capitalizes interest costs incurred during the construction period of qualifying property assets. The amount of capitalized interest costs consists of all interest costs of the borrowing relating to the qualifying assets less any related interest earned from the date of the borrowing until the assets are ready for their intended use. Interest capitalized during the years ended June 30, 2014 and 2013 totaled approximately $27,917,500 and $27,410,600, respectively, net of interest income of $1,582,200 and $1,821,300, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash balances maintained in checking accounts, overnight repurchase agreements and amounts held in permitted money market mutual funds with an original maturity date of three months or less.

**Investments**

Investments in marketable securities are stated at fair value.

Investments in repurchase agreements are non-participating interest earning investment contracts and are recorded at cost. These repurchase agreements are secured by cash or investments with a fair market value between 100% and 105% of the repurchase price, depending on the type of asset used as security and the specific repurchase agreement. These repurchase agreements can be redeemed at any time for the repurchase price provided the redemption proceeds are used for a purpose permitted by the respective repurchase agreement.

Realized and unrealized gains (losses) on investments include the net changes in the fair value of investments.

**Net Position**

Net position is reported in three categories:

- **Net investment in capital assets** – This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt, as well as deferred outflows of resources that are attributed to the acquisition, construction or improvement of those assets.

- **Restricted component of net position** – This category consists of assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. Capital project restricted assets are funds primarily provided by debt financing for the completion of University projects. Debt service restricted assets are funds primarily provided as additional collateral to the bond holders (e.g. debt service reserve funds).

- **Unrestricted component of net position** – This category consists of net assets which do not meet the definition of the two preceding categories, and are available to support the Authority’s operations.
Grants and Capital Contributions

Capital contributions are generally grants for capital asset acquisition, facility development and long-term planning studies, and are reported in the statements of revenues, expenses and changes in net position after non-operating revenues and expenses as capital contributions when such items are capitalized. Non-capital grants are recognized as non-operating revenue. Revenue from these grants and similar items are recognized when all eligibility requirements imposed by the grantor have been met.

Insurance

The Owner-controlled Consolidated Insurance Program (OCIP) was established in March 2010 to provide insurance coverage for contractors on selected Authority capital projects. This program provides workers’ compensation and general liability insurance coverage for most contractors working on projects in the program. The program has a deductible component that is funded by the Authority. The deductible component is limited on both a per-occurrence basis and an aggregate basis for all OCIP-covered projects by so-called stop-loss insurance.

This exposure is partially secured by and paid out of an escrow trust fund set up for this purpose as a requirement of the stop-loss insurer. The total deductible exposure, plus unpaid OCIP-related insurance premiums and expenses committed to the OCIP is addressed by the Authority with an OCIP reserve of $10,446,265 and $5,133,889 as of June 30, 2014 and June 30, 2013, respectively, which is classified as Other Liabilities on the statement of net position. The OCIP reserve was netted against related capital assets in the fiscal year 2013 and reclassified to other liabilities to conform to the current year presentation.

Post-retirement benefits

The Commonwealth of Massachusetts is statutorily responsible for the pension benefits for members of the State Employees’ Retirement System (SERS), including employees of the University. The Authority’s staff is employed by the University, and as such, the Authority’s employees can participate in SERS, a single employer defined benefit public retirement system, covering substantially all employees of the Commonwealth and certain employees of independent authorities and agencies. The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the Commonwealth. SERS does not issue stand-alone financial statements; however, SERS financial information is contained in the Commonwealth Comprehensive Annual Financial Report and can be obtained by contacting the State Comptroller, One Ashburton Place, 9th floor, Boston, MA 02108.
Revenue recognition

The Authority’s major revenue source is the financing income and fees for services that are primarily related to contracts with the University. The Authority has entered into various contracts with the University, acting by and through the Trustees, related to the management of certain Authority projects and the payment to the Authority of certain fees and operating costs. The Authority fixes fees, rents, rates and other charges for the use of its projects in amounts sufficient to provide for the debt service and other payments related to the Authority’s obligations and for the Authority’s operating expenses. These contracts generally call for the Trustees to bill and collect all revenue derived from the projects and remit to the Authority or to the trustee under the Authority’s trust agreements funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects. Revenue is recognized when earned consistent with the accrual basis of accounting and is included in financing income and fees for services line item on the statement of revenues, expenses and changes in net position.

In fiscal year 2014, the Authority has changed the process of estimating its financing fees and retroactively applied that change to the fiscal year 2013 presentation as shown in the table following the discussion of adoption of new accounting standards as “financing income adjustment”. The June 30, 2013 statement of revenues, expenses and changes in net position was adjusted to increase financing income and fees for services by $4,478,000. The effect of this change is shown as an adjustment to beginning net position with a corresponding adjustment to the carrying value of the assets affected by the change, specifically intergovernmental receivables – University of Massachusetts.

It should be noted that, since the Authority is a blended component unit of the University, financing fees recognized as revenue on the Authority’s financial statements are eliminated in consolidation in the University’s financial statements. Thus, this change has no impact on the University’s financial statements.

The Authority records revenue associated with the interest rate subsidy provided by the United States Government related to the Authority’s issuance of bonds under the Build America Bond (“BAB”) program. Under the program, the Government provides a direct 35% subsidy of the interest rate paid to bondholders. During fiscal year 2013, the federal government implemented automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. As a result, the Authority’s November 1, 2013 and May 1, 2014 original subsidy payments related to the Senior Series 2009-2 Project Revenue Build America Bonds and the Senior Series 2010-2 Project Revenue Build America Bonds were reduced by 8.7% and 7.2%, respectively. This reduction was approximately $665,000 in fiscal year 2014 and $602,000 as the Authority’s May 1, 2013 subsidy payments related to the same bonds were reduced by 8.7% due to sequestration.
NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Adoption of New Accounting Standards

In April 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities (“GASB No. 65”). The statement is effective for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The Authority adopted GASB No. 65 effective July 1, 2012. In connection with the adoption of this new standard all accounts were analyzed by management in order to assess the impact on the financial statements. The implementation of this new standard resulted in the modification of the method previously used to account for the cost of issuance associated with the Authority’s numerous bond issuances, commitment and financing fees received by the Authority in connection with the bonds, and the expenses and costs incurred in connection with the bond refundings. In accordance with the retroactive restatement requirements of this standard, the Authority’s fiscal year 2013 statement of net position and the Authority’s fiscal year 2013 statement of revenues, expenses and changes in net position were restated to reflect the required adjustments. Expenses related to the cost of issuances are included in professional fees on the statement of revenues, expenses, and changes in net position.

As a result, the following adjustments have been made to the Authority’s financial statements.

<table>
<thead>
<tr>
<th></th>
<th>As previously reported</th>
<th>GASB 65 restatement</th>
<th>Financing income adjustment</th>
<th>As adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net position as of July 1, 2012</td>
<td>$502,496,703</td>
<td>($17,663,032)</td>
<td>$23,927,172</td>
<td>$508,760,843</td>
</tr>
<tr>
<td>For the year ended June 30, 2013:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing income and fees for services</td>
<td>142,039,839</td>
<td></td>
<td>4,478,167</td>
<td>146,518,006</td>
</tr>
<tr>
<td>Professional fees</td>
<td>633,809</td>
<td>2,151,423</td>
<td>2,785,232</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>54,722,951</td>
<td>(845,543)</td>
<td>53,877,408</td>
<td></td>
</tr>
<tr>
<td>Increase in net position</td>
<td>69,972,968</td>
<td>(1,305,880)</td>
<td>4,478,167</td>
<td>73,145,255</td>
</tr>
<tr>
<td>Net position as of June 30, 2013</td>
<td>$572,469,671</td>
<td>($18,968,912)</td>
<td>$28,405,339</td>
<td>$581,906,098</td>
</tr>
</tbody>
</table>

Additionally, the deferred losses on refunded bonds in the amount of $68,945,120 and $69,720,351 at June 30, 2013 and 2012, respectively, were reclassified from long-term debt to deferred outflows of resources on the statement of net position.
NOTE C – CASH DEPOSITS AND INVESTMENTS

Cash Deposits – Custodial Credit Risk

The Authority holds a majority of its cash and cash equivalents in high quality money market mutual funds that invest in securities that are permitted investments under the Authority’s Enabling Act or in money market mutual funds that have been specifically permitted by state legislation. The Authority’s cash and cash equivalents consisted of the following as of June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 4,406,083</td>
<td>$ 5,130,189</td>
</tr>
<tr>
<td>Permitted money market accounts (&quot;MMA&quot;)</td>
<td>691,380,528</td>
<td>518,739,127</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>$ 695,786,611</td>
<td>$ 523,869,316</td>
</tr>
</tbody>
</table>

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2014 and June 30, 2013, the bank balances of uninsured deposits totaled $4,139,190 and $4,880,187, respectively. For purposes of disclosure under GASB Statement No. 40, Deposit and Investment Risk Disclosures, money market accounts investing in debt securities are considered investments and therefore, are included in the investment disclosures that follow.

Investments

As of June 30, 2014, the Authority’s investments consisted of the following:

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Total</th>
<th>Less than 1</th>
<th>1 to 5</th>
<th>6 to 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>$5,318,056</td>
<td>$</td>
<td>-</td>
<td>$5,318,056</td>
</tr>
<tr>
<td>MMA</td>
<td>691,380,528</td>
<td>691,380,528</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$696,698,584</td>
<td>$691,380,528</td>
<td>-</td>
<td>$5,318,056</td>
</tr>
</tbody>
</table>
### NOTE C – CASH DEPOSITS AND INVESTMENTS - Continued

As of June 30, 2013, the Authority’s investments consisted of the following:

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Less than 1</th>
<th>1 to 5</th>
<th>6 to 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasuries</td>
<td>$ 10,324,219</td>
<td>$ 10,324,219</td>
<td>-</td>
</tr>
<tr>
<td>US Agencies</td>
<td>69,461,145</td>
<td>50,383,163</td>
<td>19,077,982</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>5,318,056</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>MMA</td>
<td>518,739,127</td>
<td>518,739,127</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 603,842,547</strong></td>
<td><strong>$ 579,446,509</strong></td>
<td><strong>$ 19,077,982</strong></td>
</tr>
</tbody>
</table>

Because money market funds are highly liquid, they are presented as investments with maturities of less than one year.

**Interest Rate Risk**

The Authority has a formal investment policy that establishes minimum credit quality of certain instruments, outlines investment procedures, and provides for periodic reporting. Generally, the Authority holds its investments until maturity.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Enabling Act specifies the permitted investments of the Authority. These permitted investments include direct obligations of or obligations which are unconditionally guaranteed by the United States of America (“Treasuries”), obligations of an agency or organization created pursuant to an act of Congress of the United States as an agency or instrumentality thereof (“Agencies”), time deposits or certificates of deposits fully secured by Treasuries or Agencies, and Treasuries and Agencies subject to repurchase agreements. Other legislation allows the Authority to invest in the Massachusetts Municipal Depository Trust (the “MMDT”), a money market account sponsored by the Treasurer of the Commonwealth and managed by Federated Investors, Inc. Additionally, in accordance with the Authority investment policy, the Authority’s Bond Trustee may invest some of the Authority’s funds in money market accounts, permitted and collateralized by Treasuries.

No credit risk disclosures are required under GASB No. 40 relating to the Authority’s investment in Treasuries. The Authority’s investments in repurchase agreements are not rated but are fully collateralized by Treasuries and Agencies. MMDT is unrated.
NOTE C – CASH DEPOSITS AND INVESTMENTS - Continued.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority’s Enabling Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk, except that interest-bearing time deposits or certificates of deposit of banking institutions or trust companies must be continuously and fully secured by Treasuries or Agencies.

Custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds or government investment pools, such as MMDT. Direct investments in marketable securities are held by the Authority’s Bond Trustee as the Authority’s agent. In accordance with the Authority’s repurchase agreements, collateral for the agreements is held in segregated accounts with market values between 100% and 105% of the repurchase price, depending on the type of asset used as security and the specific repurchase agreement.

Concentrations of Credit Risk

The Authority does not place a credit limit on the amount it may invest in any one issuer. As of June 30, 2014, the Authority had 98.6% of its investments in MMDT. As of June 30, 2013, the Authority had 5.9% of its investments with the Federal Home Loan Bank and 85.1% in MMDT.
NOTE D – CAPITAL ASSETS

A summary of changes in capital assets follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$21,785,000</td>
<td>$-</td>
<td>$21,785,000</td>
<td>$2,903,209</td>
<td>$24,688,209</td>
</tr>
<tr>
<td>Buildings</td>
<td>$942,269,799</td>
<td>$529,531,800</td>
<td>$1,471,801,599</td>
<td>$495,354,404</td>
<td>$1,967,156,003</td>
</tr>
<tr>
<td>Building improvements</td>
<td>$392,807,764</td>
<td>$58,656,575</td>
<td>$451,464,339</td>
<td>$26,283,283</td>
<td>$477,747,622</td>
</tr>
<tr>
<td>Equipment and furnishings</td>
<td>$32,200,335</td>
<td>$998,792</td>
<td>$33,199,127</td>
<td>$2,854,797</td>
<td>$36,053,924</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$661,852,510</td>
<td>$(28,081,046)</td>
<td>$633,771,464</td>
<td>$(68,441,091)</td>
<td>$565,330,373</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>561,106,121</strong></td>
<td><strong>2,612,021,529</strong></td>
<td><strong>458,954,602</strong></td>
<td><strong>3,070,976,131</strong></td>
</tr>
</tbody>
</table>

Less: accumulated depreciation

| Buildings            | $(257,495,955)        | $(31,972,696)          | $(289,468,651)        | $(48,127,035)          | $(337,595,686)        |
| Building improvements| $(97,751,689)         | $(19,628,601)          | $(117,380,290)        | $(21,471,399)          | $(138,851,689)        |
| Equipment and furnishings | $(28,311,811)  | $(2,254,319)            | $(30,566,130)         | $(1,650,198)           | $(32,216,328)         |
|                       | **Subtotal**           | **53,855,416**         | **437,415,071**       | **71,248,632**         | **508,663,703**       |

Total capital assets, net $1,667,355,953 $507,250,505 $2,174,606,458 $387,705,970 $2,562,312,428

In fiscal year 2014 certain fixed assets were sold with a net book value of $214,209 resulting in a gain of $2,994,977. There were no other retirements or disposals of fixed assets in fiscal years 2014 and 2013.

The Authority has outstanding purchase commitments with contractors for the construction of certain facilities as of June 30, 2014 and 2013 of approximately $148,161,900 and $171,138,200, respectively.
### NOTE E – BONDS PAYABLE

The following is a summary of bond transactions for the years ended June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>Bonds payable</th>
<th>Unamortized original issue premiums</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance - July 1, 2012 *</td>
<td>$ 1,917,855,000</td>
<td>$ 35,946,019</td>
<td>$ 1,953,801,019</td>
</tr>
<tr>
<td>Issuances</td>
<td>284,375,000</td>
<td>19,376,741</td>
<td>303,751,741</td>
</tr>
<tr>
<td>Payments/amortization</td>
<td>(60,775,000)</td>
<td>(1,289,938)</td>
<td>(62,064,938)</td>
</tr>
<tr>
<td>Ending balance - June 30, 2013</td>
<td>$ 2,141,455,000</td>
<td>$ 54,032,822</td>
<td>2,195,487,822</td>
</tr>
<tr>
<td>Less: Due within one year</td>
<td></td>
<td></td>
<td>(297,599,998)</td>
</tr>
<tr>
<td>Non-current balance</td>
<td></td>
<td></td>
<td>$ 1,897,887,824</td>
</tr>
<tr>
<td>Beginning balance - July 1, 2013</td>
<td>$ 2,141,455,000</td>
<td>$ 54,032,822</td>
<td>2,195,487,822</td>
</tr>
<tr>
<td>Issuances</td>
<td>490,470,000</td>
<td>23,067,206</td>
<td>513,537,206</td>
</tr>
<tr>
<td>Refundings</td>
<td>(151,665,000)</td>
<td>(5,661,542)</td>
<td>(157,326,542)</td>
</tr>
<tr>
<td>Payments/amortization</td>
<td>(67,375,000)</td>
<td>(6,631,273)</td>
<td>(74,006,273)</td>
</tr>
<tr>
<td>Ending balance - June 30, 2014</td>
<td>$ 2,412,885,000</td>
<td>$ 64,807,213</td>
<td>2,477,692,213</td>
</tr>
<tr>
<td>Less: Due within one year</td>
<td></td>
<td></td>
<td>(174,625,001)</td>
</tr>
<tr>
<td>Non-current balance</td>
<td></td>
<td></td>
<td>$ 2,303,067,212</td>
</tr>
</tbody>
</table>

* Restated to reflect reclassification of deferred loss on refunding ($69,720,351) to deferred outflows of resources as required by GASB Statement 65. Refer to note B for additional details.
Aggregated annual maturities of principal and interest on long-term debt as of June 30, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Principal</th>
<th>Interest*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 76,405,000</td>
<td>$ 94,296,456</td>
<td>$ 170,701,456</td>
</tr>
<tr>
<td>2016</td>
<td>80,900,000</td>
<td>91,332,022</td>
<td>172,232,022</td>
</tr>
<tr>
<td>2017</td>
<td>82,945,000</td>
<td>88,505,812</td>
<td>171,450,812</td>
</tr>
<tr>
<td>2018</td>
<td>83,020,000</td>
<td>86,070,693</td>
<td>169,090,693</td>
</tr>
<tr>
<td>2019</td>
<td>87,535,000</td>
<td>83,399,701</td>
<td>170,934,701</td>
</tr>
<tr>
<td>2020-2024</td>
<td>451,585,000</td>
<td>368,268,366</td>
<td>819,853,366</td>
</tr>
<tr>
<td>2025-2029</td>
<td>390,745,000</td>
<td>290,102,417</td>
<td>680,847,417</td>
</tr>
<tr>
<td>2030-2034</td>
<td>329,350,000</td>
<td>220,872,754</td>
<td>550,222,754</td>
</tr>
<tr>
<td>2035-2039</td>
<td>469,750,000</td>
<td>139,628,451</td>
<td>609,378,451</td>
</tr>
<tr>
<td>2040-2044</td>
<td>327,130,000</td>
<td>42,592,354</td>
<td>369,722,354</td>
</tr>
<tr>
<td>2045-2049</td>
<td>33,520,000</td>
<td>837,141</td>
<td>34,357,141</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 2,412,885,000</td>
<td>$ 1,505,906,167</td>
<td>$ 3,918,791,167</td>
</tr>
</tbody>
</table>

* These interest payments are presented net of the interest rate subsidy provided by the United States Government related to the Authority's issuance of bonds under the Build America Bond ("BAB") program. Under the program, the Government provides a direct 35% subsidy of the interest rate paid to bondholders. During fiscal year 2013, the federal government implemented automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. As a result, the Authority’s November 1, 2013 and May 1, 2014 subsidy payments related to the Senior Series 2009-2 Project Revenue Build America Bonds and the Senior Series 2010-2 Project Revenue Build America Bonds were reduced by 8.7% and 7.2%, respectively.

The 2011-2 window bonds with a principal outstanding balance of $99,135,000 have no supporting liquidity facility and are classified as a current debt obligation. Consistent with prior years, the Authority expects to redeem this bond based on its original amortization schedule.
The following is a summary of bonds outstanding for the years ended June 30, 2014 and 2013 (bond amounts in thousands):

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Outstanding June 30, 2014</th>
<th>Outstanding June 30, 2013</th>
<th>Interest Rate</th>
<th>Maturity Year</th>
<th>Amount Issued</th>
<th>Insured</th>
<th>Commonwealth Guaranteed (Note H)</th>
<th>Callable</th>
<th>Call Date Beginning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Revenue Bonds, Senior Series 2003-1</td>
<td>$6,155</td>
<td>$12,035</td>
<td>3.875% to 5.25%</td>
<td>2014</td>
<td>$137,970</td>
<td>AMBAC</td>
<td>No</td>
<td>At Par</td>
<td>Nov-13</td>
</tr>
<tr>
<td>Project Refunding Bonds, Senior Series 2004-1</td>
<td>16,600</td>
<td>24,500</td>
<td>5.250%</td>
<td>2016</td>
<td>183,965</td>
<td>AMBAC</td>
<td>No</td>
<td>At Par</td>
<td>Nov-14</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2004-A</td>
<td>4,575</td>
<td>6,715</td>
<td>4.20% to 4.50%</td>
<td>2015</td>
<td>96,025</td>
<td>MBIA</td>
<td>Yes</td>
<td>At Par</td>
<td>Nov-14</td>
</tr>
<tr>
<td>Refunding Revenue Bonds, Senior Series 2005-1</td>
<td>5,480</td>
<td>8,020</td>
<td>5.00%</td>
<td>2016</td>
<td>25,595</td>
<td>AMBAC</td>
<td>No</td>
<td>At Par</td>
<td>May-15</td>
</tr>
<tr>
<td>Refunding Revenue Bonds, Senior Series 2005-2</td>
<td>25,200</td>
<td>180,195</td>
<td>5.000%</td>
<td>2025</td>
<td>212,500</td>
<td>AMBAC</td>
<td>No</td>
<td>At Par</td>
<td>Nov-15</td>
</tr>
<tr>
<td>Taxable Refunding Revenue Bonds, Senior Series 2006-2</td>
<td>-</td>
<td>2,760</td>
<td>5.47% to 5.49%</td>
<td>2014</td>
<td>21,240</td>
<td>AMBAC</td>
<td>No</td>
<td>No</td>
<td>-</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2008-1</td>
<td>194,530</td>
<td>201,655</td>
<td>Variable</td>
<td>2038</td>
<td>232,545</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
<td>Anytime</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2008-2</td>
<td>105,725</td>
<td>108,300</td>
<td>4.00% to 5.00%</td>
<td>2038</td>
<td>120,560</td>
<td>FSA (Partial)</td>
<td>No</td>
<td>At Par</td>
<td>May-18</td>
</tr>
</tbody>
</table>
### NOTE E – BONDS PAYABLE – Continued

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Outstanding June 30, 2014</th>
<th>Outstanding June 30, 2013</th>
<th>Interest Rate</th>
<th>Maturity Year</th>
<th>Amount Issued</th>
<th>Insured</th>
<th>Commonwealth Guaranteed (Note H)</th>
<th>Callable</th>
<th>Call Date Beginning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Revenue Bonds, Senior Series 2008-A</td>
<td>$21,930</td>
<td>$22,795</td>
<td>Variable</td>
<td>2038</td>
<td>$26,580</td>
<td>No</td>
<td>Yes</td>
<td>At Par</td>
<td>Anytime</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2009-1</td>
<td>198,670</td>
<td>216,870</td>
<td>3.00% to 5.00%</td>
<td>2039</td>
<td>247,810</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
<td>May-19</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)</td>
<td>271,855</td>
<td>271,855</td>
<td>6.423% to 6.573%</td>
<td>2039</td>
<td>271,855</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
<td>May-18</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2009-3 (Federally Taxable)</td>
<td>27,250</td>
<td>27,715</td>
<td>5.823% to 6.173%</td>
<td>2039</td>
<td>28,570</td>
<td>No</td>
<td>No</td>
<td>*</td>
<td>Anytime</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2010-1</td>
<td>96,645</td>
<td>107,950</td>
<td>5.000%</td>
<td>2020</td>
<td>118,985</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>-</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)</td>
<td>430,320</td>
<td>430,320</td>
<td>3.80% to 5.45%</td>
<td>2040</td>
<td>430,320</td>
<td>No</td>
<td>No</td>
<td>*</td>
<td>Anytime</td>
</tr>
</tbody>
</table>

* = These series of bonds are callable at the Make-Whole Redemption Price which equals the greater of the outstanding principal balance or the present value of the scheduled future principal and interest payments, which payments are discounted at the Treasury Rate (2014-4 Series Bonds), or at the Treasury Rate plus 25 basis points (2009 Series Bonds), or 30 basis points (2010 Series Bonds), or 10 basis points (2014-2 Series Bonds).
### NOTE E – BONDS PAYABLE - Continued

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Outstanding June 30,</th>
<th>Interest Rate</th>
<th>Maturity Year</th>
<th>Amount Insured</th>
<th>Commonwealth Guaranteed (Note H)</th>
<th>Callable</th>
<th>Call Date Beginning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Revenue Bonds, Senior Series 2010-3</td>
<td>$2,880</td>
<td>$2,925</td>
<td>5.75%</td>
<td>2040 $3,005</td>
<td>No</td>
<td>No</td>
<td>* Anytime</td>
</tr>
<tr>
<td>(Federally Taxable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunding Revenue Bonds, Senior Series 2011-1</td>
<td>131,090</td>
<td>132,450</td>
<td>Variable</td>
<td>2034 135,040</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Anytime</td>
</tr>
<tr>
<td>Refunding Revenue Bonds, Senior Series 2011-2</td>
<td>99,135</td>
<td>100,020</td>
<td>Variable</td>
<td>2034 101,700</td>
<td>No</td>
<td>Yes</td>
<td>At Par</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Anytime</td>
</tr>
<tr>
<td>Project Revenue Bonds, Senior Series 2013-1</td>
<td>212,585</td>
<td>212,585</td>
<td>2.00% to 5.00%</td>
<td>2043 212,585</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Nov-22</td>
</tr>
<tr>
<td>Project Revenue bonds, Senior Series 2013-2</td>
<td>71,790</td>
<td>71,790</td>
<td>0.43% to 2.686%</td>
<td>2043 71,970</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
</tr>
<tr>
<td>(Federally Taxable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Nov-23</td>
</tr>
<tr>
<td>Project and Refunding Revenue bonds, Senior Series 2013-3</td>
<td>24,640</td>
<td>-</td>
<td>4.0%-5.0%</td>
<td>2043 24,640</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>May-23</td>
</tr>
<tr>
<td>Project Revenue bonds, Senior Series 2014-1</td>
<td>293,890</td>
<td>-</td>
<td>3.0%-5.0%</td>
<td>2044 293,890</td>
<td>No</td>
<td>No</td>
<td>At Par</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Nov-24</td>
</tr>
<tr>
<td>Project Revenue bonds, Senior Series 2014-2</td>
<td>14,085</td>
<td>-</td>
<td>.44% - 2.1%</td>
<td>2019 14,085</td>
<td>No</td>
<td>No</td>
<td>* Anytime</td>
</tr>
<tr>
<td>Refunding Revenue bonds, Senior Series 2014-4</td>
<td>157,855</td>
<td>-</td>
<td>.20% - 3.381%</td>
<td>2025 157,855</td>
<td>No</td>
<td>No</td>
<td>* Anytime</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$2,412,885</td>
<td>$2,141,455</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* = These series of bonds are callable at the Make-Whole Redemption Price which equals the greater of the outstanding principal balance or the present value of the scheduled future principal and interest payments, which payments are discounted at the Treasury Rate (2014-4 Series Bonds), or at the Treasury Rate plus 25 basis points (2009 Series Bonds), or 30 basis points (2010 Series Bonds), or 10 basis points (2014-2 Series Bonds).
On April 23, 2013, the Authority entered into a standby bond purchase agreement with J.P. Morgan Chase Bank, N.A. ("J.P. Morgan") which requires J.P. Morgan to purchase bonds that are tendered and not remarketed. Under the terms of the J.P. Morgan standby bond purchase agreement, the Authority is required to pay J.P. Morgan in quarterly installments a facility fee in the amount of 25 basis points (or higher, under certain circumstances) of the commitment amount. Fees incurred by the Authority in connection with the J.P. Morgan agreement totaled $536,300 and $106,100 for the year ended June 30, 2014 and June 30, 2013, respectively. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Authority and J.P. Morgan. Previously, the 2008-1 bonds were supported with an irrevocable direct pay letter of credit (the “Lloyds LOC”) issued by Lloyds TSB Bank PLC. Fees incurred by the Authority in connection with the Lloyds LOC totaled $492,500 for the year ended June 30, 2013.

On April 16, 2013, the Authority entered into a standby bond purchase agreement with Barclays Bank PLC ("Barclays") which requires Barclays to purchase bonds that are tendered and not remarkedeted. Under the terms of the Barclays standby bond purchase agreement, the Authority is required to pay Barclays in quarterly installments a facility fee in the amount of 32.5 basis points (or higher, under certain circumstances) of the commitment amount. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Authority and Barclays. Fees incurred by the Authority in connection with the Barclays agreement totaled $79,700 and $132,500 for the year ended June 30, 2014 and June 30, 2013, respectively. Previously, the 2008-A bonds were supported by a standby bond purchase agreement with Bank of America, N.A. ("BofA"). Fees incurred by the Authority in connection with BofA standby bond purchase agreement totaled $24,800 for the year ended June 30, 2013.

The 2011-1 bonds are supported by a standby bond purchase agreement with Wells Fargo Bank, N.A. ("Wells") which requires Wells to purchase bonds tendered and not remarkedeted in an amount not to exceed the principal on the bonds plus accrued interest up to 185 days at an annual interest rate not to exceed 12 percent. Under the agreement, the Authority was required to pay Wells in quarterly installments a facility fee in the amount of 40 basis points (or higher, under certain circumstances) of the initial commitment. The initial commitment under the agreement was set at $143,253,392 and was subject to adjustment from time to time in accordance with the provisions of the agreement. The standby bond purchase agreement expired on June 9, 2014. The Authority and Wells executed a first amendment to the standby bond purchase agreement to extend the agreement until June 9, 2017. Under the first amendment to the standby purchase agreement, the Authority is required to pay Wells in quarterly installments a facility fee in the amount of 25 basis points (or higher, under certain circumstances) of the initial commitment. The initial commitment under the first amendment to the standby bond purchase agreement was set at $139,063,145 and is subject to adjustment from time to time in accordance with the provisions of the agreement. Fees incurred by the Authority in connection with the Wells agreement totaled $553,800 and $665,500 for the years ended June 30, 2014 and 2013, respectively.
NOTE E – BONDS PAYABLE - Continued

Window Bonds

In fiscal year 2011, the Authority issued its 2011-2 bonds in a variable rate Window Bond mode. As with the Authority’s other variable rate bonds, the Window Bondholders can tender the bonds at any time. However, unlike the Authority’s other variable rate bonds, where the bondholders will receive payment on any tendered bonds 7 days from the tender, Window Bondholders are not required to receive funds for the tender until after a 30 day remarketing period and an additional 180 day funding window period. Due to this 210 day funding period, the Authority is not required to obtain any type of liquidity support for the 2011-2 bonds and the bonds are considered supported with self-liquidity. Window Bondholders receive an interest rate on the Window Bonds at a fixed spread over the Securities Industry and Financial Markets Association Municipal Swap IndexTM (“SIFMA”). The initial spread to the SIFMA index is 9 basis points.

Bond Refundings

In fiscal year 2014, the Authority refunded $5,415,000 of its 2009-1 series bonds with 2013-3 series bonds. The Authority also refunded $146,250,000 of its 2005-2 series bonds with 2014-4 series bonds. Accordingly, the Authority deposited into trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds until the bonds are called. There were no advanced refundings in fiscal year 2013.

These advanced refunded bonds are considered defeased and, accordingly, the liability for the bonds payable and the assets held to repay the debt are not recorded in the Authority’s financial statements.

In connection with the Authority’s advanced refundings, the Authority recorded a difference between the reacquisition price and the net carrying amount of the refunded debt of approximately $84,531,726. This balance is being reported as a component of deferred outflows, loss on debt refunding, and will be amortized as an increase in interest expense over remaining term of the original life of the refunded bonds. These refundings reduced the Authority’s debt service payments in future years by approximately $36,884,000 and resulted in an economic gain (the present value of the savings) of approximately $25,453,000.
NOTE E – BONDS PAYABLE - Continued

Bond Premium and Issuance Expenses

In connection with the Authority’s bond issues, the Authority received premiums at issuance totaling approximately $109,652,400. The Authority amortizes the premiums received as a reduction in interest expense over the life of the respective bond issue.

In connection with the Authority’s bond issues, the Authority incurred certain issuance costs associated with the bond offerings. In fiscal years 2014 and 2013 these costs amounted to $3,646,914 and $2,151,424, respectively, and were expensed in accordance with the provisions of GASB Statement No 65.

Interest Rate Swaps

The Authority uses derivative instruments to attempt to manage the impact of interest rate changes on its cash flows and net position by mitigating its exposure to certain market risks associated with operations, and does not use derivative instruments for trading or speculative purposes.

The Authority’s contracts are evaluated pursuant to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (“GASB No. 53”) to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate risk exposures. The Authority applies hedge accounting for derivative instruments that are deemed effective hedges and under GASB No. 53 are referred to as hedging derivative instruments. Under hedge accounting, changes in the fair value of a hedging derivative instrument are reported as a deferred inflow or deferred outflow in the statement of net position until the contract is settled or terminated.

All settlement payments or receipts for hedging derivative instruments are recorded as interest expense in the period settled.

The Authority’s hedging derivative instruments at June 30, 2014 and 2013 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Value June 30, 2013</th>
<th>Net Change in Fair Value</th>
<th>Fair Value June 30, 2014</th>
<th>Type of Hedge</th>
<th>Financial Statement Classification for Changes in Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2008-1 Swap</td>
<td>(28,124,526)</td>
<td>191,704</td>
<td>(27,932,822)</td>
<td>Cash Flow</td>
<td>Deferred outflow</td>
</tr>
<tr>
<td>Series 2008-A Swap</td>
<td>(3,232,469)</td>
<td>31,017</td>
<td>(3,201,452)</td>
<td>Cash Flow</td>
<td>Deferred outflow</td>
</tr>
<tr>
<td>Series 2006-1 Swap</td>
<td>(37,968,887)</td>
<td>259,155</td>
<td>(37,709,732)</td>
<td>Cash Flow</td>
<td>Deferred outflow</td>
</tr>
<tr>
<td>Total</td>
<td>(69,325,882)</td>
<td>481,876</td>
<td>(68,844,006)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE E – BONDS PAYABLE - Continued

The terms of the Authority’s financial derivative instruments that were outstanding at June 30, 2014 are summarized in the table below:

<table>
<thead>
<tr>
<th>Type</th>
<th>Effective Date</th>
<th>Termination Date</th>
<th>Rate Authority Pays</th>
<th>Authority Receives</th>
<th>Original Notional Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2008-1 Swap</td>
<td>May 1, 2008</td>
<td>May 1, 2038</td>
<td>3.388%</td>
<td>70% of 1-Month LIBOR</td>
<td>$232,545,000</td>
</tr>
<tr>
<td>Series 2008-A Swap</td>
<td>Nov 13, 2008</td>
<td>May 1, 2038</td>
<td>3.378%</td>
<td>70% of 1-Month LIBOR</td>
<td>$26,580,000</td>
</tr>
<tr>
<td>Series 2006-1 Swap</td>
<td>Apr. 20, 2006</td>
<td>Nov. 1, 2034</td>
<td>3.482%</td>
<td>60% of 3-Month LIBOR + .18%</td>
<td>$243,830,000</td>
</tr>
</tbody>
</table>

**Fair Values** - The fair values of the swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the agreements, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the agreements. As of June 30, 2014 and 2013, the Authority’s swaps had a negative fair value of $68,800,000 and $69,300,000, respectively, and as such are presented as a deferred outflow.

**Credit risk** - As of June 30, 2014, the Authority was not exposed to credit risk on the swaps as the fair value was negative. Since changes in interest rates affect the fair values of swap agreements, it is possible that the swap agreements with negative fair values become positive which would expose the Authority to credit risk. To mitigate the potential for credit risk, when a counterparty has a positive fair value and if the counterparty’s credit quality falls below A3/A/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U.S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

The credit ratings for the Authority’s counterparties at June 30, 2014 are as follows:

<table>
<thead>
<tr>
<th>Credit Ratings</th>
<th>Moody’s</th>
<th>S &amp; P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBS AG</td>
<td>A2</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>A2</td>
<td>A</td>
<td>A+</td>
</tr>
<tr>
<td>Citi Bank NA</td>
<td>A2</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

**Basis risk** - The Authority is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payment received by the Authority (a percent of LIBOR) on these hedging derivative instruments is based on indexes other than the actual interest rates the Authority pays on its hedged variable rate debt. Should the relationship between LIBOR and the actual variable rate interest payments on the bonds converge, the expected cost savings may not materialize. The terms of the related hedging fixed rate swap transactions are summarized in the chart at the top of this page.
NOTE E – BONDS PAYABLE - Continued

Termination risk - The Authority’s swaps are governed under the International Swap Dealers Association Master Agreement (the “Master Agreement”), which includes standard termination events, such as failure to pay and bankruptcy. Additionally, the Master Agreement was amended so that the swap may be terminated by the Authority if the counterparty’s credit quality rating falls below certain levels or the counterparty fails to have a rating. Further, the swap may be terminated by the counterparties if the long-term, unsecured, unenhanced senior debt rating of any bonds issued by the Authority is withdrawn, suspended or falls below certain levels or the Authority fails to have a rating. The Authority or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. The Authority may also terminate the swaps at its option. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate and the Authority’s interest payment will be based solely upon the rate required by the related bonds as issued. When a termination event occurs, a mark-to-market (or “fair market value”) calculation is performed to determine whether the Authority is owed or must pay cash to close out the swap position. A negative fair value means the Authority would incur a loss and need to make a termination payment to settle the swap position. A positive fair value means the Authority would realize a gain and receive a termination payment in settlement of the swap position.

Contingencies - All of the Authority’s swaps include provisions that require the Authority to post collateral in the event its credit rating falls below certain levels. In the event the Authority is rated A2 by Moody’s Investors Service or A by Standard & Poor’s, the Authority would need to post collateral equal to amounts above the fair value of its swaps in liability positions above $10,000,000. In the event the Authority is not rated or rated below A3 by Moody’s Investors Service or below A- by Standard & Poor’s, the Authority must post collateral in the amount of the fair value of the swaps in liability positions. The collateral posted is to be in the form of cash obligations guaranteed by the U.S. Treasury, or negotiable debt obligations issued by the Federal Home Loan Mortgage Association or the Federal National Mortgage Association. If the Authority does not post collateral, the derivative instrument may be terminated by the counterparty. The Authority’s credit rating is Aa2 from Moody’s Investors Service, AA from Fitch Ratings, and AA- from Standard and Poor’s at June 30, 2014; therefore, no collateral has been posted.

Termination of hedge accounting - In June of 2011, the Authority undertook an advance refunding of the 2008-3 and 2008-4 variable rate bonds hedged by the Series 2006-1 Swap. As part of the refunding, the Series 2006-1 swap was re-assigned to a new underlying notional (the 2011-1 and 2011-2 Bonds) with identical terms. This refunding and reassignment effectively terminated the original hedge. At June 30, 2011, the Series 2006-1 Swap was considered a hedging derivative instrument. In accordance with GASB No. 53, at the time of a termination event related to an advance refunding of the hedged debt, the balance of the amounts in deferred outflows is to be included in the net carrying amount of the refunded debt for the purposes of calculating the deferred loss on refunding. The balance of the deferred outflows that was included in the net carrying amount of the refunded debt at the time of the refunding was $22,200,000. The change in fair value of the Series 2006-1 Swap from the refunding date to June 30, 2014 is reported as a deferred outflow as the swap was determined to be effective at June 30, 2014.
NOTE E – BONDS PAYABLE - Continued

Swap payments and associated debt. Using rates as of June 30, 2014, the debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Swaps, Net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$10,430,000</td>
<td>$381,187</td>
<td>$14,251,251</td>
<td>$25,062,438</td>
</tr>
<tr>
<td>2016</td>
<td>10,845,000</td>
<td>374,329</td>
<td>13,931,574</td>
<td>25,150,903</td>
</tr>
<tr>
<td>2017</td>
<td>11,625,000</td>
<td>365,448</td>
<td>13,535,733</td>
<td>25,526,181</td>
</tr>
<tr>
<td>2018</td>
<td>11,770,000</td>
<td>357,759</td>
<td>13,181,926</td>
<td>25,309,685</td>
</tr>
<tr>
<td>2019</td>
<td>12,215,000</td>
<td>349,417</td>
<td>12,799,760</td>
<td>25,364,177</td>
</tr>
<tr>
<td>2020-2024</td>
<td>139,770,000</td>
<td>1,464,899</td>
<td>53,568,068</td>
<td>194,802,967</td>
</tr>
<tr>
<td>2025-2029</td>
<td>149,550,000</td>
<td>767,313</td>
<td>29,067,412</td>
<td>179,384,725</td>
</tr>
<tr>
<td>2030-2034</td>
<td>90,205,000</td>
<td>211,803</td>
<td>8,344,475</td>
<td>98,761,278</td>
</tr>
<tr>
<td>2035-2039</td>
<td>9,570,000</td>
<td>8,347</td>
<td>360,856</td>
<td>9,939,203</td>
</tr>
<tr>
<td>Total</td>
<td>$445,980,000</td>
<td>$4,280,502</td>
<td>$159,041,055</td>
<td>$609,301,557</td>
</tr>
</tbody>
</table>

As actual rates vary, variable-rate bond interest payments and net swap payments will vary.

NOTE F – COMMERCIAL PAPER

On August 13, 2013, the Authority issued Commercial Paper Notes, Series 2013 A and 2013 B in the amount of $50,000,000. The maximum aggregate principal amount of commercial paper which may be outstanding at one time is $200,000,000. The $125,000,000 Commercial Paper Notes, Series 2013 A, are secured by an irrevocable letter of credit (“LOC”) provided by State Street Bank and Trust Company (“State Street”) which expires in August 2016. The remaining $75,000,000 Commercial Paper Notes, Series 2013 B are secured by a Standby Liquidity Facility Agreement provided by U.S. Bank National Association, which also expires in August 2016.

The following is a summary of commercial paper issues for the year ended June 30, 2014:

<table>
<thead>
<tr>
<th>Balance</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2013</td>
<td>Issues</td>
</tr>
<tr>
<td>Commercial paper series 2013-A tax exempt</td>
<td>$ -</td>
</tr>
<tr>
<td>Commercial paper series 2013-B tax exempt</td>
<td>$ -</td>
</tr>
<tr>
<td>$ -</td>
<td>$70,000,000</td>
</tr>
</tbody>
</table>

Fees, accrued by the Authority in connection with the State Street LOC and U.S. Bank National Association Standby Liquidity Facility Agreement amounted to $349,600 and $209,300, respectively, for fiscal year 2014.
NOTE G – GRANTS FROM THE UNIVERSITY OF MASSACHUSETTS

During the year ended June 30, 2014, the Authority received capital contributions from the University in the amount of $102,612,330 primarily to fund projects including the Life Science Laboratory building at the Amherst campus and various other projects. In fiscal year 2013, the Authority received $4,944,000 to fund projects on the Amherst and Lowell campuses. The Authority expended funds in the respective fiscal years for these purposes.

As per the Authority’s policy, these grants are shown in the statements of revenues, expenses and changes in net position as a capital contribution.

NOTE H – GUARANTY OF THE COMMONWEALTH OF MASSACHUSETTS

Section 10 of the Enabling Act authorizes the Commonwealth, acting by and through the Trustees, to enter into contracts with the Authority for state financial assistance in the form of a guaranty by the Commonwealth of the payment of the principal and interest as they become due and payable up to a maximum of $200,000,000 principal amount of outstanding bonds and notes of the Authority. The full faith and credit of the Commonwealth are pledged for the payment of the guaranty. As is generally the case with other full faith and credit obligations of the Commonwealth, funds with which to honor such guaranty would be provided by appropriation. The amount of bond obligation guaranteed by the Commonwealth was $125.6 million and $129.5 million at June 30, 2014 and June 30, 2013, respectively.

NOTE I – COMMITMENTS AND CONTINGENCIES

The Authority has executed long-term leases with the Commonwealth, acting by and through the Trustees, covering the land on which facilities owned by the Authority are located on the University’s campuses. These leases call for nominal annual payments to the Commonwealth. Certain of these leases renew automatically for subsequent five or ten year periods unless the Authority notifies the University that it does not wish to renew. Other leases require the Authority to notify the University of its desire to renew. As of June 30, 2014, all leases with the Commonwealth were in good standing and any leases requiring action by the Authority during the year to facilitate their renewals were properly renewed.

As provided in the Enabling Act, each of the above-referenced leases also terminates when the Authority no longer has any bonds outstanding, at which time all Authority property becomes the property of the Commonwealth.

The Authority entered into a sublease agreement, as lessee, dated December 14, 2004 with SSB Realty, LLC, as lessor (the “Lessor”), for space at 225 Franklin Street, Boston, Massachusetts to be used primarily by the University, the Authority, The University of Massachusetts Foundation, Inc. and The University of Massachusetts Club. The agreement requires the Authority to pay a base rent plus a proportionate share of any increase over the base year of the Lessor’s costs and taxes. The lease began April 1, 2005 and ends December 15, 2015 and includes an initial three month period of no rental payments. In July 2007, SSB Realty, LLC notified the Authority that the lease with the Authority had been assigned to Equity Office Management, LLC (“Equity”) and that Equity had assumed all rights under the lease.
NOTE I – COMMITMENTS AND CONTINGENCIES - Continued

For the years ended June 30, 2014 and 2013, lease operating costs were approximately $1,757,400 and $1,757,100, respectively, which are included in facility operating costs in the accompanying statements of revenues, expenses and changes in net position.

On April 1, 2014, the Authority entered into a lease, as lessee, with Massachusetts Mutual Life Insurance Company, as lessor, for space at Tower Square, 1500 Main Street, Springfield, Massachusetts to be used by the University primarily as classroom space for its Springfield Satellite campus. The lease begins August 1, 2014 and ends July 31, 2019.

Approximate future payments (excluding Lessor’s costs and taxes) under the lease agreements are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$1,942,950</td>
</tr>
<tr>
<td>2016</td>
<td>$1,073,600</td>
</tr>
<tr>
<td>2017</td>
<td>$315,732</td>
</tr>
<tr>
<td>2018</td>
<td>$315,732</td>
</tr>
<tr>
<td>2019</td>
<td>$315,732</td>
</tr>
<tr>
<td>2020 - 2030</td>
<td>$26,311</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,990,057</strong></td>
</tr>
</tbody>
</table>

The Authority is a defendant in various lawsuits and is subject to various contractual matters; however, Authority management is of the opinion that the ultimate outcome of all litigation or potential contractual obligations will not have a material effect on the financial position, financial results or cash flows of the Authority.

NOTE J – THE UNIVERSITY OF MASSACHUSETTS CLUB

In August 2005, the Authority executed a contract with UMass Club Management, LLC (the “Manager”), a wholly owned subsidiary of ClubCorp USA, Inc., to provide management services for the University of Massachusetts Club (the “Club”), a private social club for alumni and friends of the University. The Club, located on the 33rd floor of 225 Franklin Street in Boston Massachusetts, was opened on October 31, 2005.

Under the terms of the contract, the Authority, acting as owner of the Club, is responsible for approving the budgets and operating plans of the Club as presented by the Manager. The Authority is responsible for any operating shortfall and will benefit from any operating profits. The contract calls for a minimum annual management fee payable to the Manager of $150,000 or four percent of the operating revenues, as defined by the contract, whichever is greater. Additionally, the Manager receives a percentage of the Club’s initiation fees and 25% of the operating profits, as defined by the contract. The contract term is 10 years and can be terminated by the Authority after 3 years if the Authority decides to close the Club for a minimum of 18 months. As tenant on the sublease for the 33rd floor, the Authority would be responsible for the rental charges should it decide to close the Club.

As of June 30, 2014 and 2013 the Authority had provided operating support for the Club of approximately $216,900 and $196,200, respectively.
NOTE K – RELATED PARTY TRANSACTIONS

The following table details the amounts due to the various campuses of the University at June 30, which were recorded as part of accounts payable and other liabilities in the statements of net position:

<table>
<thead>
<tr>
<th>Campus</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amherst Campus</td>
<td>$9,095,906</td>
<td>$6,152,944</td>
</tr>
<tr>
<td>Boston Campus</td>
<td>$1,967,796</td>
<td>$1,456,045</td>
</tr>
<tr>
<td>Dartmouth Campus</td>
<td>$1,527,364</td>
<td>$434,256</td>
</tr>
<tr>
<td>Lowell Campus</td>
<td>$9,121,131</td>
<td>$4,687,945</td>
</tr>
<tr>
<td>Worcester Campus</td>
<td>$195,588</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21,907,785</strong></td>
<td><strong>$12,731,190</strong></td>
</tr>
</tbody>
</table>

NOTE L – WORKING CAPITAL OF THE AUTHORITY

As of June 30, 2014 and 2013, the Authority had a working capital deficiency of $240,117,028 and $320,041,148, respectively. However, as stated in the various contracts between the Authority and the University, the University is required to provide necessary funding to the Authority to meet its obligations through June 30, 2014 and beyond.

NOTE M – SUBSEQUENT EVENT

On July 3, 2014, the Authority issued its $67,365,000 Refunding Revenue Bonds, Senior Series 2014-3 (the “2014-3 bonds”). The 2014-3 bonds were issued to refinance the University’s Worcester City Campus Corporation 2005-Series D bonds and to pay costs of issuing the 2014-3 bonds. The 2014-3 bonds are due (serially) through 2030 and the interest rate ranges from 2.0% to 5.0%.

On July 8, 2014, the Authority extended $25,000,000 of Series 2013-A commercial paper and issued an additional $15,000,000 of Series 2013-A commercial paper. The Authority also extended $25,000,000 of Series 2013-B commercial paper and issued an additional $10,000,000 of Series B commercial paper.
NOTE M – SUBSEQUENT EVENT - Continued

On July 17, 2014, the Authority entered into a lease, as lessee, with One Beacon Street Limited Partnership, as lessor, for space at One Beacon Street, Boston, Massachusetts to be used primarily as office space by the Authority, the UMASS Club and the University. The lease begins July 15, 2015 and ends December 31, 2030. Approximate future lease payments are summarized in the table below:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$</td>
</tr>
<tr>
<td>2016</td>
<td>1,091,063</td>
</tr>
<tr>
<td>2017</td>
<td>1,138,500</td>
</tr>
<tr>
<td>2018</td>
<td>1,161,500</td>
</tr>
<tr>
<td>2019</td>
<td>1,184,500</td>
</tr>
<tr>
<td>2020 - 2030</td>
<td>14,547,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 19,123,063</strong></td>
</tr>
</tbody>
</table>

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2014 and through December 18, 2014, the date on which the financial statements were available to be issued.
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University Administration
As of November 2014

Board of Trustees:

   Henry M. Thomas III, J.D. (Chair), Springfield, MA
   Ruben J. King-Shaw, Jr. (Vice Chair), Carlisle, MA
   Maria D. Furman, Wellesley, MA
   James Buonomo, Shrewsbury, MA
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   Philip W. Johnston, Marshfield, MA
   Alyce J. Lee, Milton, MA
   Matthew H. Malone, Ph.D., Secretary of Education, Commonwealth of MA, Roslindale, MA
   Jeffrey B. Mullan, J.D., Milton, MA
   Kerri Osterhaus-Houle, M.D., Hudson, MA
   R. Norman Peters, J.D., Paxton, MA
   Victor Woolridge, Springfield, MA
   Margaret D. Xifaras, J.D., Marion, MA

   Sarah Freudson, (UMass Amherst Student Trustee), Simsbury, CT
   (Non-Voting Student)
   Nolan O’Brien, (UMass Boston Student Trustee), Munson, MA
   (Non-Voting Student)
   Jacob D. Miller, (UMass Dartmouth Student Trustee), Fairhaven, MA
   (Non-Voting Student)
   Phillip J. Geoffroy, (UMass Lowell Student Trustee), Chelmsford, MA
   (Voting Student)
   Patrick Lowe, (UMass Worcester Student Trustee), Worcester, MA
   (Voting Student)

Officers of the University:

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   Kumble R. Subbaswamy, Ph.D., Chancellor, UMass Amherst
   J. Keith Motley, Ph.D., Chancellor, UMass Boston
   Divina Grossman, Ph.D., Chancellor, UMass Dartmouth
   Martin T. Meehan, J.D., Chancellor, UMass Lowell
   Michael F. Collins, M.D., Chancellor, UMass Worcester
   and Senior Vice President for Health Sciences
   James R. Julian, J.D., Executive Vice President
   Christine M. Wilda, Senior Vice President for Administration and Finance & Treasurer
   Marcelllette G. Williams, Ph.D., Senior Vice President for Academic Affairs and International Relations
   Zuniika Barrett, Secretary to the Board of Trustees
December 18, 2014

To the Board of Trustees
and President Robert L. Caret

We are pleased to submit the annual Financial Report of the University of Massachusetts for the year ended June 30, 2014. The enclosed financial statements incorporate all financial activity of the University and its five campuses. This statement has been audited by an independent auditing firm and is fully represented in the financial report of the Commonwealth of Massachusetts. Detailed information about each campus is provided as supplemental information.

The financial information presented in the Financial Report is designed to aid a wide variety of readers to assess the effectiveness of the University’s management of its resources in meeting its primary mission of instruction, research, and public service. This report is intended to form a comprehensive and permanent record of the finances of the University of Massachusetts, and it is submitted as the public accounting of the University’s financial affairs for the fiscal year ended June 30, 2014 including comparative information as of June 30, 2013.

The University’s net assets increased $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 plant 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.

Each year, the Board of Trustees approves five-year targets for five key financial indicators that are likely to determine the success of the University over the long term. Those key indicators are operating margin, financial cushion, return on net assets, debt service to operations, and endowment per student. During 2014, the University met or exceeded its targets for all five indicators. Overall, the University made important progress in fiscal 2014 toward the achievement of its long-term financial objectives of growth and stability.

Respectfully submitted,

Christine M. Wilda
Sarah B. Mongeau
Senior Vice President for Administration and
University Controller
Finance & Treasurer

Office of the President

225 Franklin Street | 12th Floor | Boston, MA 02110 | P: (617) 287-7000 | F: (617) 287-7044
www.massachusetts.edu
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<td>40</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees of the University of Massachusetts

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units, of the University of Massachusetts (the “University”), an enterprise fund of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University’s basic consolidated financial statements as listed in the table of contents.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the basic consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Massachusetts as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters**

*Required supplementary information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (“MD&A) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the MD&A information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Boston, Massachusetts
December 18, 2014
Management's Discussion and Analysis (unaudited)
June 30, 2014

Introduction
This unaudited section of the University of Massachusetts (the "University") Annual Financial Report presents our discussion and analysis of the financial position and performance of the University and its component units during the fiscal year ended June 30, 2014 with comparative information as of June 30, 2013. This discussion and analysis has been prepared by management along with the accompanying financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The accompanying financial statements, footnotes and this discussion are the responsibility of management.

The University of Massachusetts is a state coeducational institution for higher education with separate campuses at Amherst, Boston, Dartmouth, Lowell and Worcester all located 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 campus was opened in 1965 and the Worcester campus, Medical School, was opened in 1970. 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 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. In the fall of 2013, the University enrolled 61,336 full-time equivalent ("FTE") students. The University is committed to providing, without discrimination, diverse program offerings to meet the needs of the whole of the state’s population. The University’s five campuses are geographically dispersed throughout Massachusetts and possess unique and complementary missions.

Financial Highlights
The University’s combined net position increased $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 in fiscal year 2014 relate to investments in infrastructure and greater student fee revenues. From fiscal year 2013 to fiscal year 2014, the University’s operating revenue increased by $56.5 million and operating expenditures increased by $146.1 million. The increase in operating revenue is primarily due to the increase in fee and auxiliary revenue associated with the enrollment increases and fee increases in categories other than in state undergraduates and auxiliary revenue to support related expenditures.

Using the Annual Financial Report
One of the most important questions asked about University finances is whether the University as a whole is better off or worse off as a result of the year’s activities. The key to understanding this question lies within the Statement of Net Position, Statement of Revenues, Expenses and Changes in Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by private sector companies. The University’s net position (the difference between assets and liabilities) is one indicator of the University’s financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of an institution’s financial health when considered with non-financial facts such as enrollment levels, operating expenses, and the condition of the facilities.

The Statement of Net Position includes all assets, liabilities, as well as deferred inflows and outflows of resources of the University. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the services are provided and expenses and liabilities are recognized when services are incurred, regardless of when cash is exchanged. Net Position is further broken down into three categories: invested in capital assets-net of related debt, restricted and unrestricted. Amounts reported in invested in capital assets-net of related debt represent the historical cost of property and equipment, reduced by the balance of related debt outstanding and depreciation expense charged over the years. Net Position is reported as restricted when constraints are imposed by third parties, such as donors or enabling legislation. Restricted net position is either non-expendable, as in the case of endowment gifts to be held in perpetuity, or expendable, as in the case of funds to be spent on scholarships and research. All other assets are unrestricted; however, they may be committed for use under contract or designation by the Board of Trustees.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned or received and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues and expenses include tuition and fees, grant and contract activity, auxiliary enterprises and activity for the general operations of the institution not including appropriations from state and federal sources. Non-operating revenues and expenses include appropriations, capital grants and contracts, endowment, gifts, investment income, and non-operating federal grants (Pell Grants). With a public University’s dependency on support from the state, Pell grants, and gifts, it is common for institutions to have operating expenses exceed operating revenues. That is because the prescribed financial reporting model classifies state appropriations, Pell grants, and gifts as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation expense, which amortizes the cost of a capital asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the University’s ability to meet financial obligations as they mature. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, capital and non-capital, financing and investing activities.
The footnotes provide additional information that is essential to understanding the information provided in the external financial statements.

**Reporting Entity**

The financial statements report information about the University as a whole using accounting methods similar to those used by private-sector companies. The financial statements of the University are separated between University (including its blended component units) and its discretely presented Component Unit activities. The University’s discretely presented Component Units (or Related Organizations) are the University of Massachusetts Foundation, Inc., and the University of Massachusetts Dartmouth Foundation, Inc.

**Condensed Financial Information**

<table>
<thead>
<tr>
<th>University of Massachusetts</th>
<th>FY13-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>University June 30, 2014</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td></td>
</tr>
<tr>
<td>Investment in Plant Net of Accumulated Depreciation</td>
<td>4,064,786</td>
</tr>
<tr>
<td>All Other Noncurrent Assets</td>
<td>1,543,391</td>
</tr>
<tr>
<td>Total Assets</td>
<td>6,200,927</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>112,880</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>674,330</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>2,821,182</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>3,495,512</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets Net of Related Debt</td>
<td>1,800,767</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>17,387</td>
</tr>
<tr>
<td>Expendable</td>
<td>174,530</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>825,611</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>2,818,295</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>University of Massachusetts</th>
<th>FY13-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>University Related Organizations June 30, 2014</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td></td>
</tr>
<tr>
<td>Investment in Plant Net of Accumulated Depreciation</td>
<td>8,478</td>
</tr>
<tr>
<td>All Other Noncurrent Assets</td>
<td>454,646</td>
</tr>
<tr>
<td>Total Assets</td>
<td>463,124</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>15,525</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>3,483</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>19,008</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets Net of Related Debt</td>
<td>8,477</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>309,718</td>
</tr>
<tr>
<td>Expendable</td>
<td>101,195</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>26,404</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>445,794</td>
</tr>
</tbody>
</table>
At June 30, 2014, total University net position was $2.82 billion, an increase of $203.9 million over the $2.61 billion in net position for 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).

University liabilities totaled $3.49 billion at June 30, 2014, an increase of $306.8 million over fiscal year 2013. Long-term liabilities represent 81% of the total liabilities which primarily consist of bonds payable amounting to $2.62 billion at June 30, 2014.

The University’s current assets as of June 30, 2014 of $592.8 million were below the current liabilities of $674.3 million, as a result the current ratio was 0.88 dollars in assets to every one dollar in liabilities. June 30, 2013 current assets of $579.9 million were below the current liabilities of $772.9 million, resulting in a current ratio of 0.75.

The unrestricted and restricted expendable net position totaled $1.0 billion in fiscal year 2014, which represents 36% of total operating expenditures of $2.81 billion for fiscal year 2014. The unrestricted and restricted expendable net position totaled $914.1 million in fiscal year 2013, which represents 34% of total operating expenditures of $2.66 billion.

### University of Massachusetts
#### Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014 and 2013
(in thousands of dollars)

<table>
<thead>
<tr>
<th>University of Massachusetts</th>
<th>University of Massachusetts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2014</td>
</tr>
<tr>
<td></td>
<td>FY13-14</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees (net of scholarship allowances)</td>
<td>$740,116</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td>511,694</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>349,485</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>607,984</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>2,209,279</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>2,809,900</td>
</tr>
<tr>
<td>Operating Loss</td>
<td>(600,621)</td>
</tr>
<tr>
<td>Nonoperating Revenues / (Expenses)</td>
<td></td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>7,020</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>570,818</td>
</tr>
<tr>
<td>Interest on Indebtedness</td>
<td>(89,496)</td>
</tr>
<tr>
<td>Other Nonoperating Income</td>
<td>133,386</td>
</tr>
<tr>
<td>Nonoperating Federal Grants</td>
<td>74,279</td>
</tr>
<tr>
<td>Net Nonoperating Revenues</td>
<td>695,807</td>
</tr>
<tr>
<td>Income Before Other Revenues, Expenses, Gains and Losses</td>
<td>95,186</td>
</tr>
<tr>
<td>Capital Appropriations, Grants and Other Sources</td>
<td>134,369</td>
</tr>
<tr>
<td>Disposal of Plant Facilities</td>
<td>(6,198)</td>
</tr>
<tr>
<td>Other Additions / (Deductions)</td>
<td>(19,418)</td>
</tr>
<tr>
<td>Total Other Revenues, Expenses, Gains, and Losses</td>
<td>168,753</td>
</tr>
<tr>
<td>Total Increase in Net Position</td>
<td>203,939</td>
</tr>
<tr>
<td>Net Position</td>
<td></td>
</tr>
<tr>
<td>Net Position at the Beginning of the Year</td>
<td>2,614,356</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle **</td>
<td></td>
</tr>
<tr>
<td>Net Position at the Beginning of the Year, adjusted</td>
<td>2,364,856</td>
</tr>
<tr>
<td>Net Position at the End of the Year</td>
<td>$2,818,295</td>
</tr>
</tbody>
</table>

**This reflects the retroactive adoption of GASB 65. Please see Footnote 1, Summary of Significant Accounting Policies-New GASB Pronouncements for further details regarding this item.**
### Condensed Statement of Revenues, Expenses, and Changes in Net Position for University Related Organizations

For the Year Ended June 30, 2014 and 2013

(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>University Related Organizations</th>
<th>University Related Organizations</th>
<th>FY13-14 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>$11,443</td>
<td>$12,852</td>
<td>$(1,409)</td>
</tr>
<tr>
<td><strong>Operating Loss</strong></td>
<td>$(11,443)</td>
<td>$(12,852)</td>
<td>$(1,409)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Nonoperating Revenues / (Expenses)</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Nonoperating Income</strong></td>
<td>$54,982</td>
<td>$35,152</td>
<td>$19,830</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues</strong></td>
<td>$54,982</td>
<td>$35,152</td>
<td>$19,830</td>
</tr>
<tr>
<td><strong>Income Before Other Revenues, Expenses, Gains and Losses</strong></td>
<td>$43,539</td>
<td>$22,300</td>
<td>$21,239</td>
</tr>
</tbody>
</table>

| **Additions to Permanent Endowments** | $17,566 | $16,056 | $1,510 |
| **Other Additions**                   | $(1,523) | $(9,979) | $(8,456) |
| **Total Other Revenues, Expenses, Gains, and Losses** | $16,043 | $6,077 | $9,966 |
| **Total Increase in Net Position**    | $59,582 | $28,377 | $31,205 |

<table>
<thead>
<tr>
<th><strong>Net Position</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Position at the Beginning of the Year</strong></td>
<td>$386,212</td>
<td>$357,835</td>
<td>$28,377</td>
</tr>
<tr>
<td><strong>Net Position at the End of the Year</strong></td>
<td><strong>$445,794</strong></td>
<td>$386,212</td>
<td>$59,582</td>
</tr>
</tbody>
</table>

Total operating revenues for fiscal year 2014 were $2.21 billion. This represents a $56.5 million increase from the $2.15 billion in operating revenues in fiscal year 2013. The most significant sources of operating revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Medical School campus categorized in the chart above as “Other Operating Revenues”. While not classified on the financial statements as operating revenue, state appropriations serve as a primary source for funding the core mission of the University. State appropriation revenue, described in detail in a section below, is used almost exclusively to fund payroll for University employees. The chart above displays operating revenues by source for the University in fiscal years 2014 and 2013.
In fiscal year 2014, operating expenditures, including depreciation and amortization of $204.2 million, totaled $2.81 billion. Of this total, $1.33 billion or 47% was used to support the academic core activities of the University, including $407.4 million in research. In fiscal year 2013, operating expenditures, including depreciation and amortization of $185.3 million, totaled $2.66 billion. The chart above displays fiscal year 2014 and 2013 operating spend.

**Public Service Activities**

Other operating revenues includes Public Service Activities and consists largely of sales and services provided to third parties by the UMass Medical School campus through its Commonwealth Medicine (“CWM”) programs, which provide public consulting and services in health care financing, administration and policy to federal, state and local agencies and not-for-profit health and policy organizations. Included in this category of activities are CWM revenues of $349.0 million and $358.7 million for the years ended June 30, 2014 and 2013, respectively. Included in expenditures are CWM expenditures of $318.2 million and $347.4 million for the years ended June 30, 2014 and 2013, respectively.

In addition to CWM activities, Public Service Activities also includes payments received by the Medical School for educational services it provides to its clinical affiliate UMass Memorial Health Care, Inc. (“UMass Memorial”) as required by the enabling legislation enacted by the Commonwealth in 1997. Educational services revenues included in public service revenues were $163.8 million and $153.0 million for the years ended June 30, 2014 and 2013, respectively. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts of $120 million and $65.0 million for the years ended June 30, 2014 and 2013, respectively, pursuant to requirements of legislation enacted by the State Legislature of Massachusetts.

**State Appropriations**

In fiscal year 2014, state appropriations represent 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 100% of the state appropriation supports payroll and benefits for University employees.

The net state appropriation for the University increased by $51.3 million from fiscal year 2013, with the increase attributable to a higher level of State Appropriation and related fringe benefit support through the State’s investment in the University’s 50/50 plan. This plan, to be phased in over FY14 and FY15, has the State providing additional State Appropriation in order to bring State funding levels closer to historical amounts that will allow for the State to support 50% of the educational costs of an in state undergraduate while the student funds the remaining 50%. In return for this State investment, the University and the Board committed to freezing the in state undergraduate curriculum fee during this same time period.

In the year ended June 30, 2014 the University reported tuition revenue of approximately $34.3 million of tuition the University remits to the State Treasurer’s Office for the general fund of the Commonwealth of Massachusetts. Unless otherwise permitted by the Massachusetts Legislature, the University is required to remit tuition revenue received to the Commonwealth. Therefore, the University collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth’s General Fund. The amount of tuition remitted to the Commonwealth was $35.1 million in fiscal year 2013. There is no direct connection between the amount of tuition revenues collected by the University and the amount of state funds appropriated in any given year.

In fiscal year 2004, a pilot program authorized by the Commonwealth enabled the Amherst campus to retain tuition for out-of-state students. This pilot program was extended indefinitely for the Amherst Campus in fiscal year 2005 and starting in fiscal year
2012 all of the University’s campuses were authorized to retain tuition from out-of-state students. The amount of tuition retained by the University during 2014 and 2013 was $75.8 million and $74.5 million, respectively.

The following table details the Commonwealth operating appropriations received by the University for fiscal years ending June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Commonwealth Appropriations</td>
<td>$486,656</td>
<td>$447,837</td>
</tr>
<tr>
<td>Plus: Fringe Benefits*</td>
<td>141,881</td>
<td>130,005</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>628,537</td>
<td>577,842</td>
</tr>
<tr>
<td>Less: Tuition Remitted</td>
<td>(34,325)</td>
<td>(35,103)</td>
</tr>
<tr>
<td>Less: Mandatory Waivers</td>
<td>(23,594)</td>
<td>(23,428)</td>
</tr>
<tr>
<td><strong>Net Commonwealth Support</strong></td>
<td>$570,618</td>
<td>$519,311</td>
</tr>
</tbody>
</table>

*The Commonwealth pays the fringe benefits for University employees paid from Commonwealth operating appropriations. Therefore, such fringe benefit support is added to the “State Appropriations” financial statement line item as presented in the above table. The University pays the Commonwealth for the fringe benefit cost of the employees paid from funding sources other than Commonwealth operating appropriations.

Capital Appropriations from the Commonwealth

The University faces a financial challenge to maintain and upgrade its capital assets including its infrastructure, buildings and grounds. In order to have a successful capital program, the University must rely on a combination of revenue sources to fund its investment. In fiscal year 2014, there was $112.1 million of capital support provided to the University through appropriations and grants from the Commonwealth. This is consistent with capital appropriations provided in fiscal year 2013. This funding is attributed to the Commonwealth’s Division of Capital Asset Management ("DCAM") which funded several large capital projects in fiscal year 2013 and 2014 through the State’s Higher Education Bond Bill and Life Sciences Bond Bill, both passed in 2008 and have projects funded on each of the campuses. The University projects that although capital support will fluctuate from year to year, the level of capital appropriations from the Commonwealth will continue to be significant. Although the completion of major construction projects managed by DCAM are underway at all five of the University’s campuses. The current bond support from the State has been fully programmed and therefore the University is now working to secure the next round of funding to ensure continuity of the capital program beyond FY18.

Grant and Contract Revenue

Collectively, the University’s Amherst Campus and Medical School in Worcester account for approximately 77% of University grant and contract activity. The Boston, Dartmouth, and Lowell campuses continue to have significant sponsored research activity.

The following table details the University's grant and contract revenues (in thousands) for the fiscal years ended June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Grants and Contracts</td>
<td>$322,047</td>
<td>$334,697</td>
</tr>
<tr>
<td>State Grants and Contracts</td>
<td>74,996</td>
<td>68,794</td>
</tr>
<tr>
<td>Local Grants and Contracts</td>
<td>2,223</td>
<td>2,253</td>
</tr>
<tr>
<td>Private Grants and Contracts</td>
<td>112,428</td>
<td>106,714</td>
</tr>
<tr>
<td><strong>Total Grants and Contracts</strong></td>
<td>$511,694</td>
<td>$512,458</td>
</tr>
</tbody>
</table>

Discretely Presented Component Units

University of Massachusetts Foundation, Inc.

The combined University and Foundation endowment has increased to approximately $757.5 million at June 30, 2014 from $664.7 million at June 30, 2013.

The Foundation utilizes the pooled investment concept whereby all invested funds are in one investment pool, except for investments of certain funds that are otherwise restricted. Pooled investment funds will receive an annual distribution of 4% of the endowment fund’s average market value for the preceding twelve quarters on a one year lag. Only quarters with funds on deposit shall be included in the average. In addition, a prudence rule will be utilized to limit spending from a particular endowment fund to no lower than 93% of its book value. The Foundation distributed $17.7 million (4%) and $15.1 million (4%) in fiscal years 2014 and 2013, respectively.

The total investment return of the Foundation for fiscal year 2014 was $112.2 million as compared to 2013, which, including realized and unrealized investment activity, was a net gain of approximately $64.0 million. This is consistent with investment return performance at other institutions.
University of Massachusetts Dartmouth Foundation, Inc.

Total marketable securities for the Dartmouth Foundation were $53.5 million at June 30, 2014 up from $47.9 million at June 30, 2013, which are held by the University of Massachusetts Foundation, Inc. The increase was primarily due to favorable market conditions and new gifts. The Dartmouth Foundation total investment return for fiscal year 2014, including realized and unrealized investment activity, was a net gain of $4.9 million as compared to a net gain of $2.9 million in 2013.

Tuition and Fees

Due to declining State Appropriations, the University’s Board of Trustees voted to increase mandatory student charges by 7.5% for resident undergraduate students for the 2011-2012 academic year and an additional 4.9% for the 2012-2013 academic year. For academic years 2013-2014 and 2014-2015, the Board of Trustees voted to freeze the mandatory curriculum fee for in state undergraduate students based on the increase to the State appropriation known as the 50/50 described above. Affordability will continue to be a priority of the University and increases in fees will be considered in conjunction with State support on an annual basis.

Enrollment

Except for the Medical School, which admits only Massachusetts residents (as required by Massachusetts Session Laws, 1987, Chapter 199, Section 99), admission to the University is open to residents of the Commonwealth and non-residents on a competitive basis. In the fall 2013 semester, Massachusetts residents accounted for approximately 82% and 54% of the University's total undergraduate and graduate enrollment, respectively. Total enrollment in the fall of 2013 was 61,336 FTE (71,941 headcount students). Enrollments at the University have shown significant increases over the last five years (53,140 FTE in fall 2008). The 15% enrollment growth is consistent with the University's efforts to increase its reach across the Commonwealth and to recruit non-resident students and is reflective of the quality education provided by the University of Massachusetts.

Degrees Awarded

The University awards four levels of degrees, as follows: associate, bachelors, masters and doctoral/professional degrees. A total of 16,447 degrees were awarded in the 2012-2013 academic year reflecting a 5% increase from the previous year. Of these awards, 66% were at the undergraduate level and 30% were at the graduate level. The remaining were associates degrees and undergraduate certificates.

Bonds Payable

As of June 30, 2014, the University had outstanding bonds of approximately $2.81 billion representing $2.48 billion of University of Massachusetts Building Authority bonds (the "Building Authority Bonds"); $59.3 million of University of Massachusetts bonds financed through the Massachusetts Health and Educational Facilities Authority which has been merged into MassDevelopment (the "UMass HEFA Bonds"), and $275.5 million of bonds financed through the Worcester City Campus Corporation (the "WCCC Bonds"). Bonds payable is the University's largest liability at June 30, 2014. The Building Authority’s active projects include residence hall construction and renovation, renovation of general education buildings, replacement of core infrastructure, and construction of academic, laboratory, and research facilities. The proceeds from the UMass HEFA Bonds were used to create a revolving loan program and to fund the construction of two new campus centers at the Boston and Lowell campuses (funded jointly with the Commonwealth).

On March 8, 2013, the Building Authority issued $212,585,000 of Senior Series 2013-1 Project Revenue Bonds (the “2013-1 Bonds”) and $71,790,000 of Senior Series 2013-2 Project Revenue Bonds (the “2013-2 Bonds”). The 2013-1 Bonds are tax-exempt and mature at various dates through 2043. The interest on the bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 2% to 5%. The 2013-2 Bonds are taxable, mature at various dates through 2043 and the interest on the bonds is payable semi-annually each November 1st and May 1st. The interest rates on the bonds range from 0.43% to 2.66%. The 2013-1 Bonds and 2013-2 Bonds will be used to finance capital projects in the University’s Capital Plan.

On August 8, 2013, the Authority issued its $24,640,000 Project and Refunding Revenue Bonds, Senior Series 2013-3 (the “2013-3 Bonds”). The 2013-3 bonds were issued to finance and refinance a project set forth in the University’s capital plan, the Edward M. Kennedy Institute for the United States Senate on the Boston campus of the University (the “EMK Project”). The proceeds of the 2013-3 bonds were used to finance the costs of such project, to fund capitalized interest on a portion of the 2013-3 Bonds, to refund a portion of the Authority’s Project Revenue Bonds, Senior Series 2009-1 allocable to the construction of the EMK Project, and to pay costs of issuing the 2013-3 Bonds. The 2013-3 Bonds are due (serially) through 2043 with fixed interest rates ranging from 4.0% to 5.0%.

On August 13, 2013, the Authority issued Commercial Paper Note, Series 2013 A and 2013 B in the amount of $25.0 million for each respective series, with a total amount outstanding of $50.0 million. The maximum aggregate principal amount of commercial paper which may be outstanding at one time is $200.0 million. A portion of these notes are secured by an Irrevocable Letter of Credit (“LOC”) provided by State Street Bank and Trust Company ("State Street") with respect to the $125 million Commercial Paper Notes, Series 2013 A, which expires in August of 2016. The remaining $75 million Commercial Paper Notes, Series 2013 B are secured by a Standby Liquidity Facility Agreement provided by U.S. Bank National Association, which expires in August 2016.

On February 25, 2014, the Building Authority issued $293,890,000 of Project Revenue Bonds, Senior Series 2014-1 (the “2014-1 Bonds”) and $14,085,000 of Project Revenue Bonds, Senior Series 2014-2 (the “2014-2 Bonds”). The 2014-1 Bonds included a premium of $21.8 million. The 2014-1 Bonds are tax-exempt and mature at various dates through 2044. The interest on the bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 3% to 5%. The 2014-2 Bonds are federally taxable and mature at various dates through 2019. The interest on the bonds is payable semi-annually each November 1st and May 1st and interest rates on the bonds range from 0.440% to 2.109%. The 2014-1 and 2014-2 Bonds will
be used to finance capital projects in the University’s Capital Plan.

On June 3, 2014, the Building Authority issued $157,855,000 of Refunding Revenue Bonds, Senior Series 2014-4 (the “2014-4 Bonds”). The 2014-4 Bonds are federally taxable and mature at various dates through 2025. The interest on the bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 0.2% to 3.381%. The 2014-4 Bonds were issued to refinance the Building Authority’s Refunding Revenue Bonds, Senior Series 2005-2.

**Capitalized Lease Obligations**

At June 30, 2014, the University had capital lease obligations with remaining principal payments of approximately $2.2 million which is a $4.3 million decrease from the remaining principal payments of $6.5 million at June 30, 2013. The capital leases primarily consist of telecommunications, software and co-generation systems, and campus energy conversions. The decrease in obligations is due to scheduled lease payments.

**University Rating**

The University is relying on a carefully planned and executed debt strategy to support master and strategic planning at the campuses and for the University as a whole. The University has been rewarded for its strategic planning by recent ratings upgrades. Bonds issued by the University of Massachusetts and the University of Massachusetts Building Authority are now AA, Aa2 and AA- as rated by Fitch, Moody's and Standard & Poor's rating agencies, respectively.

**Limitations on Additional Indebtedness**

The University may, without limit, issue additional indebtedness or request the Building Authority to issue additional indebtedness on behalf of the University so long as such indebtedness is payable from all available funds of the University. However, the University may request that the Building Authority issue additional indebtedness not payable from all available funds of the University provided that the additional indebtedness is secured by certain pledged revenues and the maximum annual debt service on all revenue indebtedness does not exceed 8% of the University's available revenues.

The Building Authority is authorized by its enabling act to issue bonds with the unconditional guarantee of the Commonwealth of Massachusetts for the punctual payment of the interest and principal payments on the guaranteed bonds. The full faith and credit of the Commonwealth are pledged for the performance of its guarantee. The enabling act, as amended, presently limits to $200 million the total principal amount of notes and bonds of the Building Authority that may be Commonwealth guaranteed and outstanding at any one time. The amount of bond obligation guaranteed by the Commonwealth at June 30, 2014 and 2013 was $125.6 million and $129.5 million, respectively.

**Capital Plan**

In September 2013, the University’s Trustees approved a $5.5 billion five-year (fiscal years 2014-2018) update to its capital plan with $3.8 billion of projects approved to continue or commence over the next 24 months. The University generally has funded its capital plans through a combination of funding received from University operations, bonds issued by the University of Massachusetts Building Authority, MassDevelopment financing, Commonwealth appropriations, and private fundraising. The execution of many projects from the University’s capital plan is from funding from the Commonwealth through the Higher Education and Life Sciences Bond Bills.

<table>
<thead>
<tr>
<th>Campus</th>
<th>Total 5-Year Plan FY14 - FY18</th>
<th>Total Approved Projects (as of Sept 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amherst</td>
<td>$1,417,236</td>
<td>$1,453,445</td>
</tr>
<tr>
<td>Boston</td>
<td>$1,291,935</td>
<td>$962,585</td>
</tr>
<tr>
<td>Dartmouth</td>
<td>$721,328</td>
<td>$438,510</td>
</tr>
<tr>
<td>Lowell</td>
<td>$1,516,400</td>
<td>$865,400</td>
</tr>
<tr>
<td>Worcester</td>
<td>$523,598</td>
<td>$153,340</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$5,470,497</strong></td>
<td><strong>$3,873,280</strong></td>
</tr>
<tr>
<td># of Projects</td>
<td>255</td>
<td>191</td>
</tr>
</tbody>
</table>

The University’s five-year capital plan for fiscal years 2014-2018 includes both new projects and major projects that were previously approved by the University Trustees in prior-year capital plans. Over the last year the University has been working with the Board to enhance its policy regarding its approval of capital projects to ensure a clear process for the review and approval of projects and to provide for multiple reviews during the process so that the President’s Office, Building Authority and the Board of Trustees (the Board) are actively involved. Since the capital program requires significant investment, the President’s office and the Board wanted to ensure that the proper steps were in place for reviewing and approving projects so that the University continues to live within its current capital and debt policies. The capital plan is currently being reviewed and is set to go before the Board for its biennial review at the December Board meeting.

**Factors Impacting Future Periods**

There are a number of issues of University-wide importance that directly impact the financial operations of the University. Many of these issues, such as improving academic quality, realizing strong financial results, investing in capital assets, expanding fundraising capacity, operating more efficiently and being the most effective University for students and the Commonwealth given the available resources, and measuring performance are ongoing activities of continuous importance to the Board of Trustees and University leadership that impact the financial and budget planning each year. The level of state support, the impact of collectively
bargained wage increases, and the ability of student-fee supported activities to meet inflationary pressures determine the limits of program expansion, new initiatives and strategic investments, as well as the ability of the University to meet its core mission and ongoing operational needs.

Despite challenging economic times in the Commonwealth since fiscal year 2009, the University of Massachusetts continues to focus on improving its competitive position. To meet increased student demand, boost academic credentials, and improve campus infrastructure, the University has expanded and acquired several strategic properties in the past few fiscal years:

- The Massachusetts Accelerator for Biomanufacturing (MAB) is a new 35,000 square foot bioprocessing facility located on a four acre site within the newly developed South Coast Life Sciences & Technology Park in Fall River. The facility looks to enhance the University’s program offerings to assist small companies developing therapeutic biologic products with the transition from scientific protocol to large scale production processes that meet both industry and regulatory quality standards.

- In the fall of 2014, the University opened the Springfield Satellite Center to offer bachelor and master level courses associated with a variety of existing academic degrees and certificates that are already available to citizens of Greater Springfield at nearby locations and/or online. The Center will also house selected outreach, research, and economic development programs and activities.

- A satellite campus associated with the UMass Lowell, in Haverhill, is currently being explored to better serve its student population. A permanent site is being explored and a temporary site is being utilized in the current year in partnership with Northern Essex Community College.

Despite these successful acquisitions, the ability to address priority capital needs and requirements for deferred maintenance, technology, repairs and adaptation, and selected new construction projects is one of the largest challenges facing the University. Despite investing more than $2.5 billion on capital improvements over the last decade, the University’s FY14-18 capital plan projects spending another $5.5 billion over the next five years. The commitment of operating funds for servicing debt and/or funding capital expenditures has an ongoing impact on the overall financial position of the University. In order to support the University’s capital plan, the University of Massachusetts Building Authority will be issuing new bonds for renovations, new construction, and deferred maintenance projects at the Amherst, Boston, Dartmouth, Lowell, and Worcester campuses in support of the capital plan. The University is currently working with the Building Authority to determine the timing of the next bond issuance in support of the FY14 – FY18 Capital Plan.

The University, as well as Legislative and Executive Leadership in the Commonwealth, understand that despite the significant level of capital activity being financed through University debt, a much higher level of state support needs to be dedicated to higher education facilities. As such, the Massachusetts Legislature passed a higher education bond bill in August 2008 that was filed by Governor Patrick. The Higher Education Improvement Act authorized $2.2 billion for capital improvement spending over the next ten years at community colleges, state universities, and the University. More than $1 billion of these funds are directed to University projects exclusively. Although the financial challenges faced by the Commonwealth have slowed down the pace of this funding, the capital plans prepared by the Commonwealth’s Executive Office for Administration and Finance maintain the commitment to fund $1 billion of capital activity at the University over the ten-year period from FY09-18. To date the $1 billion dedicated by the State to the University has been programmed toward funding critical capital projects at all of the campuses and we are currently working with the Commonwealth to secure additional authorizations for the future.

In addition, a major state effort to assist the Commonwealth in increasing its competitive position in the Life Sciences Industry was signed into law by the Governor on June 16, 2008. The $1 billion Life Sciences Industry Investment Act authorized $500 million of capital funding over ten years. It is anticipated that some portion of this funding, possibly as much as $242 million, will be used to support facility improvements at the University. $90 million has already been dedicated to partially fund the Sherman Center at the University’s Medical School in Worcester. Additionally $95 million has been provided for a research facility at the Amherst Campus and significant capital investments in collaborative facilities and programs involving the Boston, Dartmouth, and Lowell campuses.

The impact of this increased level of state capital support from both the Higher Education Bond Bill and the Life Sciences Bond Bill is illustrated on the financial statements where capital appropriations and grants exceeded $112 million in fiscal years 2014 and 2013.

In addition to capital funding, the life sciences initiative provides a number of opportunities for the University to participate in the planning and program implementation of this important economic development effort.

The University’s Boston Campus is situated on a peninsula in Boston Harbor which is also home to the John F. Kennedy Presidential Library and the Massachusetts State Archives and Commonwealth Museum. Construction is almost complete on the Edward M. Kennedy Institute for the United States Senate. The Kennedy Institute will focus on political study, training sessions for students and politicians, and historical records. The Institute will add significant prominence to the Boston Campus and the University.

Research funding for the University of Massachusetts was strong despite Federal sequestration of funds. For the University, research expenditures were $591.1 million in fiscal year 2013 and $597.5 million in fiscal year 2012. Most research at the University is externally funded, with the federal government providing a majority of the funding through the National Institutes of
Health, the National Science Foundation, and other sources. Among Massachusetts colleges and universities, UMass ranks third in research and development expenditures, behind only MIT and Harvard. The University, as well as most major public research universities across the United States, is closely monitoring the potential reduction in federal funding for research and development programs.

In recent years the online learning consortium of the University, UMassOnline, has shown significant growth in enrollments, course offerings and revenue generation benefitting the campuses and raising the profile of the University throughout this important sector of the higher education market. UMassOnline provides marketing and technology support for UMass’ online offerings that enable students, professionals, and lifelong learners to take courses anywhere, anytime. With over 130 undergraduate and graduate degree, certificate and professional development programs and more than 1,500 courses available from University faculty, UMassOnline is one of the largest accredited online programs available.

For fiscal year 2014, UMass Online and the Continuing Education units at the five campuses collaboratively generated tuition revenue in excess of $85.1 million and supported 63,496 course enrollments, an increase of 8.7% for revenue and an increase of 7.3% for course enrollments as compared to fiscal year 2013.

The University continues to increase its global reach through a coordinated effort in international activities to develop partnerships and programs to bring faculty, visiting scholars and students from other countries to the University; to integrate study abroad opportunities into the undergraduate and graduate curriculum; and to encourage faculty to engage in research, teaching and service activities around the world.

The Commonwealth’s fiscal year 2013 budget approved in June 2012 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 $25.6 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 FY11 level despite the fact that enrollment has increased at the University by 15% over the last 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 to bring the State budget into balance. As part of the reductions, the University received a 1% reduction equating to $4.2 million. Through working with the Legislature, the University was able to utilize revenues to meet the reduction so that there would be no impact on the fringe support provided by the State. 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 that would have the State assume 50% of the cost to educate a Massachusetts student at the University. The 50:50 funding proposal required an investment by the Commonwealth of $39.1 million in each of the next two fiscal years, 2014 and 2015. This investment, along with the additional fringe support of $10.8 million gained from the increase in the State appropriation will provide the University with $100 million in additional appropriation over the next two fiscal years. The 2014 State budget included language (outside section 162) providing for the second year commitment to reach the goal of 50:50. This initiative has had an immediate and meaningful impact on thousands of Massachusetts residents who have not had an increase in their tuition and mandatory curriculum fees for the upcoming academic year. It also provides them with more long-term relief by allowing them to graduate and enter the workforce with less student debt. The total appropriation for fiscal year 2014 is $478.7 million. These State funds are used entirely to support salary costs and the associated fringe benefit from having employees funded using the State appropriation.

Despite increased State support for fiscal year 2014, the University continues to examine our operations and implement meaningful, financially impactful improvements wherever possible. 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 fiscal year 2015 budget approved in July 2014 provided for a base state appropriation of $519.0 million which represents the second installment of the 50:50 plan which began in fiscal year 2014. This investment along with the additional fringe support allowed the University to freeze the mandatory curriculum fee for the second consecutive year for in state undergraduate students. However, the State did not fund the first year of collective bargaining contracts to date that cost approximately $13 million in State support. The University continues to advocate for these funds as negotiations using State set parameters continue.

As the University begins planning for fiscal year 2016, we continue to monitor State revenues and advance work in efficiency and effectiveness efforts wherever possible. In addition, as the campuses continue to make progress on capital projects, the University is looking to the State for its next round of bond funding in support of new and deferred maintenance projects in support of the plan. Meanwhile, each campus continues their fundraising efforts and capital campaigns.

Contacting the University
This financial report is designed to provide the University, the Commonwealth, the public and other interested parties with an overview of the financial results of the University and an explanation of the University's financial condition. If you have any questions about this report or require additional information, you can contact the University by calling the University Controller, Sarah Mongeau, at (774) 455-7520 or by email at smongeau@umassp.edu.
University of Massachusetts
Consolidated Statement of Net Position
As of June 30, 2014 and 2013
(in thousands of dollars)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>University Related</th>
<th>University Related</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
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<tr>
<td>Cash and Cash Equivalents</td>
<td>$63,752</td>
<td>$93,939</td>
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<tr>
<td>Cash Held By State Treasurer</td>
<td>27,867</td>
<td>23,883</td>
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<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>231,156</td>
<td>235,988</td>
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<tr>
<td>Pledges Receivable, net</td>
<td>11,320</td>
<td>12,461</td>
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<td>Short Term Investments</td>
<td>192,957</td>
<td>170,916</td>
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<tr>
<td>Inventories, net</td>
<td>16,289</td>
<td>19,769</td>
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<td>Accounts Receivable from UMass Memorial</td>
<td>40,807</td>
<td>12,734</td>
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<td>Due From Related Organizations</td>
<td>181</td>
<td>230</td>
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<tr>
<td>Other Assets</td>
<td>8,412</td>
<td>9,904</td>
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<td>Total Current Assets</td>
<td>$592,750</td>
<td>1,678</td>
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<td>Noncurrent Assets</td>
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<td></td>
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<tr>
<td>Cash and Cash Equivalents</td>
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<td></td>
</tr>
<tr>
<td>Cash Held By State Treasurer</td>
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<tr>
<td>Cash and Securities Held By Trustees</td>
<td>704,186</td>
<td>622,791</td>
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<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>40,498</td>
<td>39,388</td>
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<tr>
<td>Pledges Receivable, net</td>
<td>6,465</td>
<td>1,109</td>
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<td>Investments</td>
<td>775,953</td>
<td>389,376</td>
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<td>Investment In Plant, net</td>
<td>4,064,786</td>
<td>3,705,177</td>
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<td>Total Noncurrent Assets</td>
<td>$5,608,177</td>
<td>463,124</td>
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<td>Total Assets</td>
<td>$6,200,927</td>
<td>$464,802</td>
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<tr>
<td>DEFERRED OUTFLOWS OF RESOURCES</td>
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<tr>
<td>Deferred Change in Fair Value of Interest Rate Swaps</td>
<td>$41,082</td>
<td>$40,207</td>
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<tr>
<td>Loss on Debt Refunding</td>
<td>71,798</td>
<td>74,079</td>
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<tr>
<td>Total Deferred Outflows of Resources</td>
<td>$112,880</td>
<td>$114,286</td>
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<tr>
<td>LIABILITIES</td>
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<tr>
<td>Current Liabilities</td>
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<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$113,650</td>
<td>$174</td>
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<tr>
<td>Accrued Salaries and Wages</td>
<td>110,464</td>
<td>106,016</td>
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<tr>
<td>Accrued Compensated Absences</td>
<td>74,092</td>
<td>73,118</td>
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<tr>
<td>Accrued Workers’ Compensation</td>
<td>4,352</td>
<td>4,198</td>
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<tr>
<td>Accrued Interest Payable</td>
<td>21,872</td>
<td>22,316</td>
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<td>Bonds Payable</td>
<td>196,608</td>
<td>328,126</td>
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<tr>
<td>Capital Lease Obligations</td>
<td>2,232</td>
<td>4,302</td>
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<tr>
<td>Accelerated variable rate debt, current</td>
<td>50,000</td>
<td>12,307</td>
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<tr>
<td>Assets Held on behalf of Others</td>
<td>3,864</td>
<td>4,364</td>
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<tr>
<td>Accounts Payable to UMass Memorial</td>
<td>354</td>
<td>380</td>
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<tr>
<td>Due To Related Organizations</td>
<td>354</td>
<td>380</td>
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<tr>
<td>Unearned Revenues and Credits</td>
<td>40,923</td>
<td>40,388</td>
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<tr>
<td>Advances and Deposits</td>
<td>6,912</td>
<td>7,946</td>
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<tr>
<td>Other Liabilities</td>
<td>49,007</td>
<td>52,530</td>
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<td>Total Current Liabilities</td>
<td>$674,330</td>
<td>$15,525</td>
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<td>Noncurrent Liabilities</td>
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<tr>
<td>Accrued Compensated Absences</td>
<td>31,779</td>
<td>30,410</td>
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<tr>
<td>Accrued Workers’ Compensation</td>
<td>10,811</td>
<td>74,079</td>
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<tr>
<td>Bonds Payable</td>
<td>2,617,149</td>
<td>2,213,722</td>
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<tr>
<td>Capital Lease Obligations</td>
<td>2,232</td>
<td>4,302</td>
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<tr>
<td>Derivative Instruments, Interest Rate Swaps</td>
<td>68,843</td>
<td>69,325</td>
</tr>
<tr>
<td>Unearned Revenues and Credits</td>
<td>21,243</td>
<td>20,199</td>
</tr>
<tr>
<td>Advances and Deposits</td>
<td>28,094</td>
<td>27,943</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>43,263</td>
<td>3,483</td>
</tr>
<tr>
<td>Total Noncurrent Liabilities</td>
<td>$2,821,182</td>
<td>3,483</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$3,495,512</td>
<td>19,008</td>
</tr>
</tbody>
</table>

Net Position:
Invested in Capital Assets Net of Related Debt | $1,800,767 | $8,477 | $1,682,173 | $8,619 |
| Restricted | $17,387 | 309,718 | 18,058 | 290,858 |
| Nonexpendable | 101,195 | 10,199 | |
| Expendable | 174,530 | 156,469 | 74,706 |
| Unrestricted | 825,611 | 3,483 | 3,332 |
| Total Net Position | $2,818,295 | $445,794 | $2,614,356 | $386,212 |

The accompanying notes are an integral part of the financial statements.
University of Massachusetts
Consolidated Statement of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2014 and 2013
(in thousands of dollars)

### REVENUES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees (net of scholarship allowances of $201,186 at June 30, 2014 and $189,753 at June 30, 2013)</td>
<td>$740,116</td>
<td>$707,495</td>
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<td></td>
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<tr>
<td>Federal Grants and Contracts</td>
<td>322,047</td>
<td>334,697</td>
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<tr>
<td>State Grants and Contracts</td>
<td>74,996</td>
<td>68,794</td>
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<tr>
<td>Local Grants and Contracts</td>
<td>2,223</td>
<td>2,253</td>
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<tr>
<td>Private Grants and Contracts</td>
<td>112,428</td>
<td>106,714</td>
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<tr>
<td>Sales and Service, Educational</td>
<td>21,792</td>
<td>19,237</td>
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</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>349,485</td>
<td>319,544</td>
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<tr>
<td>Other Operating Revenues:</td>
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<tr>
<td>Sales and Service, Independent Operations</td>
<td>44,296</td>
<td>46,062</td>
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<tr>
<td>Sales and Service, Public Service Activities</td>
<td>448,478</td>
<td>447,119</td>
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<tr>
<td>Other</td>
<td>93,418</td>
<td>100,839</td>
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<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>2,209,279</td>
<td>2,152,754</td>
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### EXPENSES

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>690,635</td>
<td>657,841</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>407,425</td>
<td>405,223</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service</td>
<td>77,985</td>
<td>$11,066</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic Support</td>
<td>151,000</td>
<td>145,551</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Services</td>
<td>119,295</td>
<td>108,746</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Support</td>
<td>219,920</td>
<td>209,975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation and Maintenance of Plant</td>
<td>214,972</td>
<td>203,115</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>204,233</td>
<td>185,261</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>49,242</td>
<td>49,731</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>265,080</td>
<td>248,765</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Operations</td>
<td>44,861</td>
<td>47,826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service Activities</td>
<td>365,252</td>
<td>327,293</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>2,809,900</td>
<td>11,443</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Loss</strong></td>
<td>(600,621)</td>
<td>(511,083)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### NONOPERATING REVENUES/(EXPENSES)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Appropriations</td>
<td>7,020</td>
<td>6,774</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriations</td>
<td>570,618</td>
<td>519,311</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td>29,013</td>
<td>30,044</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>86,685</td>
<td>56,037</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment Income</td>
<td>16,842</td>
<td>13,614</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Indebtedness</td>
<td>(89,496)</td>
<td>(91,364)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonoperating Federal Grants</td>
<td>74,279</td>
<td>70,586</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Nonoperating Income</td>
<td>1,046</td>
<td>1,002</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues</strong></td>
<td>695,807</td>
<td>54,982</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income Before Other Revenues, Expenses, Gains, and Losses</strong></td>
<td>95,186</td>
<td>43,539</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### OTHER REVENUES, EXPENSES, GAINS, AND LOSSES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Appropriations</td>
<td>112,132</td>
<td>112,581</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Grants and Contracts</td>
<td>21,987</td>
<td>39,347</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to Permanent Endowments</td>
<td>17,566</td>
<td>16,056</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Amounts Earned/Received on Behalf of Others</td>
<td>(1,555)</td>
<td>(928)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Contribution</td>
<td>250</td>
<td>4,514</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of Plant Facilities</td>
<td>(6,198)</td>
<td>(8,802)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Related Organization Transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Additions/(Deductions)</td>
<td>(19,418)</td>
<td>2,939</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Revenues, Expenses, Gains, and Losses</strong></td>
<td>108,753</td>
<td>150,579</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Increase in Net Position</strong></td>
<td>203,939</td>
<td>245,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### NET POSITION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position at Beginning of Year, as reported</td>
<td>2,614,356</td>
<td>386,212</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(20,521)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position at Beginning of Year, as adjusted</td>
<td>2,638,856</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Position at End of Year</strong></td>
<td>$2,818,295</td>
<td>$445,794</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
University of Massachusetts
Consolidated Statements of Cash Flows
For The Years Ended June 30, 2014 and 2013
(in thousands of dollars)

<table>
<thead>
<tr>
<th>University</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>$793,246</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td>796,973</td>
</tr>
<tr>
<td>Payments to Suppliers</td>
<td>(1,273,331)</td>
</tr>
<tr>
<td>Payments to Employees</td>
<td>(1,298,736)</td>
</tr>
<tr>
<td>Payments for Benefits</td>
<td>(288,286)</td>
</tr>
<tr>
<td>Payments for Scholarships and Fellowships</td>
<td>(49,236)</td>
</tr>
<tr>
<td>Loans Issued to Students and Employees</td>
<td>(7,212)</td>
</tr>
<tr>
<td>Collections of Loans to Students and Employees</td>
<td>5,302</td>
</tr>
<tr>
<td>Auxiliary Enterprises Receipts</td>
<td>336,456</td>
</tr>
<tr>
<td>Sales and Service, Educational</td>
<td>21,613</td>
</tr>
<tr>
<td>Sales and Service, Independent Operations</td>
<td>49,781</td>
</tr>
<tr>
<td>Sales and Service, Public Service Activities</td>
<td>471,119</td>
</tr>
<tr>
<td><strong>Net Cash Used in Operating Activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(440,311)</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| State Appropriations | 628,537 | 577,841 |
| Tuition Remitted to the State | (34,325) | (35,103) |
| Federal Appropriations | 7,020 | 6,774 |
| Gifts and Grants for Other Than Capital Purposes | 25,990 | 23,047 |
| Nonoperating Federal Grants | 74,279 | 70,586 |
| Student Organization Agency Transactions | 31 | (518) |
| **Net Cash Provided by Noncapital Financing Activities** | | |
| | 701,533 | 642,627 |

| **CASH FLOWS FROM CAPITAL AND OTHER FINANCING ACTIVITIES** | | |
| Proceeds from Capital Debt | 587,555 | 303,752 |
| Bond Issuance Costs Paid | (3,647) | (2,151) |
| Capital Appropriations | 112,132 | 112,582 |
| Capital Grants and Contracts | 37,584 | 40,324 |
| Purchases of Capital Assets and Construction | (208,444) | (273,885) |
| Principal Paid on Capital Debt and Leases | (257,837) | (76,347) |
| Interest Paid on Capital Debt and Leases | (104,441) | (95,550) |
| Use of Debt Proceeds on Deposit with Trustees | (357,204) | (537,050) |
| **Net Cash Used in Capital Financing Activities** | | |
| | (194,302) | (528,325) |

| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from Sales and Maturities of Investments | 1,141,204 | 1,067,591 |
| Interest on Investments | 8,959 | 9,172 |
| Purchase of Investments | (1,162,801) | (1,022,629) |
| **Net Cash (Used in)/Provided by Investing Activities** | | |
| | (12,638) | 54,134 |

| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | |
| | 54,282 | (160,652) |

| **Cash and Cash Equivalents - Beginning of the Year** | 749,952 | 910,604 |
| **Cash and Cash Equivalents - End of Year** | | |
| | $804,234 | $749,952 |

| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Operating Loss | ($600,621) | ($511,083) |
| Adjustments to reconcile loss to net cash used by Operating Activities: | | |
| Depreciation and Amortization Expense | $204,233 | 185,261 |
| **Changes in Assets and Liabilities:** | | |
| Receivables, net | 2,305 | (14,984) |
| Inventories | 3,471 | 1,673 |
| Due to/from Related Organizations | (75) | (105) |
| Accounts Receivable/Payable UMass Memorial | (28,573) | (6,175) |
| Other Assets | (16,748) | (2,090) |
| Accounts Payable (non-capital) | (10,550) | (7,039) |
| Accrued Liabilities | 7,327 | 13,632 |
| Deferred Revenue | 1,579 | (2,162) |
| Advances and Deposits | (883) | (862) |
| Other Liabilities | (1,777) | (14,946) |
| **Net Cash Used in Operating Activities** | | |
| | ($440,312) | ($329,088) |

| **SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:** | | |
| Assets acquired and included in accounts payable and other liabilities | $56,705 | $61,743 |
| Loss on disposal of capital assets | ($6,198) | (8,802) |
| Unrealized gain on investments | 50,353 | 7,932 |

The accompanying notes are an integral part of the financial statements.
1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The consolidated financial statements herein present the financial position, results of operations, changes in net position, and cash flows of the University of Massachusetts (“the University”), a federal land grant institution. The financial statements of the University include the Amherst, Boston, Dartmouth, Lowell and Worcester Medical School campuses, and the Central Administration office of the University, Worcester City Campus Corporation (“WCCC”), the University of Massachusetts Amherst Foundation (“UMass Amherst Foundation”), as well as the University of Massachusetts Building Authority (“the Building Authority”).

The Building Authority is a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 (referred to as the “Enabling Act”), whose purpose is to provide dormitories, dining commons, and other buildings and structures for use by the University. WCCC is a tax exempt organization founded to support research and real property activities for the University. The UMass Amherst Foundation was established in 2003 as a tax exempt organization founded to foster and promote the growth, progress, and general welfare of the University. These component units are included in the financial statements of the University because of the significance and exclusivity of their financial relationships with the University.

The University Related Organizations column in the accompanying financial statements includes the financial information of the University’s discretely presented component units. The University of Massachusetts Foundation, Inc. (“the Foundation”) and the University of Massachusetts Dartmouth Foundation, Inc. (“the Dartmouth Foundation”) are related tax exempt organizations founded to foster and promote the growth, progress and general welfare of the University, and are reported in a separate column to emphasize that they are Massachusetts not-for-profit organizations legally separate from the University. These component units are included as part of the University’s financial statements because of the nature and the significance of their financial relationship with the University. The financial statement presentation of the discretely presented component units has been reclassified to conform to the University presentation. The financial reports of all above mentioned component units are available upon request from the University.

The University is an enterprise fund of the Commonwealth of Massachusetts (“the Commonwealth”). The financial balances and activities included in these financial statements are, therefore, also included in the Commonwealth’s comprehensive annual financial report.

BASIS OF PRESENTATION

The accompanying 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 financial statements are reported on a consolidated basis, and all intra-University transactions are eliminated.

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, federal appropriations, non-capital gifts, short term investment income, endowment income used in operations, interest expense, and capital additions and deductions. Other revenues, expenses, gains and losses represent all capital items, 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 (see Note 5). 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. Pledges to restricted non-expendable endowments are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The University applies restricted net assets first when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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, and disclosures of contingencies at the date of the financial statements and 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 best estimates of selling price associated with certain multiple element arrangements. 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 establishes standards for external financial reporting by public colleges and universities that resources be classified into the following net position 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**: Resources subject to externally imposed stipulations that they be maintained permanently by the University.

- **Restricted Expendable**: Resources 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**: Resources 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 statements of revenues, expenses, and changes in net position, and included in supplies and services in the statements of cash flows. Discounts and allowances for tuition and fees and auxiliary enterprises are calculated using the Alternate Method which reports tuition and fee revenue net of scholarship allowances.

**NEW GASB PRONOUNCEMENTS**

In November of 2011, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements (GASB 60). The objective of GASB 60 is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. GASB 60 applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The implementation of GASB 60 in 2013 had no impact on the University.

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63). GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The adoption of GASB 63 resulted in the separate presentation of deferred outflows of resources on the Statement of Net Position. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB 63 amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of GASB 63 in 2013 required the University to change the reference of net assets to net position.

In April 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

The University adopted GASB 65 effective July 1, 2012. In connection with the adoption of this new standard all accounts were analyzed by management in order to assess the impact on the financial statements. The implementation of this new standard resulted in the modification of the method previously used to account for the cost of issuance associated with the University’s numerous bond issuances, commitment and financing fees received by the University in connection with the bonds, and the expense and costs incurred on the bond refundings to be expensed as incurred, rather than capitalized, and amortized over the life of the debt. In accordance with the requirements of this new standard, the University’s Fiscal 2013 statement of net position and the University’s statement of revenues,
expenses and changes in net position were adjusted to reflect the required adjustments. As a result, the following adjustments have been made to the University’s financial statements.

<table>
<thead>
<tr>
<th></th>
<th>As of July 1, 2012:</th>
<th>As Previously Reported</th>
<th>Adjustment</th>
<th>As Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position</td>
<td>$2,389,376</td>
<td>($20,521)</td>
<td>$2,368,855</td>
<td></td>
</tr>
<tr>
<td>For the year ended June 30, 2013:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Nonoperating Income/(Expense)</td>
<td>2,366</td>
<td>(1,363)</td>
<td>1,003</td>
<td></td>
</tr>
<tr>
<td>Net Position at June 30, 2013</td>
<td>$2,636,241</td>
<td>(21,884)</td>
<td>$2,614,356</td>
<td></td>
</tr>
</tbody>
</table>

Additionally, the deferred losses on refunded bonds in the amount of $68.9 million at June 30, 2013 were reclassified from long term debt to deferred outflows of resources on the statement of net position.

CLASSIFICATION OF ASSETS AND LIABILITIES

The University presents current and non-current assets and liabilities in the statements of net position. Assets and liabilities are considered current if they mature in one year or less, or are expected to be received, used, or paid within one year or less. Investments with a maturity of greater than one year and balances that have externally imposed restrictions as to use are considered non-current. Cash Held by State Treasurer includes balances with restrictions as to use and balances that may be rolled forward for use toward the restricted purposes in future years, and such balances are classified as non-current. Cash held by trustees is presented based upon its expected period of use and the restrictions imposed on the balances by external parties.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts, with a maturity of three months or less when purchased.

Investments are reported at their respective fair values. Short-term investments consist of deposits with original maturities of less than one year and are available for current use. Securities received as a gift are recorded at estimated fair value at the date of the gift.

Private equities and certain other non-marketable securities held by the Foundation are valued using current estimates of fair value by management based on information provided by the general partner or investment manager for the respective securities. The Foundation believes that the carrying amounts of these investments are a reasonable estimate of fair value, however, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investment existed. Venture capital investments represent initial investments made to certain funds and are reported at cost until distributions are made from the funds or until market values are reported on the funds.

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

Investment income includes dividends and interest income and is recognized on the accrual basis. In computing realized gains and losses, cost is determined on a specific identification basis.

RESTRICTED GRANTS AND CONTRACTS

The University receives monies from federal and state government agencies under grants and contracts for research and other activities including medical service reimbursements. The University records the recovery of indirect costs applicable to research programs, and other activities which provide for the full or partial reimbursement of such costs, as revenue. Recovery of indirect costs for the years ended June 30, 2014 and 2013 was $114.0 million and $113.9 million, respectively, and is a component of grants and contracts revenue. The costs, both direct and indirect, charged to these grants and contracts are subject to audit by the granting agency. The University believes that any audit adjustments would not have a material effect on the University’s financial statements.

PLEDGES AND ENDOWMENT SPENDING

Pledges for non-endowment purposes are presented net of amounts deemed uncollectible, and after discounting to the present value of the expected future cash flows. Because of uncertainties with regard to whether they are realizable, bequests and intentions and other conditional promises are not recognized as assets until the specified conditions are met.

The Foundation utilizes the pooled investment concept whereby all invested funds are in one investment pool, except for investments of certain funds that are otherwise restricted. Pooled investment funds will receive an annual distribution of 4% of the endowment fund’s average market value for the preceding twelve quarters on a one year lag. Only quarters with funds on deposit shall be included in the average. In addition, a prudence rule will be utilized limiting spending from a particular endowment fund to no lower than 93% of its book value. The actual spending rate approved was 4% for 2014 and 2013. Future utilization of gains is
dependent on market performance. Deficiencies for donor-restricted endowment funds resulting from declines in market value would be offset by an allocation from unrestricted net position to restricted expendable net position, and would be recorded in realized and unrealized gains (losses) on sale of investments. In fiscal years 2014 and 2013, the deficiencies were $0 million and $0.1 million, respectively. The Foundation believes that these adjustments are temporary and will not require permanent funding.

INVENTORIES
The University’s inventories consist of books, general merchandise, central stores, vaccines, and operating supplies which are carried at the lower of cost (first-in, first-out and average cost methods) or market value.

INVESTMENT IN PLANT
Capital assets are stated at cost or fair value upon receipt as a gift. Net interest costs incurred during the construction period for major capital projects are capitalized. Repairs and maintenance costs are expensed as incurred, whereas major improvements that extend the estimated useful lives of the assets are capitalized as additions to property and equipment. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets. The University records a full year of depreciation in the year of acquisition. Land is not depreciated. The University does not capitalize works of art, historical treasures or library books.

Following is the range of useful lives for the University’s depreciable assets:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20-50 years</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>3-20 years</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>3-15 years</td>
</tr>
<tr>
<td>Software</td>
<td>5 years</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>20 years</td>
</tr>
</tbody>
</table>

COMPENSATED ABSENCES
Employees earn the right to be compensated during absences for annual vacation leave and sick leave. The accompanying statements of net position reflect an accrual for the amounts earned and ultimately payable for such benefits as of the end of the fiscal year. The accrual equates to the entire amount of vacation time earned and an actuarially determined liability for the sick leave component of compensated absences. Employees are only entitled to 20% of their sick leave balance upon retirement. The actuarial calculation utilized the probability of retirement for this estimate.

UNEARNED REVENUE
Unearned revenue consists of amounts billed or received in advance of the University providing goods or services. Unearned revenue is recognized as revenue as expenses are incurred and therefore earned.

ADVANCES AND DEPOSITS
Advances from the U.S. Government for Federal Perkins Loans to students are reported as part of advances and deposits. Future loans to students are made available only from repayments of outstanding principal amounts plus accumulated interest received thereon.

TUITION AND STATE APPROPRIATIONS
The accompanying financial statements for the years ended June 30, 2014 and 2013 present as tuition revenue approximately $34.3 million and $35.1 million, respectively, of in-state tuition received by the University and remitted to the State Treasurer’s Office for the general fund of the Commonwealth of Massachusetts. The amount of tuition retained by the University related to out-of-state students during 2014 and 2013 was $75.8 million and $74.5 million, respectively. The recorded amount of State Appropriations received by the University has been reduced by a corresponding amount of tuition remitted as shown below (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Commonwealth Appropriations</td>
<td>$486,656</td>
<td>$447,637</td>
</tr>
<tr>
<td>Plus: Fringe Benefits</td>
<td>141,881</td>
<td>130,005</td>
</tr>
<tr>
<td>Total</td>
<td>628,537</td>
<td>577,642</td>
</tr>
<tr>
<td>Less: Tuition Remitted</td>
<td>(34,325)</td>
<td>(35,103)</td>
</tr>
<tr>
<td>Less: Mandatory Waivers</td>
<td>(23,594)</td>
<td>(23,428)</td>
</tr>
<tr>
<td>Net Commonwealth support</td>
<td>$570,618</td>
<td>$519,311</td>
</tr>
</tbody>
</table>

AUXILIARY ENTERPRISES
Auxiliary Enterprise revenue of $349.5 million and $319.5 million for the years ended June 30, 2014 and 2013, respectively, are stated net of room and board charge allowances of $1.0 million and $0.7 million, respectively.

OTHER OPERATING REVENUES AND EXPENDITURES, SALES AND SERVICES, PUBLIC SERVICE ACTIVITIES
Public Service Activities consist largely of sales and services provided to third parties by the UMass Medical School campus under its Commonwealth Medicine ("CWM") programs, which provide public consulting and services in health care financing, administration and policy to federal, state and local agencies and not-for-profit health and policy organizations. Included in this category of activities are Commonwealth Medicine revenues of $349.0 million and $358.7 million for the years ended June 30,
2014 and 2013, respectively. Included in expenditures are Commonwealth Medicine expenditures of $318.2 million and $347.4 million for the years ended June 30, 2014 and 2013, respectively.

Public Service Activities also include payments received by the Medical School for educational services it provides to its clinical affiliate, UMass Memorial, as required by the enabling legislation enacted by the Commonwealth in 1997. Educational services revenues included in public service revenues were $163.8 million and $153.0 million for the years ended June 30, 2014, and 2013, respectively. Finally, Public Service Activity expenditures include payments made to the Commonwealth of Massachusetts of $120 million and $65 million for the years ended June 30, 2014 and 2013, respectively, pursuant to requirements of legislation enacted by the State Legislature of Massachusetts.

FRINGE BENEFITS FOR CURRENT EMPLOYEES AND POST EMPLOYMENT OBLIGATIONS – PENSION AND NON-PENSION

The University participates in the Commonwealth’s Fringe Benefit programs, including active employee and post – employment health insurance, unemployment compensation, pension, and workers’ compensation benefits. Health insurance and pension costs for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth and currently the liability is borne by the Commonwealth. Consequently, no amounts have been reported by the University under applicable GASB standards. Workers’ compensation costs are assessed separately based on actual University experience.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth’s employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

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

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

The GIC is a quasi-independent state agency governed by an eleven-member body ("the Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal years that ended on June 30, 2014 and June 30, 2013, respectively, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Pursuant to the provisions of Paragraph (e), Section 5 of Chapter 163 of the Acts of 1997 and consistent with the September 22, 1992 Memorandum of Understanding between the Commonwealth of Massachusetts Executive Office of Administration and Finance and the University of Massachusetts, the University’s Medical School campus has assumed the obligation for the cost of fringe benefits provided by the Commonwealth to University Medical School employees (other than those employees paid from state appropriated funds) for all periods on or after July 1, 1989. The Medical School determines the actual costs for the health insurance benefits and actuarially calculates the incurred service costs for pensions and retiree health insurance.

INCOME TAX STATUS

The University and the Building Authority are component units of the Commonwealth of Massachusetts and are exempt from Federal and state income tax under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. The University qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended (the Code). The Building Authority qualifies as a public charity under Section 170(b)(1)(A)(iv)of the Code.

The Worcester City Campus Corporation (WCCC), and the University Related Organizations are organizations described in Section 501(c)(3) of the Code, and are generally exempt from income taxes pursuant to Section 501(a) of the Code. WCCC and the University Related Organizations are required to assess uncertain tax positions and have determined that there were no such positions that are material to the financial statements.
COMPARATIVE INFORMATION AND RECLASSIFICATIONS

The University’s financial statements include prior year comparative information. Certain reclassifications were made in prior year to conform to current year presentation. These amounts were determined to be immaterial to the financial statements by management.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The University’s investments are made in accordance with the Investment Policy and Guidelines Statement Operating Cash Portfolio adopted in May 2005 and later amended in June 2009 by the Board of Trustees (the Investment Policy) and the Statement of Investment and Spending Policies of the University of Massachusetts Foundation, Inc. The goals of these documents are to preserve capital, provide liquidity, and generate investment income. The University of Massachusetts has statutory authority under Massachusetts General Laws Chapter 75 to collect, manage and disburse trust funds of the University.

Investments are reported at their respective fair values. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Private equities and certain other non-marketable securities are valued using current estimates in fair value by management based on information provided by the general partner or investment manager for the respective securities. Investments in units of non-publicly traded pooled funds are valued at the unit value determined by the fund’s administrator based on quoted market prices of the underlying investments. Private equities and other non-marketable securities represent approximately 27.4% and 24.5% of the University’s investments at June 30, 2014 and 2013, respectively.

Custodial Credit Risk - Custodial Credit Risk is the risk that, in the event of a failure of the counterparty, the University would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. The University does not have a formal policy related to mitigation of custodial credit risk. Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the University and are held by either the counterparty or the counterparty’s trust department or agent but not in the University’s name. As of June 30, 2014 and 2013, all cash and investment accounts were held on behalf of the University by the Trustees, in the Trustees’ name.

The University maintains depository, payroll, disbursement, receipt, and imprest accounts. In addition to bank account deposits, the University held money market instruments which are classified as investments. Interest bearing and money market accounts carry Federal Deposit Insurance Corporation (FDIC) insurance up to $250,000 per account. None of the accounts are collateralized above the FDIC insured amounts. The University also invested in individual CDs and BNY Mellon’s CDARS program. These funds are invested in individual CDs in $250,000 increments and are therefore fully insured by the FDIC.

At June 30, 2014 and 2013, the carrying amounts, bank balances and FDIC insured amounts were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book</td>
<td>Bank</td>
</tr>
<tr>
<td></td>
<td>Balance</td>
<td>Balance</td>
</tr>
<tr>
<td>Depository Accounts</td>
<td>57,360</td>
<td>65,410</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>560</td>
<td>560</td>
</tr>
<tr>
<td>Money Market</td>
<td>180,501</td>
<td>180,501</td>
</tr>
<tr>
<td>Total</td>
<td>238,511</td>
<td>248,561</td>
</tr>
</tbody>
</table>

At June 30, 2014 the University held a carrying and fair market value of $743.2 million in non-money market investments compared to a carrying and fair market value of $723.5 million at June 30, 2013. In the event of negligence due to the University’s custodian and/or investment manager(s), it is expected that investment balances of $743.2 million and $723.5 million at June 30, 2014 and 2013, respectively, would be fully recovered. However, these amounts are subject to both interest rate risk and credit risk.

Concentration of Credit Risk - Concentration of credit risk is assumed to arise when the amount of investments that the University has with one issuer exceeds 5% or more of the total value of the University’s investments. The University does not have a formal policy for concentration of credit risk.

As of June 30, 2014 and June 30, 2013, respectively, there is no concentration of investments with one issuer of the University portfolio, excluding U. S. Government guaranteed obligations, which exceed 5% of the portfolio.

Credit Risk - Credit risk is the risk that the University will lose money because of the default of the security issuer or investment counterparty. The University’s Investment Policy and Guidelines Statement allows each portfolio manager full discretion within the parameters of the investment guidelines specific to that manager.
The table below presents the fair value (in thousands) and average credit quality of the fixed income component of the University’s investment portfolio as of June 30, 2014 and 2013, respectively:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>June 30, 2014 Fair Value</th>
<th>Average Credit</th>
<th>June 30, 2013 Fair Value</th>
<th>Average Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short duration</td>
<td>$240,550</td>
<td>AAA</td>
<td>$230,161</td>
<td>AAA</td>
</tr>
<tr>
<td>Intermediate</td>
<td>$282,030</td>
<td>A</td>
<td>$282,837</td>
<td>A</td>
</tr>
</tbody>
</table>

The table below presents the fair value (in thousands) by credit quality of the rated debt investments component of the University’s investment portfolio as of June 30, 2014 and 2013, respectively:

<table>
<thead>
<tr>
<th>Fair Value</th>
<th>AAA</th>
<th>AA</th>
<th>A</th>
<th>BBB</th>
<th>BB</th>
<th>B</th>
<th>&lt;B</th>
<th>Unrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Agencies</td>
<td>$12,195</td>
<td>$12,195</td>
<td>$12,195</td>
<td>$12,195</td>
<td>$12,195</td>
<td>$12,195</td>
<td>$12,195</td>
<td>$12,195</td>
</tr>
<tr>
<td>U.S. Government</td>
<td>34,522</td>
<td>34,522</td>
<td>34,522</td>
<td>34,522</td>
<td>34,522</td>
<td>34,522</td>
<td>34,522</td>
<td>34,522</td>
</tr>
<tr>
<td>Foreign Govern Bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Corporate Debt</td>
<td>90,284</td>
<td>17,627</td>
<td>24,742</td>
<td>22,199</td>
<td>131</td>
<td>1,426</td>
<td>11,329</td>
<td></td>
</tr>
<tr>
<td>Municipal/Public Bonds</td>
<td>4,253</td>
<td>1,614</td>
<td>1,500</td>
<td>1,139</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Bond Mutual Funds</td>
<td>152,806</td>
<td>56,581</td>
<td>19,463</td>
<td>31,222</td>
<td>15,940</td>
<td>15,940</td>
<td>15,940</td>
<td>15,940</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>228,021</td>
<td>225,764</td>
<td>16,767</td>
<td>15,940</td>
<td>15,940</td>
<td>15,940</td>
<td>15,940</td>
<td>15,940</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$522,581</strong></td>
<td><strong>$300,472</strong></td>
<td><strong>$67,818</strong></td>
<td><strong>$45,705</strong></td>
<td><strong>$15,940</strong></td>
<td><strong>$11,413</strong></td>
<td><strong>$4,801</strong></td>
<td><strong>$21,872</strong></td>
</tr>
</tbody>
</table>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The University’s Investment Policy and Guidelines Statement establishes targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through targeted allocations to different asset classes.

The table below shows the allocation for each asset class and the fair value (in thousands) for each as of June 30, 2014 and 2013, respectively:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>6/30/14 Allocation</th>
<th>6/30/14 Fair Value</th>
<th>6/30/13 Allocation</th>
<th>6/30/13 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Duration</td>
<td>25%</td>
<td>$240,551</td>
<td>26%</td>
<td>$230,161</td>
</tr>
<tr>
<td>Intermediate Duration</td>
<td>29%</td>
<td>282,030</td>
<td>32%</td>
<td>282,837</td>
</tr>
<tr>
<td>Alternative Assets</td>
<td>27%</td>
<td>265,499</td>
<td>25%</td>
<td>217,442</td>
</tr>
<tr>
<td>Equities</td>
<td>15%</td>
<td>147,500</td>
<td>14%</td>
<td>130,175</td>
</tr>
<tr>
<td>Commodities</td>
<td>3%</td>
<td>24,592</td>
<td>2%</td>
<td>21,020</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1%</td>
<td>8,738</td>
<td>1%</td>
<td>7,010</td>
</tr>
</tbody>
</table>

23
3. CASH HELD BY STATE TREASURER

Accounts payable, accrued salaries and outlays for future capital projects to be funded from state-appropriated funds totaled approximately $36.5 million at June 30, 2014 and $33.2 million at June 30, 2013. The University has recorded a comparable amount of cash held by the State Treasurer for the benefit of the University, which will be subsequently utilized to pay for such liabilities. The cash is held in the State Treasurer’s pooled cash account. The Commonwealth requires all bank deposits in excess of insurance coverage by the FDIC to be collateralized with a perfected pledge of eligible collateral. Eligible collateral must be pledged in an amount equal to 102% of the amount of the deposits that exceed FDIC insurance. Sufficient collateral to cover total Commonwealth deposits in excess of the FDIC insured amount must be pledged and held in safekeeping by a custodian that is approved by and under the control of the Treasurer and Receiver – General.

4. CASH AND SECURITIES HELD BY TRUSTEES

Cash and securities held by trustees primarily consist of unspent bond proceeds, amounts held for the future payment of debt service on such borrowings and designated funds. At June 30, 2014 and June 30, 2013 there are investments of $0 and $7,000, respectively, available from Master Lease agreements entered into by the University for capital asset purchases at the Amherst and Boston campuses. Additionally, there is $3 million and $13.6 million, respectively, available from the Revolving Loan Fund established with 2000 Series A bond proceeds issued to acquire and implement enterprise resource planning technology.
along with other projects (see Note 8) and $701.1 million and $608.5 million, respectively, held by trustees related to the Building Authority.

Pursuant to Trust Agreements between the Building Authority and its bond trustees, all funds deposited with those trustees (approximately $700 million at June 30, 2014 and $600 million at June 30, 2013) shall be continuously maintained for the benefit of the Building Authority and Registered owners of the Bonds. All investments shall be (a) held with a bank or trust company approved by the Trustees and the Building Authority, as custodians, or (b) in such other manner as may be required or permitted by applicable state and Federal laws and regulations. Investments shall consist of (a) direct obligations of, or obligations which are unconditionally guaranteed by the United States of America, or any other agency or corporation which has been created pursuant to an act of Congress of the United States as an agency or instrumentality thereof; or (b) other marketable securities eligible as collateral for the deposit of trust funds under regulations of the Comptroller of the Currency having a market value not less than the amount of such deposit. Direct obligations of, or obligations which are unconditionally guaranteed by the United States of America or any other agency or corporation which has been created pursuant to an act of Congress of the United States as an agency or instrumentality thereof, may be subject to repurchase upon demand by the owner pursuant to a repurchase agreement with a bank or trust company.

**Cash Deposits – Custodial Credit Risk**  
The Building Authority holds a majority of its cash and cash equivalents in high quality money market mutual funds that invest in securities that are permitted investments under the Building Authority’s Enabling Act or in money market mutual funds that have been specifically permitted by state legislation. The Building Authority’s cash and cash equivalents consisted of the following as of June 30, 2014 and 2013 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>4,406</td>
<td>5,130</td>
</tr>
<tr>
<td>Permitted money market accounts (“MMA”)</td>
<td>691,381</td>
<td>518,739</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>695,787</td>
<td>523,869</td>
</tr>
</tbody>
</table>

Custodial credit risk is the risk that, in the event of a bank failure, the Building Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Building Authority does not have a deposit policy for custodial credit risk. As of June 30, 2014, the bank balances of uninsured deposits totaled $4,1 million.

For purposes of disclosure under GASB Statement No. 40, **Deposit and Investment Risk Disclosures**, money market accounts investing in debt securities are considered investments and therefore, are included in the investment disclosures that follow.

**Investments**

As of June 30, 2014, the Building Authority’s investments consisted of the following:

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Investment Maturities (in Years)</th>
<th>Fair value</th>
<th>Less than 1</th>
<th>1 to 5</th>
<th>6 to 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasuries</td>
<td></td>
<td>10,324</td>
<td>10,324</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>US Agencies</td>
<td></td>
<td>69,461</td>
<td>50,383</td>
<td>19,078</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td></td>
<td>5,318</td>
<td>-</td>
<td>-</td>
<td>5,318</td>
</tr>
<tr>
<td>MoneyMarket funds</td>
<td></td>
<td>518,739</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>603,842</td>
<td>579,446</td>
<td>19,078</td>
<td>5,318</td>
</tr>
</tbody>
</table>

Because money market funds are highly liquid, they are presented as investments with maturities of less than one year.

**Interest Rate Risk**  
The Building Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the Building Authority holds its investments until maturity.
**Credit Risk** Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Enabling Act specifies the permitted investments of the Building Authority. These permitted investments include direct obligations of or obligations which are unconditionally guaranteed by the United States of America ("Treasuries"), obligations of an agency or organization created pursuant to an act of Congress of the United States as an agency or instrumentality thereof ("Agencies"), time deposits or certificate of deposits fully secured by Treasuries or Agencies, and Treasuries and Agencies subject to repurchase agreements. Other legislation allows the Building Authority to invest in the Massachusetts Municipal Depository Trust (the "MMDT"), a money market account sponsored by the Treasurer of the Commonwealth and managed by Federated Investors, Inc. Additionally, the Building Authority’s Bond Trustee invests some of the Building Authority’s funds in money market accounts that are permitted and collateralized by Treasuries.

No credit risk disclosures are required under GASB 40 relating to the Building Authority’s investment in Treasuries. The Building Authority’s investments in Agencies are highly rated by Standard & Poor’s Rating Services and Moody’s Investors Service, Inc. The Building Authority’s investments in repurchase agreements are not rated but are fully collateralized by Treasuries and Agencies. MMDT is unrated.

**Custodial Credit Risk** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Building Authority’s Enabling Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk except that interest-bearing time deposits or certificates of deposit of banking institutions or trust companies must be continuously and fully secured by Treasuries or Agencies.

Custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds or government investment pools, such as MMDT. Direct investments in marketable securities are held by the Building Authority’s Bond Trustee as the Building Authority’s agent. In accordance with the Building Authority’s repurchase agreements, collateral for the agreements is held in segregated accounts with market values between 100% and 105% of the repurchase price, depending on the type of asset used as security and the specific repurchase agreement.

**Concentrations of Credit Risk** The Building Authority places no limit on the amount it may invest in any one issuer. As of June 30, 2014, the Building Authority had 98.6% of its investments in MMDT. As of June 30, 2013, the Building Authority had 5.9% of its investments with the Federal Home Loan Mortgage Corporation and 85.1% of its investments in MMDT.

### 5. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

Accounts, grants and loans receivable as of June 30, 2014 and 2013 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Accounts Receivable</td>
<td>$53,383</td>
<td>$51,449</td>
</tr>
<tr>
<td>Less allowance for uncollectible accounts</td>
<td>$(21,814)</td>
<td>$(18,319)</td>
</tr>
<tr>
<td>Total</td>
<td>$31,569</td>
<td>$33,130</td>
</tr>
<tr>
<td>Grants and Contracts Receivable</td>
<td>82,157</td>
<td>85,028</td>
</tr>
<tr>
<td>Less allowance for uncollectible accounts</td>
<td>$(1,151)</td>
<td>$(2,989)</td>
</tr>
<tr>
<td>Total</td>
<td>81,006</td>
<td>82,039</td>
</tr>
<tr>
<td>Student Loans Receivable</td>
<td>46,869</td>
<td>44,257</td>
</tr>
<tr>
<td>Less allowance for uncollectible accounts</td>
<td>$(296)</td>
<td>$(302)</td>
</tr>
<tr>
<td>Total</td>
<td>46,573</td>
<td>43,955</td>
</tr>
<tr>
<td>Commonwealth Medicine</td>
<td>65,586</td>
<td>64,094</td>
</tr>
<tr>
<td>Less allowance for uncollectible accounts</td>
<td>$(824)</td>
<td>$(825)</td>
</tr>
<tr>
<td>Total</td>
<td>64,762</td>
<td>63,269</td>
</tr>
<tr>
<td>Other</td>
<td>48,154</td>
<td>53,537</td>
</tr>
<tr>
<td>Less allowance for uncollectible accounts</td>
<td>$(410)</td>
<td>$(554)</td>
</tr>
<tr>
<td>Total</td>
<td>47,744</td>
<td>52,983</td>
</tr>
<tr>
<td>Total, net</td>
<td>271,654</td>
<td>275,376</td>
</tr>
<tr>
<td>Less current portion, net</td>
<td>(231,156)</td>
<td>(235,988)</td>
</tr>
<tr>
<td>Long-term, net</td>
<td>$ 40,498</td>
<td>$ 39,388</td>
</tr>
</tbody>
</table>

26
UMASS MEMORIAL

The University and UMass Memorial have the following ongoing agreements:

- UMass Memorial has been granted the right to occupy portions of the University’s Worcester Medical School campus for a period of 99 years and UMass Memorial has agreed to share responsibility for various capital and operating expenses relating to the occupied premises. UMass Memorial has also agreed to contribute to capital improvements to shared facilities.

- UMass Memorial has agreed to make certain payments to the University and its related organizations, including: 1) an annual fee of $12.0 million (plus an inflation adjustment), for 99 years as long as the University continues to operate a medical school; and 2) a participation payment based on a percentage of net operating income of UMass Memorial for which revenue is recognized by the University when the amounts are received.

The University is reimbursed by, and reimburses UMass Memorial for shared services, cross-funded employees, and other agreed upon activities provided and purchased. For the years ended June 30, 2014 and 2013, the reimbursements for services provided to UMass Memorial were $107.1 million and $124.0 million, respectively. Included in these amounts are payroll paid by the University on behalf of UMass Memorial in an agency capacity in the amount of $62.8 million and $73.8 million for fiscal years 2014 and 2013, respectively. At June 30, 2014 and 2013, the University has recorded a receivable in the amount of $23.8 million and $5.8 million, respectively, in payroll and related fringe charges. The University has recorded a payable at June 30, 2014 of $3.9 million primarily for cross-funded payroll. At June 30, 2013, the University had a payable of $4.4 million for amounts due to UMass Memorial primarily consisting of a prepayment for educational services, capital projects and cross-funded payroll.

6. RELATED ORGANIZATIONS

Related party activity with the Foundation includes loan agreements and investments of the University’s endowment assets and Intermediate Term Investment Fund (ITIF) with the Foundation. As of June 30, 2014, the net position of the Foundation included as related organizations in the accompanying financial statements of the University are $455.1 million, of which $423.0 million are restricted funds and $32.1 million are unrestricted funds. During the fiscal year ended June 30, 2014, the University received $21.6 million from the Foundation, and $13.1 million to the Foundation of which $3.4 million related to the establishment of quasi-endowment. At June 30, 2014, the University’s investments include $346.1 million of endowment funds held in a custodial relationship at the Foundation, and $295.7 million in ITIF.

As of June 30, 2013, the net position of the Foundation included as related organizations in the accompanying financial statements of the University were $394.3 million, of which $366.7 million were restricted funds and $27.5 million were unrestricted funds. During the fiscal year ended June 30, 2013, the University received $49.9 million from the Foundation, and disbursed $121.8 million to the Foundation of which $52.1 million related to the establishment of quasi-endowment. At June 30, 2013, the University’s investments include $311.4 million of endowment funds held in a custodial relationship at the Foundation, and $272.5 million in ITIF.

The University leases office space from the Foundation for an annual rent of approximately $0.5 million.

The Building Authority and the Commonwealth have entered into various lease agreements under which the Commonwealth leases to the Building Authority certain property for nominal amounts.

In August 2005, the Building Authority executed a contract with UMass Management, LLC, a wholly owned subsidiary of ClubCorp USA, Inc., to provide management services for The University of Massachusetts Club ("the Club"), a private social club for alumni and friends of the University. Under the contract, the Authority is responsible for approving the budgets and operating plans of the Club as presented by the Manager. The Building Authority is responsible for any shortfall in the operating budget and will benefit from any operating profits. The contract calls for a minimum management fee payable to the Manager of $0.2 million or four percent of the operating revenues, as defined by the contract, whichever is greater. Additionally, the Manager receives a percentage of the Club initiation fees and 25 percent of operating profits, as defined by the contract. The contract term is 10 years and can be terminated by the Building Authority if the Building Authority decides to close the Club for a minimum of 18 months. The Building Authority is the tenant on the sublease for the Club space and the lease does not terminate should the Building Authority close the Club. The Authority had provided operating support for the Club of $0.2 million for both years ending June 30, 2014 and 2013.
7. INVESTMENT IN PLANT

Investment in plant activity for the year ended June 30, 2014 is comprised of the following (in thousands):

<table>
<thead>
<tr>
<th>University:</th>
<th>Beginning Balance</th>
<th>Additions/ Adjustments</th>
<th>Retirements/ Adjustments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>$4,058,559</td>
<td>$643,091</td>
<td>($7,001)</td>
<td>$4,694,649</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>587,478</td>
<td>35,542</td>
<td>(13,234)</td>
<td>690,786</td>
</tr>
<tr>
<td>Software</td>
<td>134,558</td>
<td>2,374</td>
<td>(28)</td>
<td>136,904</td>
</tr>
<tr>
<td>Library Books</td>
<td>93,091</td>
<td>(8,776)</td>
<td></td>
<td>84,315</td>
</tr>
<tr>
<td>Total</td>
<td>4,873,686</td>
<td>681,007</td>
<td>(29,039)</td>
<td>5,525,654</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(2,122,993)</td>
<td>(200,256)</td>
<td>14,122</td>
<td>(2,309,127)</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>2,750,693</td>
<td>480,751</td>
<td>(14,917)</td>
<td>3,216,527</td>
</tr>
<tr>
<td>Land</td>
<td>65,886</td>
<td>3,484</td>
<td>(518)</td>
<td>68,852</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>888,937</td>
<td>589,512</td>
<td>(699,042)</td>
<td>779,407</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>954,823</td>
<td>592,996</td>
<td>(689,560)</td>
<td>848,259</td>
</tr>
<tr>
<td>Total</td>
<td>$3,705,516</td>
<td>$1,073,747</td>
<td>($714,477)</td>
<td>$4,064,786</td>
</tr>
</tbody>
</table>

Investment in plant activity for the year ended June 30, 2013 is comprised of the following (in thousands):

<table>
<thead>
<tr>
<th>University:</th>
<th>Beginning Balance</th>
<th>Additions/ Adjustments</th>
<th>Retirements/ Adjustments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>$3,322,211</td>
<td>$754,586</td>
<td>($18,238)</td>
<td>$4,058,559</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>604,487</td>
<td>30,339</td>
<td>(47,348)</td>
<td>587,478</td>
</tr>
<tr>
<td>Software</td>
<td>134,082</td>
<td>4,036</td>
<td>(3,560)</td>
<td>134,558</td>
</tr>
<tr>
<td>Library Books</td>
<td>101,618</td>
<td>8,055</td>
<td>-</td>
<td>109,673</td>
</tr>
<tr>
<td>Total</td>
<td>4,162,398</td>
<td>788,961</td>
<td>(77,673)</td>
<td>4,873,686</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(1,990,577)</td>
<td>(182,252)</td>
<td>49,836</td>
<td>(2,122,993)</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>2,171,821</td>
<td>606,709</td>
<td>(27,837)</td>
<td>2,750,693</td>
</tr>
<tr>
<td>Land</td>
<td>57,831</td>
<td>8,055</td>
<td>-</td>
<td>65,886</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>888,534</td>
<td>583,748</td>
<td>(563,344)</td>
<td>909,938</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>926,365</td>
<td>591,303</td>
<td>(563,344)</td>
<td>948,244</td>
</tr>
<tr>
<td>Total</td>
<td>$3,098,186</td>
<td>$1,198,512</td>
<td>($591,181)</td>
<td>$3,705,517</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>University Related Organizations:</th>
<th>Beginning Balance</th>
<th>Additions/ Adjustments</th>
<th>Retirements/ Adjustments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>$7,942</td>
<td>-</td>
<td>-</td>
<td>$7,942</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>170</td>
<td>-</td>
<td>($2)</td>
<td>168</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(851)</td>
<td>($202)</td>
<td>(1,053)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,259</td>
<td>(202)</td>
<td>(1,053)</td>
<td>7,057</td>
</tr>
<tr>
<td>Land</td>
<td>1,360</td>
<td>61</td>
<td>-</td>
<td>1,421</td>
</tr>
<tr>
<td>Total</td>
<td>$8,619</td>
<td>($141)</td>
<td>($141)</td>
<td>$8,478</td>
</tr>
</tbody>
</table>

Investment in plant activity for the year ended June 30, 2013 is comprised of the following (in thousands):

<table>
<thead>
<tr>
<th>University:</th>
<th>Beginning Balance</th>
<th>Additions/ Adjustments</th>
<th>Retirements/ Adjustments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>$3,222,211</td>
<td>$754,586</td>
<td>($18,238)</td>
<td>$4,058,559</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>604,487</td>
<td>30,339</td>
<td>(47,348)</td>
<td>587,478</td>
</tr>
<tr>
<td>Software</td>
<td>134,082</td>
<td>4,036</td>
<td>(3,560)</td>
<td>134,558</td>
</tr>
<tr>
<td>Library Books</td>
<td>101,618</td>
<td>8,055</td>
<td>-</td>
<td>109,673</td>
</tr>
<tr>
<td>Total</td>
<td>4,162,398</td>
<td>788,961</td>
<td>(77,673)</td>
<td>4,873,686</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(1,990,577)</td>
<td>(182,252)</td>
<td>49,836</td>
<td>(2,122,993)</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>2,171,821</td>
<td>606,709</td>
<td>(27,837)</td>
<td>2,750,693</td>
</tr>
<tr>
<td>Land</td>
<td>57,831</td>
<td>8,055</td>
<td>-</td>
<td>65,886</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>888,534</td>
<td>583,748</td>
<td>(563,344)</td>
<td>909,938</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>926,365</td>
<td>591,303</td>
<td>(563,344)</td>
<td>948,244</td>
</tr>
<tr>
<td>Total</td>
<td>$3,098,186</td>
<td>$1,198,512</td>
<td>($591,181)</td>
<td>$3,705,517</td>
</tr>
</tbody>
</table>

At June 30, 2014 and 2013, investment in plant included capital lease assets of $54.6 million and $54.6 million, respectively, net of accumulated depreciation on capital lease assets of $52.3 million and $48.1 million, respectively (see Note 9).

The University has capitalized interest on borrowings, net of interest earned on related debt reserve funds, during the construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets being constructed, and is amortized over the useful lives of the assets. For the years ended June 30, 2014 and 2013, the University capitalized net interest costs of $29.7 million and $27.4 million respectively.
### 8. Bonds Payable

Amounts Outstanding at June 30, 2014 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Issue Borrowing</th>
<th>Original Borrowing</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>University of Massachusetts Building Authority:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2003-1</td>
<td>$137,970</td>
<td>2014</td>
<td>3.875-5.25%</td>
<td>$6,155</td>
</tr>
<tr>
<td>Series 2004-A</td>
<td>96,025</td>
<td>2015</td>
<td>4.2-4.5%</td>
<td>4,575</td>
</tr>
<tr>
<td>Series 2004-1</td>
<td>183,965</td>
<td>2016</td>
<td>5.25%</td>
<td>16,600</td>
</tr>
<tr>
<td>Series 2005-1</td>
<td>25,995</td>
<td>2016</td>
<td>5.0%</td>
<td>5,480</td>
</tr>
<tr>
<td>Series 2005-2</td>
<td>212,550</td>
<td>2025</td>
<td>5.0%</td>
<td>25,200</td>
</tr>
<tr>
<td>Series 2008-A</td>
<td>26,580</td>
<td>2038</td>
<td>variable</td>
<td>21,930</td>
</tr>
<tr>
<td>Series 2008-1</td>
<td>232,545</td>
<td>2038</td>
<td>variable</td>
<td>194,530</td>
</tr>
<tr>
<td>Series 2008-2</td>
<td>120,560</td>
<td>2038</td>
<td>4.0-5.0%</td>
<td>105,725</td>
</tr>
<tr>
<td>Series 2009-1</td>
<td>247,810</td>
<td>2039</td>
<td>3.0-5.0%</td>
<td>198,670</td>
</tr>
<tr>
<td>Series 2009-2</td>
<td>271,855</td>
<td>2039</td>
<td>6.423-6.573%</td>
<td>271,855</td>
</tr>
<tr>
<td>Series 2009-3</td>
<td>28,570</td>
<td>2039</td>
<td>5.283-6.173%</td>
<td>27,250</td>
</tr>
<tr>
<td>Series 2010-1</td>
<td>118,985</td>
<td>2020</td>
<td>5.0%</td>
<td>96,645</td>
</tr>
<tr>
<td>Series 2010-2</td>
<td>430,320</td>
<td>2040</td>
<td>3.8-5.45%</td>
<td>430,320</td>
</tr>
<tr>
<td>Series 2010-3</td>
<td>3,005</td>
<td>2040</td>
<td>5.75%</td>
<td>2,880</td>
</tr>
<tr>
<td>Series 2011-1</td>
<td>135,040</td>
<td>2034</td>
<td>variable</td>
<td>131,090</td>
</tr>
<tr>
<td>Series 2011-2</td>
<td>101,700</td>
<td>2034</td>
<td>variable</td>
<td>99,135</td>
</tr>
<tr>
<td>Series 2013-1</td>
<td>212,585</td>
<td>2043</td>
<td>2.00%-5.00%</td>
<td>212,585</td>
</tr>
<tr>
<td>Series 2013-2</td>
<td>71,790</td>
<td>2043</td>
<td>.43-2.686%</td>
<td>71,790</td>
</tr>
<tr>
<td>Series 2013-3</td>
<td>24,640</td>
<td>2043</td>
<td>4.0%-5.0%</td>
<td>24,640</td>
</tr>
<tr>
<td>Series 2014-1</td>
<td>293,890</td>
<td>2045</td>
<td>3.0%-5.0%</td>
<td>293,890</td>
</tr>
<tr>
<td>Series 2014-2</td>
<td>14,085</td>
<td>2020</td>
<td>.44%-2.1%</td>
<td>14,085</td>
</tr>
<tr>
<td>Series 2014-4</td>
<td>157,855</td>
<td>2026</td>
<td>.20%-3.381%</td>
<td>157,855</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,412,885</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unamortized Bond Premium</strong></td>
<td>$64,807</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>$2,477,692</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **University of Massachusetts HEFA/MDFA:** | | | | |
| Series 2000 A | $20,000 | 2030 | variable | 20,000 |
| Series 2007 D | 10,435 | 2031 | 3.5-4.25% | 9,395 |
| Series 2011   | 29,970 | 2034 | 2.5-4.0% | 28,880 |
| **Total**     | 58,275 | | | |
| **Unamortized Bond Premium** | 1,056 | | | |
| **SUBTOTAL**  | 59,331 | | | |

| **WCCC HEFA/MDFA:** | | | | |
| Series 2005 D | $99,325 | 2029 | 5.0-5.25% | 73,033 |
| Series 2007 E | 118,750 | 2036 | 3.5-5.0% | 104,348 |
| Series 2007 F | 101,745 | 2036 | 4.0-5.0% | 80,893 |
| Series 2011   | 10,495 | 2023 | 2.0-5.0% | 8,819 |
| **Total**     | 267,093 | | | |
| **Unamortized Bond Premium** | 8,398 | | | |
| **SUBTOTAL**  | 275,491 | | | |

| **MDFA:** | | | | |
| Clean Renewable Energy Bonds | $1,625 | 2027 | 3.5% | 1,243 |
| **TOTAL** | $2,813,757 | | | |
Bond Payable activity for the year ended June 30, 2014 is summarized as follows (in thousands):

<table>
<thead>
<tr>
<th>University of Massachusetts Building Authority:</th>
<th>Beginning Balance</th>
<th>Additions/Amortization</th>
<th>Retirements/Repayments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2003-1</td>
<td>$ 12,035</td>
<td>-</td>
<td>$ (5,880)</td>
<td>$ 6,155</td>
</tr>
<tr>
<td>Series 2004-A</td>
<td>6,715</td>
<td>-</td>
<td>(2,140)</td>
<td>4,575</td>
</tr>
<tr>
<td>Series 2004-1</td>
<td>24,500</td>
<td>-</td>
<td>(7,900)</td>
<td>16,600</td>
</tr>
<tr>
<td>Series 2005-1</td>
<td>8,020</td>
<td>-</td>
<td>(2,540)</td>
<td>5,480</td>
</tr>
<tr>
<td>Series 2005-2</td>
<td>180,195</td>
<td>-</td>
<td>(154,995)</td>
<td>25,200</td>
</tr>
<tr>
<td>Series 2006-2</td>
<td>2,760</td>
<td>-</td>
<td>(2,760)</td>
<td></td>
</tr>
<tr>
<td>Series 2008-A</td>
<td>22,795</td>
<td>-</td>
<td>(865)</td>
<td>21,930</td>
</tr>
<tr>
<td>Series 2008-1</td>
<td>201,655</td>
<td>-</td>
<td>(7,125)</td>
<td>194,530</td>
</tr>
<tr>
<td>Series 2008-2</td>
<td>108,300</td>
<td>-</td>
<td>(2,575)</td>
<td>105,725</td>
</tr>
<tr>
<td>Series 2009-1</td>
<td>216,870</td>
<td>-</td>
<td>(18,200)</td>
<td>198,670</td>
</tr>
<tr>
<td>Series 2009-2</td>
<td>271,855</td>
<td>-</td>
<td></td>
<td>271,855</td>
</tr>
<tr>
<td>Series 2009-3</td>
<td>27,715</td>
<td>-</td>
<td>(465)</td>
<td>27,250</td>
</tr>
<tr>
<td>Series 2010-1</td>
<td>107,950</td>
<td>-</td>
<td>(11,305)</td>
<td>96,645</td>
</tr>
<tr>
<td>Series 2010-2</td>
<td>430,320</td>
<td>-</td>
<td></td>
<td>430,320</td>
</tr>
<tr>
<td>Series 2010-3</td>
<td>2,925</td>
<td>-</td>
<td>(45)</td>
<td>2,880</td>
</tr>
<tr>
<td>Series 2011-1</td>
<td>132,450</td>
<td>-</td>
<td>(1,360)</td>
<td>131,090</td>
</tr>
<tr>
<td>Series 2011-2</td>
<td>100,020</td>
<td>-</td>
<td>(885)</td>
<td>99,135</td>
</tr>
<tr>
<td>Series 2013-1</td>
<td>212,585</td>
<td>-</td>
<td></td>
<td>212,585</td>
</tr>
<tr>
<td>Series 2013-2</td>
<td>71,790</td>
<td>-</td>
<td></td>
<td>71,790</td>
</tr>
<tr>
<td>Series 2013-3</td>
<td>24,640</td>
<td>-</td>
<td></td>
<td>24,640</td>
</tr>
<tr>
<td>Series 2014-1</td>
<td>293,890</td>
<td>-</td>
<td></td>
<td>293,890</td>
</tr>
<tr>
<td>Series 2014-2</td>
<td>14,085</td>
<td>-</td>
<td></td>
<td>14,085</td>
</tr>
<tr>
<td>Series 2014-4</td>
<td>157,855</td>
<td>-</td>
<td></td>
<td>157,855</td>
</tr>
<tr>
<td>Plus: unamortized bond premium</td>
<td>54,033</td>
<td></td>
<td></td>
<td>64,807</td>
</tr>
</tbody>
</table>

Subtotal: 2,195,488 | 501,244 | (219,040) | 2,477,692 |

UMass HEFA/MDFA:

| Series 2000 Series A                          | 20,000            | -                      |                        | 20,000         |
| Series 2007 Series D                         | 9,750             | -                      | (355)                  | 9,395          |
| Series 2011                                  | 29,810            | -                      | (930)                  | 28,880         |
| Plus: unamortized bond premium                | 1,161             | -                      | (105)                  | 1,056          |

Subtotal: 60,721 | (1,390) | 59,331 |

WCCC HEFA/MDFA:

| WCCC 2005 Series D                           | 81,860            | -                      | (8,826)                | 73,034         |
| WCCC 2007 Series E                           | 108,135           | -                      | (3,787)                | 104,348        |
| WCCC 2007 Series F                           | 87,110            | -                      | (6,217)                | 80,893         |
| Series 2011                                  | 9,765             | -                      | (946)                  | 8,819          |
| Plus: unamortized bond premium                | 8,889             | -                      | (491)                  | 8,398          |

Subtotal: 295,759 | (20,267) | 275,492 |

MDFA:

| Clean Renewable Energy Bonds                  | 1,338             | -                      | (96)                   | 1,242          |

Total: $2,553,306 | 501,244 | (240,793) | $2,813,757 |

Principal and interest, which is estimated using rates in effect at June 30, 2014, on bonds payable for the next five fiscal years and in subsequent five-year periods are as follows (in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>87,321</td>
<td>108,792</td>
</tr>
<tr>
<td>2016</td>
<td>92,261</td>
<td>105,353</td>
</tr>
<tr>
<td>2017</td>
<td>94,796</td>
<td>102,580</td>
</tr>
<tr>
<td>2018</td>
<td>95,381</td>
<td>99,603</td>
</tr>
<tr>
<td>2019</td>
<td>100,456</td>
<td>96,356</td>
</tr>
<tr>
<td>2020-2024</td>
<td>525,588</td>
<td>424,214</td>
</tr>
<tr>
<td>2025-2029</td>
<td>483,982</td>
<td>327,128</td>
</tr>
<tr>
<td>2030-2034</td>
<td>417,320</td>
<td>242,843</td>
</tr>
<tr>
<td>2035-2039</td>
<td>492,430</td>
<td>141,492</td>
</tr>
<tr>
<td>2040-2044</td>
<td>327,130</td>
<td>42,592</td>
</tr>
<tr>
<td>2045-2049</td>
<td>22,831</td>
<td>837</td>
</tr>
</tbody>
</table>

Total: $2,739,496 | 1,691,790
Bond payable activity for the year ended June 30, 2013 is summarized as follows (in thousands):

<table>
<thead>
<tr>
<th>University of Massachusetts Building Authority:</th>
<th>Beginning Balance</th>
<th>Additions/Amortization</th>
<th>Repayments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2003-1</td>
<td>$17,665</td>
<td>($5,630)</td>
<td>$12,035</td>
<td></td>
</tr>
<tr>
<td>Series 2004-A</td>
<td>8,765</td>
<td>(2,050)</td>
<td>6,715</td>
<td></td>
</tr>
<tr>
<td>Series 2004-1</td>
<td>32,195</td>
<td>(7,695)</td>
<td>24,500</td>
<td></td>
</tr>
<tr>
<td>Series 2005-1</td>
<td>10,440</td>
<td>(2,420)</td>
<td>8,020</td>
<td></td>
</tr>
<tr>
<td>Series 2005-2</td>
<td>189,645</td>
<td>(9,450)</td>
<td>180,195</td>
<td></td>
</tr>
<tr>
<td>Series 2006-2</td>
<td>5,375</td>
<td>(2,615)</td>
<td>2,760</td>
<td></td>
</tr>
<tr>
<td>Series 2008-A</td>
<td>23,630</td>
<td>(835)</td>
<td>22,795</td>
<td></td>
</tr>
<tr>
<td>Series 2008-1</td>
<td>208,515</td>
<td>(6,860)</td>
<td>201,655</td>
<td></td>
</tr>
<tr>
<td>Series 2008-2</td>
<td>110,750</td>
<td>(2,450)</td>
<td>108,300</td>
<td></td>
</tr>
<tr>
<td>Series 2009-1</td>
<td>228,665</td>
<td>(11,795)</td>
<td>216,870</td>
<td></td>
</tr>
<tr>
<td>Series 2009-2</td>
<td>271,855</td>
<td></td>
<td>271,855</td>
<td></td>
</tr>
<tr>
<td>Series 2009-3</td>
<td>28,155</td>
<td>(440)</td>
<td>27,715</td>
<td></td>
</tr>
<tr>
<td>Series 2010-1</td>
<td>114,275</td>
<td>(6,325)</td>
<td>107,950</td>
<td></td>
</tr>
<tr>
<td>Series 2010-2</td>
<td>430,320</td>
<td></td>
<td>430,320</td>
<td></td>
</tr>
<tr>
<td>Series 2010-3</td>
<td>2,965</td>
<td>(40)</td>
<td>2,925</td>
<td></td>
</tr>
<tr>
<td>Series 2011-1</td>
<td>133,765</td>
<td>(1,315)</td>
<td>132,450</td>
<td></td>
</tr>
<tr>
<td>Series 2011-2</td>
<td>100,875</td>
<td>(855)</td>
<td>100,020</td>
<td></td>
</tr>
<tr>
<td>Series 2013-1</td>
<td>212,585</td>
<td></td>
<td>212,585</td>
<td></td>
</tr>
<tr>
<td>Series 2013-2</td>
<td>74,790</td>
<td></td>
<td>74,790</td>
<td></td>
</tr>
<tr>
<td>Plus: unamortized bond premium</td>
<td>35,946</td>
<td>19,376</td>
<td>54,032</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,953,801</td>
<td>303,751</td>
<td>(62,065)</td>
<td>2,195,487</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>University of Massachusetts Building Authority:</th>
<th>University of Massachusetts Building Authority:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtotal</td>
<td>61,961</td>
</tr>
<tr>
<td></td>
<td>(1,289)</td>
</tr>
<tr>
<td></td>
<td>60,672</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>University of Massachusetts Building Authority:</th>
<th>University of Massachusetts Building Authority:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtotal</td>
<td>292,857</td>
</tr>
<tr>
<td></td>
<td>721</td>
</tr>
<tr>
<td></td>
<td>(9,227)</td>
</tr>
<tr>
<td></td>
<td>284,351</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>University of Massachusetts Building Authority:</th>
<th>University of Massachusetts Building Authority:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtotal</td>
<td>1,434</td>
</tr>
<tr>
<td></td>
<td>(96)</td>
</tr>
<tr>
<td></td>
<td>1,338</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>University of Massachusetts Building Authority:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>$2,310,053</td>
</tr>
<tr>
<td>$304,472</td>
</tr>
<tr>
<td>($72,677)</td>
</tr>
<tr>
<td>$2,541,848</td>
</tr>
</tbody>
</table>

University of Massachusetts Building Authority

The bond agreements related to the Building Authority bonds generally provide that the net revenues of the Building Authority are pledged as collateral on the bonds and also provide for the establishment of bond reserve funds, bond funds, and maintenance reserve funds.

The University is obligated under its contracts for financial assistance, management and services with the Building Authority to collect rates, rents, fees and other charges with respect to such facilities sufficient to pay principal and interest on the Building Authority’s bonds and certain other costs such as insurance on such facilities.

Pursuant to the authority given by the Building Authority’s enabling act, the Commonwealth, acting by and through the Trustees of the University, has guaranteed the payment of principal and interest on the Building Authority’s bonds. (The guarantee is a general obligation of the Commonwealth to which the full faith and credit of the Commonwealth are pledged. As is generally the case with other general obligations of the Commonwealth, funds with which to honor the guarantee, should it be called upon, will be provided by Commonwealth appropriation). The Building Authority’s enabling act provides that the outstanding principal amount of notes and bonds of the Building Authority guaranteed by the Commonwealth cannot exceed $200 million. The amount of bond obligations guaranteed by the Commonwealth was $125.6 million and $129.5 million at June 30, 2014 and June 30, 2013, respectively.

When the Building Authority no longer has any bonds outstanding, its properties revert to the Commonwealth, and all its funds (other than funds pledged to bondholders) are required to be paid into the Treasury of the Commonwealth.
In connection with the Authority’s bond issues, the Authority incurred certain issuance costs associated with the bond offerings. In fiscal years 2014 and 2013 these costs amounted to $3.6 million and $2.2 million, respectively, and were expenses by the Authority in connection with the Lloyds LOC totaled $0.5 million for the year ended June 30, 2013.

On April 16, 2013, the Authority entered into a standby bond purchase agreement with Barclays Bank PLC ("Barclays") which requires Barclays to purchase bonds that are tendered and not remarketed. Under the terms of the Barclays standby bond purchase agreement, the Authority is required to pay Barclays in quarterly installments a facility fee in the amount of 32.5 basis points (or higher, under certain circumstances) of the commitment amount. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Authority and Barclays. Fees accrued by the Authority in connection with the Barclays agreement totaled $0.1 million and $0.1 million for the year ended June 30, 2014 and June 30, 2013, respectively. Previously, the 2008-A bonds were supported by a standby bond purchase agreement with Bank of America, N.A. ("BofA"). Fees accrued by the Authority in connection with the BofA standby bond purchase agreement totaled $24,800 for the year ended June 30, 2013.

The 2011-1 bonds are supported by a standby bond purchase agreement with Wells Fargo Bank, N.A. ("Wells") which requires Wells to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 185 days at an annual interest rate not to exceed 12 percent. The standby bond purchase agreement expired on June 9, 2014 and was extended until June 9, 2017. Under the agreement, the Authority was required to pay Wells in quarterly installments a facility fee in the amount of 40 basis points (or higher, under certain circumstances) of the commitment amount. The initial commitment under the agreement was set at $143.3 million and was subject to adjustment from time to time in accordance with the provisions of the agreement. Under the first amendment to the standby purchase agreement, the Authority is required to pay Wells in quarterly installments a facility fee in the amount of 25 basis points (or higher, under certain circumstances) of the commitment amount. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Authority and Barclays. Fees accrued by the Authority in connection with the Barclays agreement totaled $0.1 million and $0.1 million for the year ended June 30, 2014 and June 30, 2013, respectively. Previously, the 2008-A bonds were supported by a standby bond purchase agreement with Bank of America, N.A. ("BofA"). Fees accrued by the Authority in connection with the BofA standby bond purchase agreement totaled $24,800 for the year ended June 30, 2013.

Output: The Authority uses derivative instruments to attempt to manage the impact of interest rate changes on its cash flows and net position by mitigating its exposure to certain market risks associated with operations, and does not use derivative instruments for trading or speculative purposes.
The Authority’s contracts are evaluated pursuant to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53") to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate risk exposures. The Authority applies hedge accounting for derivative instruments that are deemed effective hedges and under GASB No. 53 are referred to as hedging derivative instruments. Under hedge accounting, the fair value of the hedging derivative instruments are reported as a deferred inflow or deferred outflow in the statement of net position until the contract is settled or terminated.

All settlement payments or receipts related to hedging derivative instruments are recorded as interest expense in the period settled.

The Authority’s hedging derivative instruments at June 30, 2014 and 2013 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30,</td>
<td>June 30,</td>
</tr>
<tr>
<td></td>
<td>Net Change</td>
<td>Type of</td>
</tr>
<tr>
<td></td>
<td>in Fair</td>
<td>Financial</td>
</tr>
<tr>
<td></td>
<td>Value 2013</td>
<td>Statement</td>
</tr>
<tr>
<td>Series 2008-1 Swap</td>
<td>$ (28,125)</td>
<td>Cash Flow</td>
</tr>
<tr>
<td>Series 2008-A Swap</td>
<td>(3,232)</td>
<td>Deferred</td>
</tr>
<tr>
<td>Series 2006-1 Swap</td>
<td>(37,969)</td>
<td>outflow</td>
</tr>
<tr>
<td>Total</td>
<td>$ (69,326)</td>
<td></td>
</tr>
</tbody>
</table>

The terms of the Authority’s financial derivative instruments that were outstanding at June 30, 2014 are summarized in the table below:

<table>
<thead>
<tr>
<th>Type</th>
<th>Effective Date</th>
<th>Termination Date</th>
<th>Rate Authority Pays</th>
<th>Authority Receives</th>
<th>Original Notional Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2008-1 Swap</td>
<td>May 1, 2008</td>
<td>May 1, 2038</td>
<td>3.388% 70% of 1-Month LIBOR</td>
<td>$ 232,545</td>
<td></td>
</tr>
<tr>
<td>Series 2008-A Swap</td>
<td>Nov 13, 2008</td>
<td>May 1, 2038</td>
<td>3.378% 70% of 1-Month LIBOR</td>
<td>$ 26,580</td>
<td></td>
</tr>
<tr>
<td>Series 2006-1 Swap</td>
<td>Apr. 20, 2006</td>
<td>Nov. 1, 2034</td>
<td>3.482% 60% of 3-Month LIBOR + .18%</td>
<td>$ 243,830</td>
<td></td>
</tr>
</tbody>
</table>

**Fair Values** - The fair values of the swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the agreements, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the agreements. As of June 30, 2014 and 2013, the Authority’s swaps had a negative fair value of $68,800,000 and $69,300,000, respectively, and as such are presented as a deferred outflow.

**Credit risk** - As of June 30, 2014, the Authority was not exposed to credit risk on the swaps as the fair value was negative. Since changes in interest rates affect the fair values of swap agreements, it is possible that the swap agreements with negative fair values become positive which would expose the Authority to credit risk. To mitigate the potential for credit risk, when a counterparty has a positive fair value and if the counterparty’s credit quality falls below A3/A/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U. S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

The credit ratings for the Authority’s counterparties at June 30, 2014 are as follows:

<table>
<thead>
<tr>
<th>Credit Ratings</th>
<th>Moody’s</th>
<th>S &amp; P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBS AG</td>
<td>A2</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>A2</td>
<td>A</td>
<td>A+</td>
</tr>
<tr>
<td>Citi Bank NA</td>
<td>A2</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

**Basis risk** - The Authority is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payment received by the Authority (a percent of LIBOR) on these hedging derivative instruments is based on indexes other than the actual interest rates the Authority pays on its hedged variable rate debt. Should the relationship between LIBOR and the actual variable rate interest payments on the bonds converge, the expected cost savings may not materialize. The terms of the related hedging fixed rate swap transactions are summarized in the chart above.
Termination risk - The Authority’s swaps are governed under the International Swap Dealers Association Master Agreement (the “Master Agreement”), which includes standard termination events, such as failure to pay and bankruptcy. Additionally, the Master Agreement was amended so that the swap may be terminated by the Authority if the counterparty’s credit quality rating falls below certain levels or the counterparty fails to have a rating. Further, the swap may be terminated by the counterparties if the long-term, unsecured, unenhanced senior debt rating of any bonds issued by the Authority is withdrawn, suspended or falls below certain levels or the Authority fails to have a rating. The Authority or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. The Authority may also terminate the swaps at its option. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate and the Authority’s interest payment will be based solely upon the rate required by the related bonds as issued. When a termination event occurs, a mark-to-market (or “fair market value”) calculation is performed to determine whether the Authority is owed or must pay cash to close out the swap position. A negative fair value means the Authority would incur a loss and need to make a termination payment to settle the swap position. A positive fair value means the Authority would realize a gain and receive a termination payment in settlement of the swap position.

Contingencies - All of the Authority’s swaps include provisions that require the Authority to post collateral in the event its credit rating falls below certain levels. In the event the Authority is rated A2 by Moody’s Investors Service or A by Standard & Poor’s, the Authority would need to post collateral equal to amounts above the fair value of its swaps in liability positions above $10,000,000. In the event the Authority is not rated or rated below A3 by Moody’s Investors Service or below A- by Standard & Poor’s, the Authority must post collateral in the amount of the fair value of the swaps in liability positions. The collateral posted is to be in the form of cash obligations guaranteed by the U.S. Treasury, or negotiable debt obligations issued by the Federal Home Loan Mortgage Association or the Federal National Mortgage Association. If the Authority does not post collateral, the derivative instrument may be terminated by the counterparty. The University’s credit rating is Aa2 from Moody’s Investors Service, AA from Fitch Ratings, and AA- from Standard and Poor’s at June 30, 2014; therefore, no collateral has been posted.

Termination of Hedge Accounting - In June of 2011, the Authority undertook an advance refunding of the 2008-3 and 2008-4 variable rate bonds hedged by the Series 2006-1 Swap. As part of the refunding, the Series 2006-1 swap was re-assigned to a new underlying notional (the 2011-1 and 2011-2 Bonds) with identical terms. This refunding and reassignment effectively terminated the original hedge. At June 30, 2011, the Series 2006-1 Swap was considered a hedging derivative instrument. In accordance with GASB No. 53, at the time of a termination event related to an advance refunding of the hedged debt, the balance of the amounts in deferred outflows is to be included in the net carrying amount of the refunded debt for the purposes of calculating the deferred loss on refunding. The balance of the deferred outflows that was included in the net carrying amount of the refunded debt at the time of the refunding was $22,200,000. The change in fair value of the Series 2006-1 Swap from the refunding date to June 30, 2014 is reported as a deferred outflow as the swap was determined to be effective at June 30, 2014.

Swap payments and associated debt. Using rates as of June 30, 2014, the debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Swaps, Net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$10,430</td>
<td>$381</td>
<td>$14,251</td>
<td>$25,062</td>
</tr>
<tr>
<td>2016</td>
<td>10,845</td>
<td>374</td>
<td>13,932</td>
<td>25,151</td>
</tr>
<tr>
<td>2017</td>
<td>11,625</td>
<td>365</td>
<td>13,536</td>
<td>25,526</td>
</tr>
<tr>
<td>2018</td>
<td>11,770</td>
<td>358</td>
<td>13,182</td>
<td>25,310</td>
</tr>
<tr>
<td>2019</td>
<td>12,215</td>
<td>349</td>
<td>12,800</td>
<td>25,364</td>
</tr>
<tr>
<td>2020-2024</td>
<td>139,770</td>
<td>1,465</td>
<td>53,568</td>
<td>194,803</td>
</tr>
<tr>
<td>2025-2029</td>
<td>149,550</td>
<td>767</td>
<td>29,068</td>
<td>179,385</td>
</tr>
<tr>
<td>2030-2034</td>
<td>90,205</td>
<td>212</td>
<td>8,344</td>
<td>98,761</td>
</tr>
<tr>
<td>2035-2039</td>
<td>9,570</td>
<td>8</td>
<td>361</td>
<td>9,939</td>
</tr>
<tr>
<td>Total</td>
<td>$445,980</td>
<td>$4,279</td>
<td>$159,042</td>
<td>$609,301</td>
</tr>
</tbody>
</table>

As actual rates vary, variable-rate bond interest payments and net swap payments will vary.

MassDevelopment

Effective October 1, 2010, Massachusetts Health and Educational Facilities Authority ("MHEFA") was merged into the Massachusetts Development Finance Agency ("MassDevelopment"), a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts. As of such date, MHEFA has dissolved and all of its rights, powers and duties, and properties were exercised and performed by MassDevelopment and any and all obligations and liabilities of MHEFA have become obligations and liabilities of MassDevelopment.

University of Massachusetts Series A, D and 2011

The University, through MassDevelopment, has issued bonds in order to construct new student centers on the Boston and Lowell campuses; to create a pool of funds to acquire telecommunications, electronics, computer, office, research, equipment and administrative systems; and to fund the related renovation costs and to refund previously issued bonds.
**Variable Rate Debt**  In March 2000, the University issued $40.0 million of MHEFA Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A (the "Series A Bonds") to create a pool of funds from which the University could finance and refinance the acquisition of certain equipment and related renovation costs at the various University campuses on a revolving basis throughout the term of the Series A Bonds. The Series A Bonds were remarketed on April 1, 2013 and now bear interest at the long term rate of 0.70%. The newest long term rate period will end on March 31, 2016 and the Remarketed Series A Bonds will be subject to mandatory tender for purchase on April 1, 2016. The purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will be obligated to purchase the bonds tendered, up to an aggregate principal amount of $20.0 million. The Remarketed Series A Bonds will mature on November 1, 2030 and are subject to mandatory purchase prior to maturity as described above. Interest on the Remarketed Series A Bonds in the newest long-term rate period is payable on October 1 and April 1. The Remarketed Series A Bonds are considered a reissuance for federal tax purposes. The Remarketed Series A Bonds are not supported by any insurance policy, liquidity facility or other credit enhancement. The Remarketed Series A Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University’s unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Remarketed Series A Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Remarketed Series A Bonds. At June 30, 2014 and 2013, the outstanding principal balance on the Bonds is $20.0 million.

**Debt covenants**  The University of Massachusetts Series A, D, and 2011 bonds include a covenant for the maintenance of a debt service fund as outlined in the related debt agreement. The University is required to make deposits in this debt service fund on or before the twenty-fifth day of each March and September.

**Refundings** In November 2011, the University issued $30.0 million of Massachusetts Development Finance Agency Revenue Refunding Bonds (the “Series 2011 Bonds”). The University deposited the proceeds into an irrevocable trust fund to provide for payment of the MHEFA Revenue Bonds, University of Massachusetts Issue, 2002 Series C (the “Series C Bonds”). This payment was made as a lump sum in October 2012. The Series 2011 bonds were issued at a premium of $1.2 million. These bonds bear interest at various fixed rates ranging from 2.5% to 4.0% and mature on October 1, 2034. At June 30, 2014, the aggregate principal payments outstanding on these bonds were $28.8 million. As a result of the change in future payments, the University will reduce its aggregate debt service payments by approximately $4.8 million and achieve an economic gain of $3.4 million.

In January 2007, the University issued $10.4 million of MHEFA Revenue Bonds, University of Massachusetts Issue Series D. The proceeds from this issuance were used to advance refund a portion of the MHEFA Revenue Bonds, University of Massachusetts Issue, 2001 Series B (the “Series B Bonds”). These advance refunded bonds were defeased, and accordingly, the liability for the bonds payable and the assets held to repay the debt have not been included in the University’s financial statements.

**Worcester City Campus Corporation Series D, E, F and 2011**

The Worcester City Campus Corporation (WCCC) through MassDevelopment has issued bonds to finance the construction or acquisition of the Lazare Research Building, South Road parking garage, Ambulatory Care Center (“ACC”), two buildings housing the operations of MassBiologics, Two Biotech Park, and to refund previously issued bonds.

**Refundings** In November 2011, WCCC issued $10.5 million of Massachusetts Development Finance Agency Revenue Refunding Bonds (the “WCCC Series 2011 Bonds”). The WCCC Series 2011 Bonds were issued at a premium of $1.1 million. These bonds bear interest at various fixed rates ranging from 2.0% to 5.0% and mature October 1, 2023. At June 30, 2014 and 2013, the aggregate principal payments outstanding on these bonds were $9.0 million and $9.8 million, respectively. The proceeds of the WCCC Series 2011 Bonds were used to refund the remaining outstanding portion of the MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2001 Series B (the “WCCC Series B Bonds”), which were used to finance the construction of a parking garage and the acquisition and installation of equipment at the Lazare Research Building.

In January 2007, WCCC issued $118.8 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2007 Series E (the “Series E Bonds”). The Series E Bonds were issued at a premium of $3.9 million. The Corporation deposited $32.4 million of the proceeds into an irrevocable trust fund to provide for partial advanced refunding of outstanding MHEFA WCCC Series B Revenue Bonds. In accordance with the applicable guidance, a portion of the WCCC Series B Bonds totaling $30.8 million and the related irrevocable trust has been derecognized by the Corporation. At June 30, 2014 and June 30, 2013, the aggregate principal payments outstanding on the Series E Bonds were $105.7 million and $108.1 million, respectively.

In January 2007, WCCC issued $101.7 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2007 Series F (the “Series F Bonds”). The Series F Bonds were issued at a premium of $2.8 million. These bonds bear interest at various fixed rates ranging from 4.00% to 5.00% and mature October 1, 2036. At June 30, 2014 and June 30, 2013, the aggregate principal payments outstanding on this portion of the Series F Bonds were $29.1 million and $29.8 million, respectively. The remaining portion of the bonds bear interest at various fixed rates ranging from 4.00% to 4.50% and mature October 1, 2031. At June 30, 2014 and 2013, the aggregate principal payments outstanding on this portion of the Series F Bonds were $55.3 million and $57.4 million, respectively.

In April 2005, WCCC issued $99.3 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2005 Series D (the “WCCC Series D Bonds”). The Corporation deposited the proceeds into an irrevocable trust fund to provide for payment of the MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2000 Series A (the “WCCC Series A Bonds”). In accordance with the applicable guidance, the WCCC Series A Bonds and the related irrevocable trust were
deregrecized by the Corporation. These bonds bear interest at various fixed rates ranging from 3.00% to 5.25% per year and mature October 1, 2029. The WCCC Series D Bonds were issued at a premium of $4.1 million. At June 30, 2014 and 2013, the aggregate principal payment outstanding on the WCCC Series D Bonds was $78.7 million and $81.9 million, respectively. The proceeds from the WCCC Series A Bonds were previously used to fund the construction of the Lazare Research Building.

These advanced refunded bonds are considered defeased and, accordingly, the liability for the bonds payable and the assets held to repay the debt have not been included in the University's financial statements.

**Pledged Revenues**  WCCC is obligated under the terms of indebtedness to make debt service payments from revenues received from certain facility leases. Total applicable pledged revenues were $6.6 million for fiscal years 2014 and 2013, respectively.

**Clean Renewable Energy Bonds**

During 2011, the University entered into an Energy Services agreement for Solar Panel construction with the Commonwealth’s Division of Capital Asset Management and Century Bank and Trust Company. The financing arrangement includes $1.6 million in Clean Renewable Energy Bonds as of June 30, 2014 and 2013.

**9. LEASES**

The University leases certain equipment and facilities under operating leases with terms exceeding one year, which are cancelable at the University’s option with 30 days notice. The rent expense related to these operating leases amounted to approximately $22.1 million and $16.8 million for the years ended June 30, 2014 and 2013, respectively. The master leases primarily consist of telecommunications, software, and co-generation systems. The University also leases space to third party tenants. During 2014 and 2013, the amount reported as rental income was $21.0 million and $17.7 million, respectively.

The following presents a schedule of future minimum payments under capital and non-cancelable operating leases and a schedule of principal and interest payments on capital lease obligations for the next five years and in subsequent five-year periods for the University as of June 30, 2014 (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Master Leases</th>
<th>Other Leases</th>
<th>Total Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2,186</td>
<td>86</td>
<td>2,272</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>-</td>
<td>15,657</td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
<td>-</td>
<td>13,725</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>-</td>
<td>12,326</td>
</tr>
<tr>
<td>2019 and thereafter</td>
<td>-</td>
<td>-</td>
<td>130,142</td>
</tr>
<tr>
<td>Total Payments</td>
<td>2,186</td>
<td>86</td>
<td>2,272</td>
</tr>
</tbody>
</table>

Less: Amount representing interest

<table>
<thead>
<tr>
<th>Present Value of Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,148</td>
</tr>
<tr>
<td>$84</td>
</tr>
<tr>
<td>$2,232</td>
</tr>
</tbody>
</table>

10. OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2014 the following changes occurred in long-term liabilities as recorded in the statements of net position (in thousands):

**University:**

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions/ Adjustments</th>
<th>Reductions/ Adjustments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital lease obligations</td>
<td>$2,238</td>
<td>-</td>
<td>($2,238)</td>
<td>-</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>30,410</td>
<td>1,369</td>
<td>-</td>
<td>31,779</td>
</tr>
<tr>
<td>Workers' compensation</td>
<td>10,429</td>
<td>382</td>
<td>-</td>
<td>10,811</td>
</tr>
<tr>
<td>Unearned revenues and credits</td>
<td>20,199</td>
<td>10,542</td>
<td>(9,498)</td>
<td>21,243</td>
</tr>
<tr>
<td>Advances and deposits</td>
<td>27,943</td>
<td>694</td>
<td>(543)</td>
<td>28,094</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>41,532</td>
<td>5,312</td>
<td>(3,581)</td>
<td>43,263</td>
</tr>
</tbody>
</table>

**University Related Organization:**

| Other Liabilities | $3,332 | 151 | - | $3,483 |

36
During the year ended June 30, 2013 the following changes occurred in long-term liabilities as recorded in the statement of net position (in thousands):  

<table>
<thead>
<tr>
<th>University:</th>
<th>Beginning Balance</th>
<th>Additions/ Adjustments</th>
<th>Reductions/ Adjustments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital lease obligations</td>
<td>$6,539</td>
<td></td>
<td>($4,301)</td>
<td>$2,238</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>30,820</td>
<td></td>
<td>(410)</td>
<td>30,410</td>
</tr>
<tr>
<td>Workers’ compensation</td>
<td>9,805</td>
<td>624</td>
<td></td>
<td>10,429</td>
</tr>
<tr>
<td>Unearned revenues and credits</td>
<td>16,501</td>
<td>10,354</td>
<td>(6,666)</td>
<td>20,199</td>
</tr>
<tr>
<td>Advances and deposits</td>
<td>26,698</td>
<td>1,486</td>
<td>(241)</td>
<td>27,943</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>18,993</td>
<td>23,184</td>
<td>(645)</td>
<td>41,532</td>
</tr>
</tbody>
</table>

| University Related Organization:     |                   |                        |                         |               |
| Other Liabilities                    | $3,487            |                        | ($155)                  | $3,332        |

11. FRINGE BENEFITS  
Expenditures for the years ended June 30, 2014 and 2013 include $244.6 million and $229.5 million, respectively, for the employer portion of fringe benefit costs (pension expense, health insurance for active employees and retirees, and unemployment compensation) that was paid directly by the Commonwealth of Massachusetts. Of this amount, $102.8 million for 2014 and $99.5 million for 2013 was reimbursed to the Commonwealth and $141.9 million and $130.0 million, respectively, is included in revenue as state appropriations.

12. MEDICAL SCHOOL LEARNING CONTRACTS  
The University’s Medical School enters into learning contracts with certain medical students. These contracts give students the option of deferring a portion of their tuition until after residency training, and canceling all or a portion of their tuition if they practice primary care medicine for two or four full years (depending on conditions) in the Commonwealth. The University does not record as revenue the portion of tuition deferred under these learning contracts until actual cash repayments are received. The cumulative amount granted under such learning contracts plus accrued interest totaled $68.6 million and $66.3 million at June 30, 2014 and 2013, respectively. Cumulative repayments totaled approximately $51.2 million and $48.8 million as of June 30, 2014 and 2013, respectively.

13. RETIREMENT PLANS  
The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of University employees who participate in the Massachusetts State Employees’ Retirement System ("MSERS"). MSERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. Massachusetts General Laws establish the benefit and contribution requirements. These requirements provide for a superannuation retirement allowance benefit up to a maximum of 80% of the average of a member’s highest consecutive three years of regular compensation, if membership started before April 2, 2012, or of the average of a member’s highest consecutive five years of regular compensation, if membership started after April 2, 2012. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service (at any age), or upon reaching the age of 55 with 10 years of service, if membership started before April 2, 2012, or upon reaching age 60 with ten years of service, if membership started on or after April 2, 2012. Members contribute 5%, 7%, 8% and 9% of regular compensation for 2013, respectively of annual total payroll for the University. SERS does not issue stand-alone financial statements; however, SERS financial information is contained in the Commonwealth Comprehensive Annual Financial Report and can be obtained by contacting the State Comptroller, One Ashburton Place, 9th Floor, Boston, MA 02108.

Non-vested faculty and certain other employees of the University can opt out of MSERS and participate in a defined contribution plan, the Massachusetts Optional Retirement Program ("ORP"), administered by the Commonwealth’s Department of Higher Education. At June 30, 2014 and 2013, there were approximately 4,031 and 4,433 University employees, respectively participating in ORP. Employees contribute at the same rate as members in SERS do and the Commonwealth matches 5% of employee contributions. The Commonwealth contributed $8.9 million and $8.7 million in 2014 and 2013, respectively. University employees contributed $28.0 million and $20.6 million in 2014 and 2013, respectively.

The MSERS and ORP retirement contributions of employees who become members of MSERS or ORP after January 1, 2011 are subject to a state compensation limit. Effective January 1, 2011, the University established a defined contribution plan, the University of Massachusetts 401(a) Retirement Gap Plan ("the Gap Plan"), administered by the University’s Treasury Office.
Employees with MSERS or ORP membership dates after January 1, 2011 are eligible employees for the Gap Plan. Eligible employees begin participation in the Gap Plan when their regular compensation exceeds the state compensation limit in effect for the plan year, at which point their contributions to MSERS or ORP are required to stop for the remainder of the plan year. Employee contributions to the Gap Plan are mandatory and at the same rate as MSERS and ORP; the University contributes 5%. At June 30, 2014 plan assets totaled approximately $506,000.

14. CONCENTRATION OF CREDIT RISK (Other than Cash and Investments)

The financial instrument that potentially subjects the University to concentrations of credit risk is the receivable from UMass Memorial Medical Center (UMMMC) which is uncollateralized. The receivable from UMass Memorial represents 12.2% and 4.4% of total accounts receivable for the University at June 30, 2014 and 2013, respectively. The University also had uncollateralized receivables from three other organizations comprising approximately 4.8%, 6.5% and 6.0% of the total outstanding receivables at June 30, 2014 and 5.8%, 5.5% and 5.7% of the total outstanding receivables at June 30, 2013.

15. COMMITMENTS AND CONTINGENCIES

The Building Authority, University, and WCCC have outstanding purchase commitments under construction contracts and real estate agreements in amounts aggregating approximately $148.2 million and $171.1 million at June 30, 2014 and 2013, respectively. In connection with the investments in certain limited partnership agreements, the Foundation has $22.4 million and $26.5 million in committed calls as of June 30, 2014 and 2013, respectively, which are scheduled to be funded over a number of years. The University has entered an Energy Performance Contract that is being managed by the Commonwealth’s Division of Capital Asset Management (DCAM) under its Clean Energy Investment Program. This project includes 32 energy conservation measures. The installation costs will be incurred over 2 phases with Phase 1 being approximately $18.0 million and Phase 2 being approximately $13.5 million. The term of these transactions is 20 years. The University has a commitment to the Commonwealth for Clean Energy Investment Program Funds used through June 30, 2014 and 2013 in the amount of $29.7 million and $30.2 million, respectively.

The University, as an agency of the Commonwealth, is self-insured for property loss exposure, subject to appropriation from the state legislature. However, properties owned by the University of Massachusetts Building Authority located on a campus of the University, such as the Mullins Center, dining commons, and most dormitories, are insured by the Building Authority. In addition, certain properties owned by other University Related Organizations and leased to the University are insured by the related organization. The University and its employees are protected against tort claims through sovereign immunity under Chapter 258 of the Massachusetts 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 Massachusetts General Laws. The University has recorded a liability for future expected costs of its workers’ compensation claims of approximately $15.1 million as of June 30, 2014 and $14.6 million as of June 30, 2013. Estimated future payments related to such costs have been discounted at a rate of 4.0%.

The University is a defendant in various lawsuits and is subject to various contractual matters; however, University management is of the opinion that the ultimate outcome of all litigation or potential contractual obligations will not have a material effect on the financial position, financial results or cash flows of the University.

From time to time the University and/or its affiliated organizations are subject to audits of programs that are funded through either federal and/or state agencies. The University is aware that the Office of the Inspector General for the U.S. Department of Health and Human Services performed an audit of Medicaid Supplemental Revenues (“MSR”) received by UMMMC, the final report for which was issued December 2009. Portions of this report continue to be contested and the final outcome of this audit is currently unknown. Dependent on the final outcome, UMMMC may be required to repay any MSR received deemed to be disallowed as a result of the audit. Dependent on that outcome, the University, consistent with the Agreement for Medical Educational Services, made part of the Definitive Agreement between the University and UMMMC, and its subsequent amendments and the indemnification provisions in these Agreements, may be required to indemnify UMMMC for a portion of any amounts due. Although the final outcome of this audit is currently unknown, and management believes that as of the date of the financial statements it is not probable that a liability exists, management concludes it is reasonably possible that amounts could be repaid and that those amounts may be material to the University’s financial position and results of operations.

Five Universities in the Commonwealth of Massachusetts jointly formed the Massachusetts Green High Performance Computing Center, Inc. (MGHPCC) and MGHPCC Holyoke, Inc. in May 2010 and April 2012, respectively, to construct and operate a research computing center located in Holyoke, Massachusetts. MGHPCC and MGHPCC Holyoke, Inc. are tax-exempt organizations under Internal Revenue Code section 501(c) (3). Each respective university agreed to contribute $10.0 million and as of June 30, 2013, each university had contributed the required amounts. The University’s unamortized $8.0 million investment is included in its Statement of Financial Position within Other Assets.

16. SUBSEQUENT EVENTS

On July 3, 2014, the Authority issued its $67.4 million Refunding Revenue Bonds, Senior Series 2014-3 (the “2014-3 bonds”). The 2014-3 bonds were issued to refinance the University’s Worcester City Campus Corporation 2005-Series D bonds and to pay costs of issuing the 2014-3 bonds. The 2014-3 bonds are due (serially) through 2030 and the interest rate ranges from 2.0% to 5.0%.
On July 8, 2014, the Authority extended $25.0 million of Series 2013-A commercial paper and issued an additional $15.0 million of Series 2013-A commercial paper. The Authority also extended $25.0 million of Series 2013-B commercial paper and issued an additional $10.0 million of Series B commercial paper.

On July 17, 2014, the Authority entered into a lease, as lessee, with One Beacon Street Limited Partnership, as lessor, for space at One Beacon Street, Boston, Massachusetts to be used primarily as office space by the Authority, the UMASS Club and the University. The lease begins July 15, 2015 and ends December 31, 2030.

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2014 and through December 18, 2014, the date on which the financial statements were available to be issued.
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- Combining Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2014 and 2013 II
Board of Trustees of the 
University of Massachusetts

Report on the financial statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards issued by the Comptroller of the United States, the business-type activities and the aggregate discretely presented component units of the University of Massachusetts (the “University”), an enterprise fund of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2014 and 2013, and our report thereon dated December 18, 2014 expressed an unmodified opinion on these basic consolidated financial statements as a whole.

The accompanying supplementary schedules of Supplemental Financial Information for University campuses and University related organizations is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statement and certain additional procedures. These additional procedures included comparing and reconciling information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Boston, Massachusetts
December 18, 2014
## University of Massachusetts
### CENTRAL ADMINISTRATION
### Statements of Net Position
### As of June 30, 2014 and 2013
(in thousands of dollars)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$10,717</td>
<td>$13,554</td>
</tr>
<tr>
<td>Cash Held By State Treasurer</td>
<td>3,297</td>
<td>542</td>
</tr>
<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>2,487</td>
<td>2,996</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>46,347</td>
<td>41,890</td>
</tr>
<tr>
<td>Due From Other Campuses</td>
<td>207</td>
<td>500</td>
</tr>
<tr>
<td>Other Assets</td>
<td>3,964</td>
<td>4,268</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>67,019</td>
<td>63,750</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Securities Held By Trustees</td>
<td>29,940</td>
<td>44,470</td>
</tr>
<tr>
<td>Cash Held By State Treasurer</td>
<td>1,904</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>121,329</td>
<td>121,082</td>
</tr>
<tr>
<td>Other Assets</td>
<td>7,120</td>
<td>8,129</td>
</tr>
<tr>
<td>Investment In Plant, net</td>
<td>91,930</td>
<td>54,762</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>252,223</td>
<td>228,443</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$319,242</td>
<td>$292,193</td>
</tr>
</tbody>
</table>

| DEFERRED OUTFLOWS OF RESOURCES | | |
| Loss on Debt Refinancing | $482 | $5,134 |

| LIABILITIES | | |
| **Current Liabilities** | | |
| Accounts Payable | $10,011 | $7,125 |
| Accrued Salaries and Wages | 1,748 | 1,566 |
| Accrued Compensated Absences | 4,332 | 3,991 |
| Accrued Interest Payable | 597 | 453 |
| Bonds Payable | | 16,770 |
| Due To Campuses | 46,748 | 50,290 |
| Due To Related Organizations | 400 | 539 |
| Unearned Revenues and Credits | 1,634 | 1,243 |
| Advances and Deposits | 710 | 942 |
| Other Liabilities | 5,671 | 3,609 |
| **Total Current Liabilities** | 71,851 | 86,528 |
| **Noncurrent Liabilities** | | |
| Accrued Compensated Absences | 553 | 475 |
| Bonds Payable | 80,712 | 56,488 |
| Unearned Revenues and Credits | 62 | 5 |
| Other Liabilities | 10,446 | 5,134 |
| **Total Noncurrent Liabilities** | 91,773 | 62,102 |
| **Total Liabilities** | $163,624 | $148,630 |

| Net Position: | | |
| Invested in Capital Assets Net of Related Debt | $15,953 | $20,312 |
| Restricted | | |
| Nonexpendable | 1,606 | 2,206 |
| Expendable | 31,302 | 24,372 |
| Unrestricted | 107,239 | 101,807 |
| **Total Net Position** | $156,100 | $148,697 |
University of Massachusetts  
CENTRAL ADMINISTRATION  
Statements of Revenues, Expenses and Changes in Net Position  
For The Years Ended June 30, 2014 and 2013  
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>(adjusted)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>6,330</td>
<td>7,024</td>
</tr>
<tr>
<td>Federal Grants and Contracts</td>
<td>4,172</td>
<td>2,450</td>
</tr>
<tr>
<td>State Grants and Contracts</td>
<td>4,615</td>
<td>2,983</td>
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<tr>
<td>Local Grants and Contracts</td>
<td>119</td>
<td>173</td>
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<tr>
<td>Private Grants and Contracts</td>
<td>3,174</td>
<td>3,691</td>
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<tr>
<td>Sales and Service, Educational</td>
<td>2,067</td>
<td>2,023</td>
</tr>
<tr>
<td>Allocation from Campuses</td>
<td>68,831</td>
<td>60,710</td>
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<tr>
<td>Other Operating Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3,874</td>
<td>8,772</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>93,182</td>
<td>87,826</td>
</tr>
</tbody>
</table>

| **EXPENSES**                |              |              |
| **Operating Expenses**       |              |              |
| Instruction                 | 10,414       | 12,507       |
| Research                    | 5,159        | 3,084        |
| Public Service              | 2,823        | 1,144        |
| Institutional Support       | 61,850       | 60,064       |
| Operation and Maintenance of Plant | 449       | 6,288        |
| Scholarships and Fellowships | 6            | 6            |
| Depreciation and Amortization| 5,987        | 5,641        |
| **Total Operating Expenses**| 86,688       | 88,734       |

| **Operating Income/(Loss)** | 6,494        | (908)        |

| **NONOPERATING REVENUES/(EXPENSES)** |              |              |
| State Appropriations              | 10,847       |              |
| Investment Return                 | 8,310        | 4,760        |
| Endowment Return                  | 233          | 224          |
| Interest on Indebtedness          | (103)        | (680)        |
| Other Nonoperating Income         | 32           | 345          |
| **Net Nonoperating Revenues**     | 8,472        | 15,496       |

| **Income Before Other Revenues, Expenses, Gains, and Losses** | 14,966 | 14,588 |

| **OTHER REVENUES, EXPENSES, GAINS, AND LOSSES** |              |              |
| Capital Appropriations              | 5,200        |              |
| Other Additions/(Deductions)        | (12,764)     | 1,327        |
| **Total Other Revenues, Expenses, Gains, and Losses** | (7,564) | 1,327 |

| **Total Increase in Net Position** | 7,402        | 15,915       |

| **NET POSITION**                  |              |              |
| Net Position at Beginning of Year, as reported | 148,698     | 133,049  |
| Cumulative effect of change in accounting principle | (266)      |              |
| Net Position at Beginning of Year, as adjusted | 148,698     | 132,783    |
| **Net Position at End of Year**   | 156,100      | 148,698     |
### University of Massachusetts
**AMHERST CAMPUSS**

**Statements of Net Position**
**As of June 30, 2014 and 2013**
*(in thousands of dollars)*

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013 (adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$28,998</td>
<td>$27,226</td>
</tr>
<tr>
<td>Cash Held By State Treasurer</td>
<td>10,920</td>
<td>11,299</td>
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<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>45,219</td>
<td>36,083</td>
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<tr>
<td>Pledges Receivable, net</td>
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<td>1,761</td>
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<td>Short Term Investments</td>
<td>68,440</td>
<td>57,465</td>
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<tr>
<td>Inventories, net</td>
<td>4,651</td>
<td>5,196</td>
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<tr>
<td>Due From Other Campuses</td>
<td>21,511</td>
<td>23,276</td>
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<td>Other Assets</td>
<td>501</td>
<td>605</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>$182,330</td>
<td>$162,911</td>
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<td><strong>Noncurrent Assets</strong></td>
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<tr>
<td>Cash Held By State Treasurer</td>
<td>1,508</td>
<td>4,738</td>
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<td>Cash and Securities Held By Trustees</td>
<td>155,484</td>
<td>155,081</td>
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<td>Accounts, Grants and Loans Receivable, net</td>
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<td>18,852</td>
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<td>Pledges Receivable, net</td>
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<tr>
<td>Investment In Plant, net</td>
<td>1,605,787</td>
<td>1,472,369</td>
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<td><strong>Total Noncurrent Assets</strong></td>
<td>$2,061,189</td>
<td>$1,902,585</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$2,243,519</td>
<td>$2,065,496</td>
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<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
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<tr>
<td>Deferred Change in Fair Value of Interest Rate Swaps</td>
<td>$28,199</td>
<td>$27,820</td>
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<tr>
<td>Loss on Debt Refunding</td>
<td>38,242</td>
<td>36,565</td>
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<tr>
<td><strong>Total Deferred Outflows of Resources</strong></td>
<td>$66,441</td>
<td>$64,385</td>
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<td><strong>LIABILITIES</strong></td>
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<td><strong>Current Liabilities</strong></td>
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</tr>
<tr>
<td>Accounts Payable</td>
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<td>Accrued Compensated Absences</td>
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<td>24,305</td>
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<td>Accrued Workers’ Compensation</td>
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<td>Accrued Interest Payable</td>
<td>5,709</td>
<td>6,501</td>
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<td>147,295</td>
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<td>Capital Lease Obligations</td>
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<td>4,184</td>
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<td>Unearned Revenues and Credits</td>
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<td>13,426</td>
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<td>Advances and Deposits</td>
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<td>690</td>
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<td>Other Liabilities</td>
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<td>8,034</td>
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<td><strong>Total Current Liabilities</strong></td>
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<td>$299,873</td>
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<td><strong>Noncurrent Liabilities</strong></td>
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<td>11,876</td>
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<td>5,017</td>
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<td>41,838</td>
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<tr>
<td>Capital Lease Obligations</td>
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<td></td>
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<tr>
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<td>11,307</td>
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<td>13,348</td>
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<td>$753,000</td>
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<td>$1,120,121</td>
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<td>Nonexpendable</td>
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<td>3,971</td>
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<td>48,526</td>
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<td>Unrestricted</td>
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<td>246,922</td>
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<td><strong>Total Net Position</strong></td>
<td>$1,189,839</td>
<td>$1,077,008</td>
</tr>
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### University of Massachusetts
#### AMHERST CAMPUS

**Statements of Revenues, Expenses and Changes in Net Position**  
As of June 30, 2014 and 2013  
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>(adjusted)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>$337,767</td>
<td>$323,331</td>
</tr>
<tr>
<td></td>
<td>$337,767</td>
<td>$323,331</td>
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<tr>
<td>(net of scholarship allowances of $ 95,477 at June 30, 2014 and $89,345 at June 30, 2013)</td>
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<td></td>
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<tr>
<td>Federal Grants and Contracts</td>
<td>98,157</td>
<td>97,930</td>
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<td>State Grants and Contracts</td>
<td>15,753</td>
<td>12,734</td>
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<td>Local Grants and Contracts</td>
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<td>316</td>
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<td>Private Grants and Contracts</td>
<td>30,950</td>
<td>30,547</td>
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<td>Sales and Service, Educational</td>
<td>8,089</td>
<td>8,615</td>
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<td>Auxiliary Enterprises</td>
<td>214,759</td>
<td>195,577</td>
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<td>Other Operating Revenues:</td>
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<td></td>
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<td>Other</td>
<td>16,137</td>
<td>19,225</td>
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<td><strong>Total Operating Revenues</strong></td>
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<tr>
<td><strong>EXPENSES</strong></td>
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<tr>
<td><strong>Operating Expenses</strong></td>
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<tr>
<td>Educational and General</td>
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<td>Instruction</td>
<td>312,844</td>
<td>294,707</td>
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<td>Research</td>
<td>108,825</td>
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<td>Public Service</td>
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<td>24,882</td>
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<td>58,108</td>
<td>56,305</td>
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<td>52,163</td>
<td>49,763</td>
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<td>Institutional Support</td>
<td>64,305</td>
<td>59,033</td>
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<tr>
<td>Operation and Maintenance of Plant</td>
<td>84,162</td>
<td>77,610</td>
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<tr>
<td>Depreciation and Amortization</td>
<td>82,687</td>
<td>71,594</td>
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<tr>
<td>Scholarships and Fellowships</td>
<td>20,991</td>
<td>22,115</td>
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<tr>
<td>Auxiliary Enterprises</td>
<td>174,666</td>
<td>164,212</td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$984,891</td>
<td>$923,948</td>
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<tr>
<td><strong>Operating Loss</strong></td>
<td>(262,933)</td>
<td>(235,673)</td>
</tr>
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<td><strong>NONOPERATING REVENUES/(EXPENSES)</strong></td>
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<td></td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>7,020</td>
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<td>State Appropriations</td>
<td>272,676</td>
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<td>Gifts</td>
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<td>13,950</td>
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<td>19,471</td>
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<tr>
<td>Endowment Return</td>
<td>8,424</td>
<td>6,258</td>
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<tr>
<td>Interest on Indebtedness</td>
<td>(25,609)</td>
<td>(25,427)</td>
</tr>
<tr>
<td>Nonoperating Federal Grants</td>
<td>25,338</td>
<td>23,867</td>
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<tr>
<td>Other Nonoperating Income</td>
<td>(2)</td>
<td>(477)</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues</strong></td>
<td>333,854</td>
<td>285,839</td>
</tr>
<tr>
<td><strong>Income Before Other Revenues, Expenses, Gains, and Losses</strong></td>
<td>70,921</td>
<td>50,166</td>
</tr>
<tr>
<td><strong>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</strong></td>
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</tr>
<tr>
<td>Capital Appropriations</td>
<td>46,191</td>
<td>52,934</td>
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<tr>
<td>Capital Grants and Contracts</td>
<td>8,473</td>
<td>3,226</td>
</tr>
<tr>
<td>Disposal of Plant Facilities</td>
<td>(4,053)</td>
<td>(3,978)</td>
</tr>
<tr>
<td>Other Additions/(Deductions)</td>
<td>(8,701)</td>
<td>(2,718)</td>
</tr>
<tr>
<td><strong>Total Other Revenues, Expenses, Gains, and Losses</strong></td>
<td>41,910</td>
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<tr>
<td><strong>Total Increase in Net Position</strong></td>
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<td>99,630</td>
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<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
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<tr>
<td>Net Position at Beginning of Year, as reported</td>
<td>1,077,008</td>
<td>983,791</td>
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<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(6,413)</td>
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</tr>
<tr>
<td>Net Position at the Beginning of the Year, as adjusted</td>
<td>1,070,595</td>
<td>977,378</td>
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<tr>
<td><strong>Net Position at End of Year</strong></td>
<td>$1,189,839</td>
<td>$1,077,008</td>
</tr>
</tbody>
</table>
University of Massachusetts
BOSTON CAMPUS
Statements of Net Position
As of June 30, 2014 and 2013
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$5,308</td>
<td>$7,951</td>
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<tr>
<td>Cash Held By State Treasurer</td>
<td>3,817</td>
<td>3,649</td>
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<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>24,323</td>
<td>22,803</td>
</tr>
<tr>
<td>Pledges Receivable, net</td>
<td>684</td>
<td>331</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>24,648</td>
<td>23,983</td>
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<tr>
<td>Inventories, net</td>
<td>811</td>
<td>766</td>
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<tr>
<td>Due From Other Campuses</td>
<td>4,900</td>
<td>5,617</td>
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<td>Other Assets</td>
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<td>298</td>
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<td><strong>Total Current Assets</strong></td>
<td><strong>64,685</strong></td>
<td><strong>65,398</strong></td>
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<tr>
<td><strong>Noncurrent Assets</strong></td>
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<tr>
<td>Cash Held By State Treasurer</td>
<td>1,377</td>
<td>865</td>
</tr>
<tr>
<td>Cash and Securities Held By Trustees</td>
<td>349,620</td>
<td>302,781</td>
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<td>Accounts, Grants and Loans Receivable, net</td>
<td>8,321</td>
<td>7,696</td>
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<td>Pledges Receivable, net</td>
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<td>718</td>
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<td>Investments</td>
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<td>Other Assets</td>
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<td>Investment In Plant, net</td>
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<td><strong>708,657</strong></td>
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<td><strong>$774,055</strong></td>
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<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
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<td></td>
</tr>
<tr>
<td>Deferred Change in Fair Value of Interest Rate Swaps</td>
<td>$1,218</td>
<td>$1,102</td>
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<tr>
<td>Loss on Debt Refunding</td>
<td>7,336</td>
<td>7,028</td>
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<td><strong>Total Deferred Outflows of Resources</strong></td>
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<td><strong>LIABILITIES</strong></td>
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<td></td>
</tr>
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<td>Accrued Salaries and Wages</td>
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<td>Accrued Compensated Absences</td>
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<td>10,827</td>
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<td>Accrued Workers’ Compensation</td>
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<td>328</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>3,889</td>
<td>3,657</td>
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<tr>
<td>Bonds Payable</td>
<td>23,968</td>
<td>37,172</td>
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<td>Accelerated variable rate debt, current</td>
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</tr>
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<td>Capital Lease Obligations</td>
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<td>118</td>
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<tr>
<td>Unearned Revenues and Credits</td>
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<td>Advances and Deposits</td>
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<td>Other Liabilities</td>
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<td>6,101</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>84,720</strong></td>
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<td><strong>Noncurrent Liabilities</strong></td>
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<tr>
<td>Accrued Compensated Absences</td>
<td>4,230</td>
<td>3,978</td>
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<td>Accrued Workers’ Compensation</td>
<td>1,054</td>
<td>816</td>
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<td>Bonds Payable</td>
<td>476,603</td>
<td>367,350</td>
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<td>Capital Lease Obligations</td>
<td>90</td>
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<tr>
<td>Derivative Instrument, Interest Rate Swap</td>
<td>4,412</td>
<td>4,442</td>
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<tr>
<td>Unearned Revenues and Credits</td>
<td>1,478</td>
<td>763</td>
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<tr>
<td>Advances and Deposits</td>
<td>4,420</td>
<td>4,545</td>
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<td>Other Liabilities</td>
<td>1,775</td>
<td>1,889</td>
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<td><strong>Total Noncurrent Liabilities</strong></td>
<td><strong>493,972</strong></td>
<td><strong>383,893</strong></td>
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<td><strong>Total Liabilities</strong></td>
<td><strong>$578,692</strong></td>
<td><strong>$482,348</strong></td>
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<tr>
<td><strong>Net Position:</strong></td>
<td></td>
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<tr>
<td>Invested in Capital Assets Net of Related Debt</td>
<td>$237,546</td>
<td>$187,018</td>
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<tr>
<td>Restricted</td>
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<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>6,699</td>
<td>6,673</td>
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<tr>
<td>Expendable</td>
<td>22,222</td>
<td>18,387</td>
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<tr>
<td>Unrestricted</td>
<td>88,321</td>
<td>87,759</td>
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<tr>
<td><strong>Total Net Position</strong></td>
<td><strong>$354,788</strong></td>
<td><strong>$299,837</strong></td>
</tr>
</tbody>
</table>
University of Massachusetts  
BOSTON CAMPUS  
Statements of Revenues, Expenses and Changes in Net Position  
For The Years Ended June 30, 2014 and 2013  
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013 (adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>$160,317</td>
<td>$153,084</td>
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<tr>
<td></td>
<td>(net of scholarship allowances of $33,020 at June 30, 2014 and $31,413 at June 30, 2013)</td>
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<tr>
<td>Federal Grants and Contracts</td>
<td>26,730</td>
<td>27,142</td>
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<td>State Grants and Contracts</td>
<td>10,151</td>
<td>10,089</td>
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<td>Local Grants and Contracts</td>
<td>724</td>
<td>1,127</td>
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<tr>
<td>Private Grants and Contracts</td>
<td>9,830</td>
<td>10,832</td>
</tr>
<tr>
<td>Sales and Service, Educational</td>
<td>3,433</td>
<td>3,000</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>9,981</td>
<td>9,743</td>
</tr>
</tbody>
</table>

Other Operating Revenues:
- Other: 998, 749

**Total Operating Revenues**
222,164, 215,766

<table>
<thead>
<tr>
<th><strong>EXPENSES</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>140,539</td>
<td>130,378</td>
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<tr>
<td>Research</td>
<td>29,176</td>
<td>30,465</td>
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<tr>
<td>Public Service</td>
<td>11,478</td>
<td>11,015</td>
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<tr>
<td>Academic Support</td>
<td>29,014</td>
<td>28,876</td>
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<tr>
<td>Student Services</td>
<td>22,867</td>
<td>20,782</td>
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<td>Institutional Support</td>
<td>46,159</td>
<td>40,376</td>
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<tr>
<td>Operation and Maintenance of Plant</td>
<td>25,238</td>
<td>22,692</td>
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<tr>
<td>Depreciation and Amortization</td>
<td>13,284</td>
<td>12,770</td>
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<tr>
<td>Scholarships and Fellowships</td>
<td>11,654</td>
<td>11,832</td>
</tr>
</tbody>
</table>

Auxiliary Enterprises | 11,353 | 10,565

**Total Operating Expenses**
340,762, 319,751

**Operating Loss**
(118,598), (103,985)

<table>
<thead>
<tr>
<th><strong>NONOPERATING REVENUES/(EXPENSES)</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>100,553</td>
<td>89,435</td>
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<tr>
<td>Gifts</td>
<td>4,535</td>
<td>3,767</td>
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<tr>
<td>Investment Return</td>
<td>11,306</td>
<td>8,692</td>
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<tr>
<td>Endowment Return</td>
<td>1,997</td>
<td>1,718</td>
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<tr>
<td>Interest on Indebtedness</td>
<td>(6,665)</td>
<td>(9,570)</td>
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<tr>
<td>Nonoperating Federal Grants</td>
<td>21,173</td>
<td>20,817</td>
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<tr>
<td>Other Nonoperating Income/(Expense)</td>
<td>275</td>
<td>(636)</td>
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</tbody>
</table>

**Net Nonoperating Revenues**
133,174, 114,223

**Income Before Other Revenues, Expenses, Gains, and Losses**
14,576, 10,238

<table>
<thead>
<tr>
<th><strong>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Appropriations</td>
<td>42,978</td>
<td>26,401</td>
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<tr>
<td>Capital Grants and Contracts</td>
<td>1,856</td>
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<tr>
<td>Disposal of Plant Facilities</td>
<td>(1,157)</td>
<td>(1,039)</td>
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<tr>
<td>Other Additions/(Deductions)</td>
<td>(3,302)</td>
<td>(2,029)</td>
</tr>
</tbody>
</table>

**Total Other Revenues, Expenses, Gains, and Losses**
40,375, 23,333

**Total Increase in Net Position**
54,951, 33,571

<table>
<thead>
<tr>
<th><strong>NET POSITION</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position at Beginning of Year, as reported</td>
<td>299,837</td>
<td>268,958</td>
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<tr>
<td>Cumulative Effect of Accounting Principle</td>
<td>(2,692)</td>
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</tr>
<tr>
<td>Net Position at the Beginning of Year, as adjusted</td>
<td>299,837</td>
<td>266,266</td>
</tr>
<tr>
<td><strong>Net Position at End of Year</strong></td>
<td>354,788</td>
<td>299,837</td>
</tr>
</tbody>
</table>
**University of Massachusetts**  
**DARTMOUTH CAMPUS**  
**Statements of Net Position**  
**As of June 30, 2014 and 2013**  
**(in thousands of dollars)**

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,023</td>
<td>$2,412</td>
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<tr>
<td>Cash Held By State Treasurer</td>
<td>2,895</td>
<td>1,680</td>
</tr>
<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>12,306</td>
<td>23,753</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>3,172</td>
<td>3,879</td>
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<tr>
<td>Inventories, net</td>
<td></td>
<td>792</td>
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<tr>
<td>Due From Other Campuses</td>
<td>1,141</td>
<td>1,310</td>
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<tr>
<td>Due From Related Organizations</td>
<td>181</td>
<td>230</td>
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<tr>
<td>Other Assets</td>
<td>280</td>
<td>32</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>20,998</strong></td>
<td><strong>34,088</strong></td>
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<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Held By State Treasurer</td>
<td>2,118</td>
<td>766</td>
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<tr>
<td>Cash and Securities Held By Trustees</td>
<td>49,581</td>
<td>54,725</td>
</tr>
<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>2,638</td>
<td>2,340</td>
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<tr>
<td>Investments</td>
<td>13,200</td>
<td>14,666</td>
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<tr>
<td>Other Assets</td>
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<td>7</td>
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<tr>
<td>Investment In Plant, net</td>
<td>335,741</td>
<td>318,533</td>
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<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td><strong>403,278</strong></td>
<td><strong>391,037</strong></td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$424,276</strong></td>
<td><strong>$425,125</strong></td>
</tr>
</tbody>
</table>

**DEFERRED OUTFLOWS OF RESOURCES**

|                        |               |               |
| Deferred Change in Fair Value of Interest Rate Swaps | $5,845        | $5,496        |
| Loss on Debt Refunding | 23,148        | 21,474        |
| **Total Deferred Outflows of Resources** | **$28,993** | **$26,970** |

**LIABILITIES**

|                        |               |               |
| Current Liabilities    |               |               |
| Accounts Payable       | $5,861        | $6,490        |
| Accrued Salaries and Wages | 11,069      | 10,357        |
| Accrued Compensated Absences | 5,918         | 5,829         |
| Accrued Workers' Compensation | 536          | 344           |
| Accrued Interest Payable | 1,308        | 1,505         |
| Bonds Payable          | 46,765        | 89,332        |
| Accelerated variable rate debt, current | 102          |               |
| Due To Other Campuses  | 200           | 500           |
| Unearned Revenues and Credits | 1,739     | 1,147         |
| Advances and Deposits  | 1,171         | 1,191         |
| Other Liabilities      | 1,562         | 3,660         |
| **Total Current Liabilities** | **76,231** | **120,355** |

|                        |               |               |
| Noncurrent Liabilities |               |               |
| Accrued Compensated Absences | 3,829        | 3,724         |
| Accrued Workers' Compensation | 1,331        | 855           |
| Bonds Payable          | 177,684       | 145,287       |
| Derivative Instrument, Interest Rate Swap | 15,408      | 15,522        |
| Unearned Revenues and Credits | 54           | 295           |
| Advances and Deposits  | 3,032         | 2,749         |
| Other Liabilities      | 29,720        | 30,255        |
| **Total Noncurrent Liabilities** | **231,058** | **198,687** |

|                        |               |               |
| **Total Liabilities**  | **$307,289** | **$319,042** |

**Net Position:**

|                        |               |               |
| Invested in Capital Assets Net of Related Debt | $136,286       | $118,144      |
| Restricted             |               |               |
| Expendable             | 8,999         | 7,516         |
| Unrestricted           | 695           | 7,393         |
| **Total Net Position** | **$145,980** | **$133,053** |

S-7
<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees (net of scholarship allowances of $ 33,161)</td>
<td>$72,885</td>
<td>$76,821</td>
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<tr>
<td>at June 30, 2014 and $31,279 June 30, 2013</td>
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<tr>
<td>Federal Grants and Contracts</td>
<td>8,632</td>
<td>9,421</td>
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<td>State Grants and Contracts</td>
<td>5,683</td>
<td>6,268</td>
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<td>Local Grants and Contracts</td>
<td>577</td>
<td>315</td>
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<tr>
<td>Private Grants and Contracts</td>
<td>4,000</td>
<td>3,850</td>
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<td>Sales and Service, Educational</td>
<td>125</td>
<td>125</td>
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<tr>
<td>Auxiliary Enterprises</td>
<td>48,220</td>
<td>48,405</td>
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<tr>
<td>Other Operating Revenues:</td>
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<td></td>
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<tr>
<td>Other</td>
<td>5,932</td>
<td>5,079</td>
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<tr>
<td><strong>Total Operating Revenues</strong></td>
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<td>150,284</td>
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<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>68,583</td>
<td>68,426</td>
</tr>
<tr>
<td>Research</td>
<td>17,013</td>
<td>18,274</td>
</tr>
<tr>
<td>Public Service</td>
<td>4,503</td>
<td>5,513</td>
</tr>
<tr>
<td>Academic Support</td>
<td>26,073</td>
<td>25,687</td>
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<tr>
<td>Student Services</td>
<td>11,574</td>
<td>10,971</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>17,600</td>
<td>14,104</td>
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<tr>
<td>Operation and Maintenance of Plant</td>
<td>25,015</td>
<td>19,604</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>15,064</td>
<td>13,438</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>6,659</td>
<td>6,011</td>
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<tr>
<td>Auxiliary Enterprises</td>
<td>30,424</td>
<td>30,055</td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>222,508</td>
<td>212,083</td>
</tr>
<tr>
<td><strong>Operating Loss</strong></td>
<td>(76,454)</td>
<td>(61,799)</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES/EXPENSES</strong></td>
<td></td>
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</tr>
<tr>
<td>State Appropriations</td>
<td>64,633</td>
<td>57,242</td>
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<tr>
<td>Investment Return</td>
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<tr>
<td>Endowment Income</td>
<td>1,733</td>
<td>1,509</td>
</tr>
<tr>
<td>Interest on Indebtedness</td>
<td>(8,617)</td>
<td>(8,434)</td>
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<tr>
<td>Nonoperating Federal Grants</td>
<td>11,987</td>
<td>10,492</td>
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<tr>
<td>Other Nonoperating Income</td>
<td>587</td>
<td>685</td>
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<tr>
<td><strong>Net Nonoperating Revenues</strong></td>
<td>72,925</td>
<td>63,684</td>
</tr>
<tr>
<td><strong>Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses</strong></td>
<td>(3,529)</td>
<td>1,885</td>
</tr>
<tr>
<td><strong>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Appropriations</td>
<td>14,556</td>
<td>16,037</td>
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<tr>
<td>Capital Grants and Contracts</td>
<td>5,815</td>
<td>13,813</td>
</tr>
<tr>
<td>Disposal of Plant Facilities</td>
<td>(1,293)</td>
<td>(1,140)</td>
</tr>
<tr>
<td>Other Additions/(Deductions)</td>
<td>(2,622)</td>
<td>(593)</td>
</tr>
<tr>
<td><strong>Total Other Revenues, Expenses, Gains, and Losses</strong></td>
<td>16,456</td>
<td>28,117</td>
</tr>
<tr>
<td><strong>Total Increase in Net Position</strong></td>
<td>12,927</td>
<td>30,002</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position at Beginning of Year, as reported</td>
<td>133,053</td>
<td>105,585</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(2,534)</td>
<td></td>
</tr>
<tr>
<td>Net Position at Beginning of Year, as adjusted</td>
<td>103,515</td>
<td></td>
</tr>
<tr>
<td><strong>Net Position at End of Year</strong></td>
<td>$145,980</td>
<td>133,053</td>
</tr>
</tbody>
</table>

University of Massachusetts
DARTMOUTH CAMPUS
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30, 2014 and 2013
(in thousands of dollars)
University of Massachusetts  
LOWELL CAMPUS  
Statements of Net Position  
As of June 30, 2014 and 2013  
(in thousands of dollars)

<table>
<thead>
<tr>
<th>June 30, 2014</th>
<th>June 30, 2013 (adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$5,718</td>
</tr>
<tr>
<td>Cash Held By State Treasurer</td>
<td>5,345</td>
</tr>
<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>29,338</td>
</tr>
<tr>
<td>Pledges Receivable, net</td>
<td>1,001</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>23,842</td>
</tr>
<tr>
<td>Due From Other Campuses</td>
<td>5,235</td>
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<tr>
<td>Other Assets</td>
<td>616</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$71,095</td>
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<tr>
<td>Noncurrent Assets</td>
<td></td>
</tr>
<tr>
<td>Cash Held By State Treasurer</td>
<td>1,099</td>
</tr>
<tr>
<td>Cash and Securities Held By Trustees</td>
<td>114,045</td>
</tr>
<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>5,009</td>
</tr>
<tr>
<td>Pledges Receivable, net</td>
<td>1,470</td>
</tr>
<tr>
<td>Investments</td>
<td>78,339</td>
</tr>
<tr>
<td>Other Assets</td>
<td>740</td>
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<tr>
<td>Investment In Plant, net</td>
<td>574,746</td>
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<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>$775,448</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$846,543</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Change in Fair Value of Interest Rate Swaps</td>
<td>$5,820</td>
</tr>
<tr>
<td>Loss on Debt Refunding</td>
<td>2,590</td>
</tr>
<tr>
<td><strong>Total Deferred Outflows of Resources</strong></td>
<td>$8,410</td>
</tr>
</tbody>
</table>

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| **Net Position:** |          |
| Invested in Capital Assets Net of Related Debt | $199,226 | $193,871 |
| Restricted |          |
| Nonexpendable | 3,957 | 4,185 |
| Expendable | 20,485 | 14,946 |
| Unrestricted | 80,164 | 70,544 |
| **Total Net Position** | $303,832 | $283,546 |
University of Massachusetts
LOWELL CAMPUS

Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30, 2014 and 2013
(in thousands of dollars)

<table>
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<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
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<tr>
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<td>$139,748</td>
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<tr>
<td>(net of scholarship</td>
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<td>at June 30, 2014</td>
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<td>$152,563</td>
<td>$139,748</td>
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<td>$34,956 at June 30, 2013</td>
<td>$34,956 at June 30, 2013</td>
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<td></td>
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<td>Local Grants and</td>
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<td>6,046</td>
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<td>220,835</td>
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<td>Revenues</td>
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</table>

| **EXPENSES**         |                       |                       |
| Operating Expenses   |                       |                       |
| Educational and      |                       |                       |
| General              |                       |                       |
| Instruction          | 111,203               | 105,148               |
| Research             | 36,624                | 35,921                |
| Public Service       | 830                   | 1,321                 |
| Academic Support     | 26,112                | 22,656                |
| Student Services     | 27,033                | 21,280                |
| Institutional Support| 43,222                | 39,316                |
| Operation and        | 34,453                | 30,056                |
| Maintenance of Plant |                       |                       |
| Depreciation and     | 23,926                | 19,657                |
| Amortization         |                       |                       |
| Scholarships and     | 9,932                 | 9,767                 |
| Fellowships          |                       |                       |
| Auxiliary Enterprises| 26,276                | 21,176                |
| Total Operating      | 339,611               | 306,298               |
| Expenses             |                       |                       |
| Operating Loss       | (95,175)              | (85,463)              |

| **NONOPERATING REVENUES/(EXPENSES)** |                       |                       |
| State Appropriations  | 88,136                | 79,228                |
| Gifts                 | 3,484                 | 2,170                 |
| Investment Return     | 8,284                 | 6,440                 |
| Endowment Return      | 1,720                 | 1,554                 |
| Interest on indebtedness | (12,311)             | (9,625)               |
| Nonoperating Federal Grants | 15,781              | 15,410                |
| Other Nonoperating Income/(Expense) | 8                    | (239)                 |
| Net Nonoperating      | 105,102               | 94,938                |
| Revenues             |                       |                       |
| Income/(Loss) Before  |                       |                       |
| Other Revenues,       |                       |                       |
| Expenses, Gains, and  |                       |                       |
| Losses               | 9,927                 | 9,475                 |

| **OTHER REVENUES, EXPENSES, GAINS, AND LOSSES** |                       |                       |
| Capital Appropriations | 2,788                 | 17,164                |
| Capital Grants and    | 5,843                 | 5,613                 |
| Contracts             |                       |                       |
| Capital Contribution  | 3,000                 |                       |
| Disposal of Plant     | 1,550                 | (1,388)               |
| Facilities            | 178                   | (379)                 |
| Other Additions/(Deductions) |           |                       |
| Total Other Revenues, Expenses, Gains, and Losses | 10,359             | 24,040                |
| Total Increase in Net Position | 20,286            | 33,485                |

| **NET POSITION**     |                       |                       |
| Net Position at      | 283,546               | 251,973               |
| Beginning of Year,   |                       |                       |
| as reported          |                       |                       |
| Cumulative effect of | 250,061               |                       |
| change in accounting |                       |                       |
| principle            |                       |                       |
| Net Position at      | 283,546               |                       |
| Beginning of Year, as |                       |                       |
| adjusted             |                       |                       |

Net Position at End of Year

|                       | $303,832               | 283,546               |
### Statements of Net Position

**As of June 30, 2014 and 2013**

(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Worcester Campus</th>
<th>Worcester City Corporation</th>
<th>Worcester City</th>
<th>Worcester Campus</th>
<th>Worcester City Corporation</th>
<th>Eliminations</th>
<th>Eliminations</th>
<th>Memorandum Only</th>
<th>Memorandum Only</th>
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<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
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<td>118,558</td>
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<td>695</td>
<td>117,483</td>
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<td>12,690</td>
<td>81,623</td>
<td>48,343</td>
<td>10,544</td>
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<td>40,807</td>
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<td>Due From Other Campuses</td>
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<tr>
<td>Due From Related Organizations</td>
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<td>1,907</td>
<td>81,623</td>
<td>48,343</td>
<td>(85,504)</td>
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<td><strong>Noncurrent Assets</strong></td>
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<tr>
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<td><strong>120,767</strong></td>
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<td><strong>Net Position:</strong></td>
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<tr>
<td>Invested in Capital Assets Net of Related Debt</td>
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<tr>
<td>Expendable</td>
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<td>42,722</td>
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<td>243,230</td>
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<tr>
<td><strong>Total Net Position</strong></td>
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<td><strong>$509,442</strong></td>
<td><strong>$166,216</strong></td>
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<td><strong>$667,756</strong></td>
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<td><strong>$672,214</strong></td>
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</table>
### Statements of Revenues, Expenses and Changes in Net Position

For The Years Ended June 30, 2014 and June 30, 2013  
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Worcester Campus</th>
<th>Worcester City Campus</th>
<th>Worcester City Campus</th>
<th>Eliminations</th>
<th>Combined Totals</th>
<th>Combined Totals</th>
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</tr>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Tuition and Fees</td>
<td>$16,245</td>
<td>$14,367</td>
<td>$16,245</td>
<td>$14,367</td>
<td>$16,245</td>
<td>$14,367</td>
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<tr>
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<td>159,994</td>
<td>174,603</td>
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<td>35,930</td>
<td>33,140</td>
<td>35,930</td>
<td>33,140</td>
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<td>Private Grants and Contracts</td>
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<td>55,070</td>
<td>48,391</td>
<td>55,070</td>
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<td>Sales and Service, Educational</td>
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<td>5,345</td>
<td>8,045</td>
<td>5,345</td>
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<tr>
<td>Auxiliary Enterprises</td>
<td>31,424</td>
<td>33,101</td>
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<td>31,424</td>
<td>29,631</td>
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<td>Other Operating Revenues:</td>
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<tr>
<td>Sales and Service, Independent Operations</td>
<td>44,296</td>
<td>46,062</td>
<td>44,296</td>
<td>46,062</td>
<td>44,296</td>
<td>46,062</td>
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<td>Sales and Service, Public Service Activities</td>
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<td>446,925</td>
<td>44,908</td>
<td>33,277</td>
<td>(42,987)</td>
<td>(33,083)</td>
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<td>37,384</td>
<td>42,674</td>
<td>59,110</td>
<td>57,238</td>
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<td>(38,944)</td>
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<td>Total Operating Revenues</td>
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<td>844,608</td>
<td>104,018</td>
<td>90,515</td>
<td>(79,730)</td>
<td>(75,497)</td>
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<td><strong>EXPENSES</strong></td>
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<tr>
<td>Educational and General</td>
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<td>Instruction</td>
<td>$53,538</td>
<td>$53,969</td>
<td>(72)</td>
<td>(74)</td>
<td>$53,466</td>
<td>$53,895</td>
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<td>Research</td>
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<td>215,744</td>
<td>(90)</td>
<td>(96)</td>
<td>213,131</td>
<td>215,658</td>
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<td>Public Service</td>
<td>32,211</td>
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<td>32,211</td>
<td>30,657</td>
<td>32,211</td>
<td>30,657</td>
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<td>Academic Support</td>
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<td>12,129</td>
<td>(102)</td>
<td>(102)</td>
<td>11,591</td>
<td>12,027</td>
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<td>Student Services</td>
<td>5,760</td>
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<td>5,760</td>
<td>5,950</td>
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<td>Institutional Support</td>
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<td>(294)</td>
<td>(275)</td>
<td>55,615</td>
<td>57,792</td>
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<td>Operation and Maintenance of Plant</td>
<td>45,695</td>
<td>50,958</td>
<td>24,382</td>
<td>26,100</td>
<td>45,655</td>
<td>46,865</td>
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<td>Depreciation and Amortization</td>
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<td>30,657</td>
<td>20,128</td>
<td>20,579</td>
<td>63,285</td>
<td>62,161</td>
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<td>24,557</td>
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<td>(1,800)</td>
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<td>Other Expenditures</td>
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<td>Independent Operations</td>
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<td>54,434</td>
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<td>(6,608)</td>
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<td>Public Service Activities</td>
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<td>44,376</td>
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<td>365,252</td>
<td>327,293</td>
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<td>Total Operating Expenses</td>
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<td>88,886</td>
<td>75,488</td>
<td>913,188</td>
<td>882,881</td>
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<td><strong>Income/(Loss)</strong></td>
<td>(69,087)</td>
<td>(38,282)</td>
<td>15,132</td>
<td>15,027</td>
<td>(53,955)</td>
<td>(23,255)</td>
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<td>NONOPERATING REVENUES/(EXPENSES)</td>
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<td></td>
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<tr>
<td>State Appropriations</td>
<td>44,620</td>
<td>41,136</td>
<td>44,620</td>
<td>41,136</td>
<td>44,620</td>
<td>41,136</td>
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<td>Gifts</td>
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<td>10,157</td>
<td>4,855</td>
<td>10,157</td>
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<td>10,157</td>
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<td>Investment Return</td>
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<td>26,315</td>
<td>14,484</td>
<td>26,315</td>
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<td>Endowment Return</td>
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<td>2,535</td>
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<tr>
<td>Interest on Indebtedness</td>
<td>(21,871)</td>
<td>(21,871)</td>
<td>(14,320)</td>
<td>(13,869)</td>
<td>(14,320)</td>
<td>(13,869)</td>
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<td>Other Nonoperating income</td>
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<td>1,385</td>
<td>146</td>
<td>1,385</td>
<td>146</td>
<td>1,385</td>
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<td>Net Nonoperating Revenues</td>
<td>56,143</td>
<td>45,203</td>
<td>(13,863)</td>
<td>(13,377)</td>
<td>42,280</td>
<td>31,826</td>
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<td>Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses</td>
<td>(12,844)</td>
<td>6,921</td>
<td>1,269</td>
<td>1,650</td>
<td>(11,675)</td>
<td>8,571</td>
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<td>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</td>
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<tr>
<td>Capital Appropriations</td>
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<td>45</td>
<td>419</td>
<td>45</td>
<td>419</td>
<td>45</td>
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<td>Capital Grants and Contracts</td>
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<td>16,695</td>
<td>16,695</td>
<td>16,695</td>
<td>16,695</td>
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<tr>
<td>Disposal of Plant Facilities</td>
<td>(1,179)</td>
<td>(1,179)</td>
<td>(66)</td>
<td>(66)</td>
<td>(1,143)</td>
<td>(1,245)</td>
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<tr>
<td>Contributions for Capital Expenditures</td>
<td>(4,976)</td>
<td>(4,976)</td>
<td>(5,226)</td>
<td>(5,226)</td>
<td>(5,226)</td>
<td>(5,226)</td>
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<tr>
<td>Other Additions/Deductions</td>
<td>10,778</td>
<td>8,548</td>
<td>(2,985)</td>
<td>(2,985)</td>
<td>7,793</td>
<td>7,332</td>
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<tr>
<td>Total Other Revenues, Expenses, Gains, and Losses</td>
<td>5,042</td>
<td>24,040</td>
<td>2,175</td>
<td>2,175</td>
<td>7,317</td>
<td>32,329</td>
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<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position at Beginning of Year, as reported</td>
<td>509,442</td>
<td>482,328</td>
<td>162,772</td>
<td>163,691</td>
<td>672,214</td>
<td>648,019</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(2,847)</td>
<td>(2,847)</td>
<td>(2,847)</td>
<td>(2,847)</td>
<td>(2,847)</td>
<td>(2,847)</td>
</tr>
<tr>
<td>Net Position at Beginning of Year, as adjusted</td>
<td>476,595</td>
<td>479,481</td>
<td>162,772</td>
<td>160,833</td>
<td>667,758</td>
<td>645,172</td>
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<tr>
<td>Net Position at End of Year</td>
<td>$561,540</td>
<td>509,442</td>
<td>$166,216</td>
<td>162,772</td>
<td>$667,758</td>
<td>$672,214</td>
</tr>
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</table>
Combining Statements of Net Position for University Related Organizations as of June 30, 2014 and 2013
(in thousands of dollars)

Supplemental Schedule I

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td><strong>Current Assets</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Accounts, Grants and Loans Receivable, net</td>
<td>$785</td>
<td>($6,368)</td>
<td>$6,045</td>
<td>$1,108</td>
<td>$887</td>
<td>($6,114)</td>
<td>$6,513</td>
<td>$488</td>
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<tr>
<td>Pledges Receivable, net</td>
<td>354</td>
<td>354</td>
<td></td>
<td></td>
<td>380</td>
<td>380</td>
<td></td>
<td></td>
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<tr>
<td>Due From Related Organizations</td>
<td>539</td>
<td>535</td>
<td>4</td>
<td>2,563</td>
<td>2,550</td>
<td>13</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,678</td>
<td>(6,014)</td>
<td>6,580</td>
<td>1,112</td>
<td>3,830</td>
<td>(5,734)</td>
<td>9,063</td>
<td>501</td>
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<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and Cash Equivalents</td>
<td>1,378</td>
<td>158</td>
<td>1,220</td>
<td>1,041</td>
<td>81</td>
<td>960</td>
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<tr>
<td>Pledges Receivable, net</td>
<td>677</td>
<td>(12,676)</td>
<td>10,634</td>
<td>2,719</td>
<td>1,109</td>
<td>(9,333)</td>
<td>8,978</td>
<td>1,464</td>
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<tr>
<td>Investments</td>
<td>452,529</td>
<td>(692,318)</td>
<td>1,091,312</td>
<td>53,535</td>
<td>389,376</td>
<td>(628,633)</td>
<td>970,061</td>
<td>47,948</td>
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<tr>
<td>Other Assets</td>
<td>62</td>
<td>62</td>
<td></td>
<td>173</td>
<td>113</td>
<td>60</td>
<td></td>
<td></td>
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<tr>
<td>Investment In Plant, net</td>
<td>8,478</td>
<td>8,478</td>
<td></td>
<td>8,619</td>
<td>8,619</td>
<td></td>
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<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>463,124</td>
<td>(704,994)</td>
<td>1,110,582</td>
<td>57,536</td>
<td>400,318</td>
<td>(637,966)</td>
<td>987,852</td>
<td>50,432</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$464,802</td>
<td>($711,008)</td>
<td>$1,117,162</td>
<td>$58,648</td>
<td>$404,148</td>
<td>($643,700)</td>
<td>$996,915</td>
<td>$50,933</td>
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</table>

**LIABILITIES**

**Current Liabilities**

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<th>Accounts Payable</th>
<th>$174</th>
<th>$154</th>
<th>$20</th>
<th>$94</th>
<th>$13</th>
<th>$81</th>
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</thead>
<tbody>
<tr>
<td>Due To Related Organizations</td>
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<td>(5,954)</td>
<td>6,135</td>
<td>230</td>
<td>($6,409)</td>
<td>5,639</td>
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<td>Assets Held on Behalf of the University</td>
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<td>643,224</td>
<td>0</td>
<td>(585,005)</td>
<td>585,005</td>
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<td>Assets Held on Behalf of Others</td>
<td>13,797</td>
<td>13,797</td>
<td>12,307</td>
<td>12,307</td>
<td></td>
<td></td>
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<tr>
<td>Unearned Revenues and Credits</td>
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<td>1,373</td>
<td>1,973</td>
<td>1,973</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Current Liabilities**

| $15,525 | (649,178) | 658,548 | 6,155 | 14,604 | (590,414) | 599,298 | 5,720 |

**Noncurrent Liabilities**

| Other Liabilities | 3,483 | 3,483 | 3,332 | 3,332 |

**Total Noncurrent Liabilities**

| 3,483 | 3,483 | 3,332 | 3,332 |

**Total Liabilities**

| $19,008 | ($649,178) | $662,031 | $6,155 | $17,936 | ($590,414) | $602,630 | $5,720 |

**Net Position:**

| Invested in Capital Assets Net of Related Debt | $8,477 | $8,477 | $8,477 | $8,477 |
| Restricted Nonexpendable | 309,718 | (47,808) | $324,579 | $32,947 | 290,858 | (43,525) | $303,973 | $30,410 |
| Expendable | 101,195 | (14,022) | 98,409 | 16,808 | 74,706 | (9,761) | 71,889 | 12,578 |
| Unrestricted | 26,404 | (8,477) | 32,143 | 2,738 | 12,029 | (8,619) | 18,423 | 2,225 |

**Total Net Position**

| $445,794 | ($61,830) | $455,131 | $52,493 | $386,212 | ($53,286) | $394,285 | $45,213 |
Combining Statements of Revenues, Expenses, and Changes in Net Position for University Related Organizations
For The Years Ended June 30, 2014 and 2013
(in thousands of dollars)

Supplemental Schedule II

<table>
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<tr>
<th></th>
<th>Eliminations and Adjustments</th>
<th>The University of Massachusetts</th>
<th>University of Massachusetts</th>
<th>Eliminations and Adjustments</th>
<th>The University of Massachusetts</th>
<th>University of Massachusetts</th>
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<td>EXPENSES</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Operating Expenses</td>
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</tr>
<tr>
<td>Educational and General</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service</td>
<td>$11,066</td>
<td>($658)</td>
<td>$8,872</td>
<td>$2,852</td>
<td>$12,573</td>
<td>($732)</td>
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<tr>
<td>Depreciation</td>
<td>200</td>
<td>200</td>
<td>202</td>
<td>202</td>
<td>77</td>
<td>(1,175)</td>
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<td>Total Operating Expenses</td>
<td>11,443</td>
<td>(1,984)</td>
<td>9,714</td>
<td>3,713</td>
<td>12,852</td>
<td>(1,907)</td>
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<tr>
<td>Operating Income/(Loss)</td>
<td>(11,443)</td>
<td>1,984</td>
<td>(9,714)</td>
<td>(3,713)</td>
<td>(12,852)</td>
<td>1,907</td>
</tr>
<tr>
<td>NONOPERATING REVENUES/(EXPENSES)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td>11,063</td>
<td>(2,019)</td>
<td>6,257</td>
<td>6,825</td>
<td>9,452</td>
<td>217</td>
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<tr>
<td>Investment Income</td>
<td>42,849</td>
<td>(65,246)</td>
<td>103,882</td>
<td>4,213</td>
<td>24,540</td>
<td>(35,589)</td>
</tr>
<tr>
<td>Endowment Income</td>
<td>1,070</td>
<td>(16,625)</td>
<td>17,695</td>
<td>1,160</td>
<td>1,160</td>
<td>(13,936)</td>
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<td>Net Nonoperating Revenues</td>
<td>54,982</td>
<td>(83,890)</td>
<td>127,834</td>
<td>11,038</td>
<td>35,152</td>
<td>(49,308)</td>
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<tr>
<td>Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses</td>
<td>43,539</td>
<td>(81,906)</td>
<td>118,120</td>
<td>7,325</td>
<td>22,300</td>
<td>(47,401)</td>
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<td>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Additions to Permanent Endowments</td>
<td>17,566</td>
<td>(1,746)</td>
<td>19,312</td>
<td>16,056</td>
<td>(844)</td>
<td>16,457</td>
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<tr>
<td>Less: Amounts Earned/Received on Behalf of the University</td>
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<td>(54,746)</td>
<td>(637)</td>
<td>(537)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Amounts Earned/Received on Behalf of Others</td>
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<td>(1,555)</td>
<td>(928)</td>
<td>(928)</td>
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<tr>
<td>Distribution to University</td>
<td>20,268</td>
<td>(20,268)</td>
<td>46,764</td>
<td>(46,764)</td>
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<td></td>
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<tr>
<td>Other Additions/Deductions</td>
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<td>94</td>
<td>(17)</td>
<td>(45)</td>
<td>(9,051)</td>
<td>(1,656)</td>
</tr>
<tr>
<td>Total Other Revenues, Expenses, Gains, and Losses</td>
<td>16,043</td>
<td>73,362</td>
<td>(57,274)</td>
<td>(45)</td>
<td>6,077</td>
<td>43,627</td>
</tr>
<tr>
<td>Total Increase/(Decrease) in Net Assets</td>
<td>59,582</td>
<td>(8,544)</td>
<td>60,846</td>
<td>7,280</td>
<td>28,377</td>
<td>(3,774)</td>
</tr>
<tr>
<td>NET POSITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position at Beginning of Year</td>
<td>386,212</td>
<td>(53,286)</td>
<td>394,285</td>
<td>45,213</td>
<td>357,835</td>
<td>(49,512)</td>
</tr>
<tr>
<td>Net Position at End of Year</td>
<td>$445,794</td>
<td>($61,830)</td>
<td>$455,131</td>
<td>$52,493</td>
<td>$386,212</td>
<td>($53,286)</td>
</tr>
</tbody>
</table>
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SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT TRUST AGREEMENT

The pledge and assignment made by the Authority in the Project Trust Agreement secures only bonds issued under the Project Trust Agreement and not bonds issued under any other Project Trust Agreement.

The following is a summary of certain provisions of the Project Trust Agreement. Such summary does not purport to be complete, and reference is made to the Project Trust Agreement for a complete statement of its provisions.

DEFINITIONS

Capitalized words or terms used in this Summary of Certain Provisions of the Project Trust Agreement and not defined shall have the meaning given to the applicable word or term elsewhere in this Official Statement.

“Account” shall mean any account created pursuant to the Agreement.

“Accreted Amount” shall mean, as of the date of computation and with respect to any Capital Appreciation Bond, the original principal amount of such Capital Appreciation Bond upon the initial issuance of the Series of Bonds of which such Bond is a part plus the interest accrued on such Bond compounded as provided in the applicable Series Resolution.

“Agreement,” “Trust Agreement” or “Project Trust Agreement” shall mean the Trust Agreement dated as of November 1, 2000 between the Authority and State Street Bank and Trust Company, as Trustee (which has been succeeded as Trustee by U.S. Bank National Association), and each agreement supplemental thereto.

“Annual Series Requirement” as applied to a Series of Guaranteed Bonds shall mean one-twelfth of the largest amount of Principal and Interest Payments due on account of the Outstanding Guaranteed Bonds of such Series of Bonds in any calendar year after the calendar year in which such Series of Guaranteed Bonds was issued.

“Appropriations” shall mean amounts made available for expenditure by the University Trustees pursuant to appropriations or other spending authorizations in the Commonwealth's annual operating budgets, including without limitation supplementary and deficiency budgets and any tuition retention authorization, and amounts otherwise available for expenditure by the University Trustees.

“Architect” as applied to a Project shall mean the person or firm, if any, employed by the Authority as architect for such Project.

“Authorized Officer” shall mean the Chairman, Vice Chairman, Secretary-Treasurer, Assistant Secretary-Treasurer or Executive Director of the Authority or any other person so designated by resolution of the Authority.

“Bond” or “Bonds” shall mean any bond or bonds or all bonds, as the case may be, issued under the Agreement and authorized by a Series Resolution.

“Business Day” shall mean any day other than a Saturday, Sunday or day on which the New York Stock Exchange or banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York or Massachusetts, or in any city in which is located the designated corporate trust office of the Trustee.

“Capital Appreciation Bond” shall mean any Bond so identified in the Series Resolution applicable thereto and on which interest is compounded and is payable only at maturity or upon earlier redemption of such Bond.

“Code” shall mean the Internal Revenue Code of 1986, as amended. References to provisions of the Code include applicable successor provisions of the Code or applicable successor provisions of any recodification of the internal revenue laws of the United States.
“Commonwealth” shall mean The Commonwealth of Massachusetts.

“Commonwealth Guaranty” shall mean the guaranty by the Commonwealth pursuant to the Enabling Act of the payment of principal of and interest on Bonds so guaranteed. “Commonwealth Guaranty” shall not include a Credit Facility.

“Contract” shall mean the Amended and Restated Master Contract for Financial Assistance, Management and Services dated as of February 25, 2014 by and among the Authority, the University and the Commonwealth, as such Contract may be supplemented from time to time to make additional Projects and Authority bonds or notes subject to the terms thereof.

“Cost of the Project” as applied to a Project shall mean and include, without intending hereby to limit or restrict any definition of such term under the Enabling Act (as in effect on the date of the Agreement and as it may be amended from time to time), the cost, whenever incurred, of carrying out the Project and placing it in operation, including, but not limited to, the cost of construction of new buildings or structures and the cost of acquiring, adding to, altering, enlarging, leasing, reconstructing, remodeling and doing other work in or upon or respecting existing buildings and structures, if any, included in the Project, the cost of providing and installing in or in respect of any such building or structure furniture, furnishings, machinery, equipment, facilities, approaches, driveways, walkways, parking areas, planting and landscaping, the cost of leasing or otherwise acquiring land, other property, rights, easements and interests acquired for or in respect to any of the foregoing, the cost of demolishing or removing any buildings or structures on land so acquired or interests in which are so acquired and the cost of site preparation; the cost of architectural and engineering services, plans, specifications, surveys, estimates of cost and of revenues; other expenses necessary or incident to determining the feasibility or practicability of the Project; administrative expense, legal expense and such other expenses, including, but not limited to, the fees and expenses (including reasonable attorneys’ fees and expenses) of the Trustee, fees and expenses of financial advisers and other experts, printing and advertising costs and the like, taxes and other governmental charges lawfully levied or assessed, the cost of preliminary architectural and engineering services, plans, specifications, surveys, estimates of cost and revenues, other expenses necessary or incident to determine the feasibility or practicability of other projects for which written requests shall have been made by authority of the University Trustees and premiums for policies of insurance, fidelity bonds and the like covering property and risks of and related to the Project, as may be necessary or incident to the aforesaid, to the financing or refinancing thereof and to the issuance therefor of notes or Bonds or both under the provisions of the Enabling Act and interest for such period as the Authority may deem advisable but ending not later than eighteen months after the University Trustees shall have accepted the project for occupancy on money borrowed to pay all or part of the Cost of the Project.

“Counsel” shall mean an attorney or firm of attorneys admitted to practice law in the highest court of any state in the United States of America or in the District of Columbia.

“Counsel's Opinion” shall mean an opinion signed by an attorney or firm of attorneys (who may be general or special counsel to the Authority or bond counsel to the Authority) selected by the Authority and satisfactory to the Trustee.

“Credit Facility” shall mean any instrument, including without limitation a letter of credit, guaranty, standby loan commitment, insurance policy or surety bond, or any combination thereof, under which the Authority or the Trustee is entitled to receive moneys for the payment of one or more of principal of, Redemption Price of and interest on any Bond, fees and expenses of the Trustee, amounts payable from any reserve fund established pursuant to the Agreement, amounts for the replenishment of any reserve fund established pursuant to the Agreement, the purchase price of Bonds tendered pursuant to the applicable Series Resolution and any other amounts which the Authority or the Trustee is entitled to receive under such instrument. “Credit Facility” shall not include the Commonwealth Guaranty or Derivatives.

“Current Expenses” as applied to a Project shall mean and include (a) the fees and expenses (including reasonable attorneys’ fees and expenses) of the Trustee under the Agreement and of any escrow or like agent appointed by the Authority with respect to the payment of bonds or Bonds issued to finance the Project or to refund any bonds or Bonds issued for such purpose or for the purpose of refunding other refunding bonds or Bonds related
to such Project, exclusive of such fees and expenses as are included in the Cost of the Project; (b) the rent, not included in the Cost of the Project, payable by the Authority under any lease of property included in the Project, as such lease may be amended or extended; (c) premiums (or accruals on account thereof), not included in the Cost of the Project, for policies of insurance maintained in force by the Authority with respect to the Project (or a proportionate part of such premiums in the event that a single policy or policies of insurance shall cover property or risks pertaining to more than one Project (or shall include one or more Other Projects) of the Authority); and (d) that portion of the general operating and administrative expenses of the Authority as the Authority shall deem properly allocable to the Project, which general operating and administrative expenses shall include, without limiting the generality of the foregoing, any amount required to be rebated by the Authority (or by any other entity with respect to moneys held by the Authority) to the United States of America by the Code or other applicable law and not provided by other moneys of the Authority available therefor, legal and other professional expenses of the Authority, expenses incurred under Section 207 of the Agreement and reasonable payments to governmental or other benefit or retirement funds for the benefit of its employees, provided, however, that the total amount which may be so allocated in any year shall not exceed such limitation, if any, as may be imposed by the Contract pertaining to the Project; but such term shall not include (x) Maintenance, Repair and Operating Expenses; (y) any reserves for extraordinary maintenance or repair of the Project or any allowance for depreciation, or (z) any deposits or transfers to the credit of the special funds created by the Agreement and designated “Debt Service Fund,” “Rate Stabilization Fund,” “Section 10 Reserve Fund” and “Property Fund” or to the credit of any reserve fund created pursuant to the Agreement by a Series Resolution.

“Current Interest Bond” shall mean any Bond other than a Capital Appreciation Bond.

“Debt Service Reserve Fund” shall mean any fund established by a Series Resolution to provide a reserve for the payment of one or more of principal of, Sinking Fund Installments, premium and interest on a Series of Bonds and the purchase price of Bonds of such Series tendered pursuant to the applicable Series Resolution that is not a Section 10 Reserve Fund.

“Debt Service Reserve Requirement” shall mean, with respect to a Debt Service Reserve Fund, the Debt Service Reserve Requirement established for such Debt Service Reserve Fund by the Series Resolution creating such Debt Service Reserve Fund.

“Derivative” shall mean contracts that derive their value from the value, or changes in value, of another financial instrument or index and shall include without limitation (a) interest rate swaps, swaptions, forward swaps, interest rate caps, interest rate floors, options, puts, calls and other contracts to hedge payment, rate spread or similar exposure, (b) forwards and (c) contracts to exchange cash flows or a series of payments. “Derivative” shall not include a Credit Facility.


“Engineer” as applied to a Project shall mean the person or firm, if any, employed by the Authority as engineer for such Project.

“Expendable Fund Balance” shall mean the accumulation of excess unrestricted revenues over expenditures with respect to the University for all prior years and for each current year from the unrestricted current fund, the quasi endowment fund, the unexpended unrestricted plant fund and the unrestricted renewal and replacement plant fund (now referred to as Unrestricted Net Assets; see definition of “Unrestricted Net Assets”.

“Facilities Trust Agreement” shall mean the Trust Agreement dated as of December 1, 2000 between the Authority and State Street Bank and Trust Company (which has been succeeded as Trustee by U.S. Bank National Association).

“Favorable Opinion of Bond Counsel” shall mean, with respect to any action relating to the Bonds the occurrence of which requires such an opinion, a written legal opinion of bond counsel to the Authority addressed to the Authority, the Trustee, the Insurer and the Remarketing Agent to the effect that such action is permitted under the applicable Series Resolution and the Trust Agreement and will not jeopardize the exclusion of interest on the
Bonds from gross income for federal income tax purposes or the exemption from taxation of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, provided by the Enabling Act.

“Fiscal Year” shall mean the twelve-month period beginning on each July 1, or any other twelve-month period designated by the Authority from time to time as its fiscal year.

“Fitch” shall mean Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee, with the consent of the Insurer.

“Fixed Rate Bond” shall mean a Bond bearing interest at a rate fixed to the stated maturity of such Bond, including any such Bond the interest rate on which has been converted to a rate fixed to the maturity thereof from a rate that is subject to adjustment from time to time.

“Fund” shall mean any Fund created pursuant to the Agreement.

“Guaranteed Bonds” shall mean Bonds that are guaranteed by the Commonwealth Guaranty.

“interest” unless otherwise indicated, shall mean with respect to any Bond (a) the interest on any Current Interest Bond and (b) the interest on any Capital Appreciation Bond, which interest is expressed as the difference between the applicable Accreted Amount on any applicable date and the principal amount of such Capital Appreciation Bond on the date of initial issuance of the Series of Bonds of which such Capital Appreciation Bond is a part.

“interest rate,” “rate of interest,” “bear interest at the rate” or other like expressions shall mean the rate of interest on any Current Interest Bond and the rate (expressed as a yield to maturity) at which interest accrues on any Capital Appreciation Bond.

“Investment Obligations” shall mean and include any of the following: (a) direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America; (b) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation, or of any other agency or corporation which has been or is hereafter created pursuant to an act of the Congress of the United States as an agency or instrumentality thereof; (c) interest-bearing time deposits or certificates of deposit of banking institutions or trust companies (including the Trustee) organized under the laws of any state of the United States or any national banking association, provided that such deposits or certificates shall be continuously and fully (i) insured by the Federal Deposit Insurance Corporation or any successor thereof, or (ii) secured by obligations described in clauses (a) and (b) having a market value, exclusive of accrued interest, at least equal to the aggregate amount of such deposits or certificates; (d) any of the securities described in clauses (a) and (b) which are subject to repurchase agreements with any bank or trust company organized under the laws of any state of the United States or any national banking association; (e) any other investment in which funds of the Authority are permitted from time to time to be invested by the Enabling Act; and (f) any subcategories of any of the investments described in clauses (a), (b), (c), (d) or (e) above that may be required by the issuer of a Credit Facility.

“Maintenance, Repair and Operating Expenses” as applied to a Project or Other Project shall mean and include any reasonable and necessary expenses for services, facilities, supplies, materials and utilities necessary for or incident to the maintenance, repair and operation of the Project or Other Project and the facilities and services provided thereby, billing and collecting fees, rents, rates and other charges for the use of the Project or Other Project or any room or accommodation therein or facility or service provided thereby and keeping books of account with respect to such maintenance, repair and operation. The term may also, if the Contract with respect to a Project or Other Project shall provide for application of Revenues therefrom to pay for the following costs, include the costs incurred in maintaining those activities which, and associations and organizations which, or the activities of which, are a part of the activities at the University and are subject to regulation by the University Trustees and which take
place, use or are performed in a building or structure included in such Project or Other Project or are a part of a

general program of the University including such activities, associations or organizations which take place, use or

are performed in such building or structure. The term shall also include reserves for the foregoing expenses and
costs if and to the extent that the Contract in effect with respect to a Project, if any, or a resolution of the Authority
with respect to a Project or Other Project provides for such reserves. The term shall not include Current Expenses.

“MDFA Financing Agreements” means those certain financing agreements entered into between the
University and the Massachusetts Health and Educational Facilities Authority and its successor, the Massachusetts
Development Finance Agency (“HEFA”) in connection with the issuance of bonds by HEFA for the benefit of
the University or portions thereof.

“Moody's” shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws
of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall
no longer perform the functions of a securities rating agency, “Moody's” shall be deemed to refer to any other
nationally recognized securities rating agency designated by the Authority by notice to the Trustee, with the consent
of the Insurer.

“Multi-Series Debt Service Reserve Fund” shall have the same meaning as the term Debt Service Reserve
Fund, except that a Multi-Series Debt Service Reserve Fund shall secure more than one Series of Bonds (and any
one or more of such Series so secured may be issued at different times or under different Series Resolutions from
one or more other such Series so secured).

“Multi-Series Debt Service Reserve Requirement” shall mean, with respect to a Multi- Series Debt Service
Reserve Fund, the Multi-Series Debt Service Reserve Requirement established for such Multi-Series Debt Service
Reserve Fund by the Series Resolution creating such Multi-Series Debt Service Reserve Fund.

“Non-Guaranteed Bonds” shall mean Bonds that are not guaranteed by the Commonwealth Guaranty.

“Other Project” shall have the same meaning as the word “Project” except that Other Project shall apply to
a project with respect to which a Series of Bonds shall not have been issued under the Agreement.

“Outstanding,” when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or
thereupon being authenticated and delivered under the Agreement except: (a) any Bonds cancelled by the Trustee or
surrendered to the Trustee for cancellation at or prior to such date; (b) Bonds (or portions of Bonds) for the payment
or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be,
with interest to the date of maturity or redemption date, shall be held in trust under the Agreement and set aside for
such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or
portions of Bonds) are to be redeemed, notice of such redemption shall have been given in accordance with the
Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; (c) Bonds in
lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the
Agreement; and (d) Bonds deemed to have been paid as provided in the Agreement.

“Person” shall include associations, corporations and other entities, including public bodies, as well as
natural persons.

“Pledged Funds” shall mean one or both of (a) Trust Funds of the University pledged to secure (i) all or a
portion of one or more Series of Bonds and (ii) the payment of other amounts specified in the Contract or other
document by which such pledge is made as secured by such Trust Funds, and (b) Appropriations pledged to secure
(i) all or a portion of one or more Series of Bonds and (ii) the payment of other amounts specified in the Contract or
other document by which such pledge is made as secured by such Appropriations.

“principal” and “principal amount,” unless otherwise indicated, shall mean with respect to any Bond (a)
the principal amount of any Current Interest Bond and (b) the principal amount on the date of initial issuance of the
applicable Series of any Capital Appreciation Bond (and after such date of initial issuance the word “principal” and
the term “principal amount” shall mean with respect to a Capital Appreciation Bond the portion of the applicable
Accreted Amount not constituting interest). Without limiting the generality of the foregoing, when the word
“principal” or the term “principal amount” is followed by a reference to the Accreted Amount, the word “principal” or the term “principal amount” shall mean the principal amount of any Current Interest Bond.

“principal” and the term “principal amount” shall mean, with respect to any obligation other than a Bond, any amount constituting principal, however expressed, of such obligation.

“Principal and Interest Payments” as applied to a Series of Bonds for a particular time period or as of a particular date shall mean the principal amount of and interest on the Bonds of such Series Outstanding which is due to be paid during such period or on such date, such amount to be determined in accordance with the following when applicable: if the Authority shall by the resolution authorizing the issue of a Series of Bonds authorize the issue of all or any of such Bonds as Term Bonds, such principal amount of Bonds as will be paid or prepaid from a Sinking Fund Installment shall be treated as if it matured on the date such Sinking Fund Installment is required to be made and not on the maturity date of such Bonds.

“Principal Office” or “principal office” shall mean, when used with respect to the Trustee, the principal corporate trust office of the Trustee in Boston, Massachusetts, or, if the Trustee shall no longer perform its duties under the Trust Agreement at such office, the corporate trust office where at the applicable time the Trustee performs its duties under the Trust Agreement.

“Project” or “Projects” shall mean the construction of new buildings or structures and the acquisition, addition to, alteration, enlargement, reconstruction, remodeling and other work in or upon or respecting existing buildings or structures, the provision and installation therein or in respect thereof of furnishings, furniture, machinery, equipment, facilities, approaches, driveways, walkways, parking areas, planting and landscaping, the acquisition of land, other property, rights, easements and interests acquired for or in respect to any thereof, the demolition or removal of any buildings or structures, including buildings or structures owned by the Commonwealth, on land so acquired or interests in which are so acquired and site preparation, with respect to which a Series of Bonds shall be issued under the Agreement. The word shall also mean whenever appropriate such land, buildings or structures and such appurtenances.

“purchaser” shall mean the person or persons, one or more, named as the purchaser or purchasers of a Series of Bonds in the Series Resolution and any successors to its or their business. If a named or successor purchaser shall discontinue its business without a successor, the word thereafter shall mean the remaining purchaser or purchasers, whether named or successor.

“Record Date” shall mean, for each Series of Bonds, such date or dates as may be set forth as a Record Date in the applicable Series Resolution.

“Redemption Price” shall mean, (a) with respect to any Current Interest Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to this Agreement and the applicable Series Resolution, and (b) with respect to any Capital Appreciation Bond, the Accreted Amount thereof on the redemption date, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Agreement and the applicable Series Resolution.

“Registered Owner” shall mean the person shown from time to time as registered owner of a Bond in the books kept by the Trustee as Bond Registrar.

“Revenues” as applied to a Project shall mean (a) all moneys received or receivable by the Authority in payment of fees, rents, rates and other charges for the use and occupancy of, and for the services and facilities provided by, the Project including, without limitation, the moneys which the University Trustees are required to remit to the Authority or the Trustee under a Contract, and all other income derived by the Authority from the operation, ownership or control thereof. The word Revenues shall also include any other revenues or Secondary Revenues pledged as security for the Bonds. The word Revenues shall not include (a) Pledged Funds, (b) any amount paid or payable under the Commonwealth Guaranty or (c) any amount paid or payable under a Credit Facility or a Derivative.
“Secondary Revenues” shall mean all revenues received by the Authority from Other Projects or other property financed by bonds issued by the Authority under the Enabling Act under a trust agreement other than the Agreement which revenues are pledged under such trust agreement, upon and after the payment in full of all bonds, including refunding bonds, issued under such trust agreement and of all other sums, if any, then payable to the trustee under the provisions of the trust agreement securing such bonds, or upon deposit by the Authority with such trustee of funds or securities sufficient and in trust to pay, or to provide for the payment when due, of such amounts.

“Section 10 Reserve Fund” shall mean the Section 10 Reserve Fund established by the Agreement.

“Section 19C Payments” shall mean any amount required by Section 19C of the Enabling Act to be paid by the Authority to the Treasurer and Receiver-General of the Commonwealth from Revenues.

“Senior Bonds” shall mean all Bonds of each Series that is a Senior Series.

“Senior Series” shall mean any Series designated as a Senior Series in the applicable Series Resolution.

“Series” shall mean the Bonds designated as a Series in a Series Resolution.

“Sinking Fund Installment” shall mean with respect to Bonds of any particular Series and maturity and any payment date on such Bonds, the principal amount thereof required to be redeemed prior to maturity on such payment date pursuant to the provisions of the applicable Series Resolution.

“S&P” shall mean Standard & Poor's Credit Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

“Special Record Date” shall have the meaning set forth in the Agreement.

“Specific Revenue Projects” shall mean such projects as designated by the Authority in the Contract for which specific fees will be set by the Authority.

“Subordinate Series” shall mean any Series designated as a Subordinate Series in the applicable Series Resolution.

“Term Bonds” shall mean Bonds subject to redemption prior to maturity by application of Sinking Fund Installments.

“Trustee” shall mean the Trustee appointed under the Agreement and its successor or successors.

“Trust Funds” shall mean any funds held by the University Trustees as trust funds under the provision of Section 11 of Chapter 75 of the Massachusetts General Laws and any funds administered by the University Trustees as gifts, grants or trusts under the provisions of clause (e) of the fifth paragraph of Section 1A of Chapter 75 of the Massachusetts General Laws.

“University” shall mean the University of Massachusetts continuing under Chapter 75 of the Massachusetts General Laws.

“University Trustees” shall mean the board of trustees established by and existing under Section 1A of Chapter 75 of the Massachusetts General Laws for the University or, if such board of trustees shall hereafter be abolished, the board, body, commission or other entity succeeding to the principal functions thereof or to which the powers given by said Chapter 75 with respect to the University shall be given by law.

“Unrestricted Net Assets” shall mean the accumulation of excess unrestricted revenues over expenditures with respect to the University for all prior years and for each current year from the unrestricted current fund, the
quasi endowment fund, the unexpended unrestricted plant fund and the unrestricted renewal and replacement plant fund (previously referred to as the “Expendable Fund Balance”).

“Variable Rate Bond” shall mean a Bond the interest rate on which is subject to adjustment from time to time and shall include but not be limited to a so-called “multi-modal” Bond, i.e. a Bond that provides that the intervals at which the interest rate on such Bond is adjusted may be changed from time to time.

PLEDGE AND ASSIGNMENT OF THE AUTHORITY PURSUANT TO THE AGREEMENT

Pursuant to the Agreement, the Authority assigns and pledges to the Trustee and grants to the Trustee a security interest in:

(a) all rights of the Authority, including such rights under any Contract, to receive all Revenues pledged under the Agreement;

(b) all moneys paid or payable for deposit in or on deposit in any Fund, Account or subaccount created under the Agreement, all investments received or receivable for deposit in or on deposit in any Fund, Account or subaccount created under the Agreement and all interest or other income on such investments paid or payable for deposit in or on deposit in any Fund, Account or subaccount created under the Agreement and all rights of the Authority to receive any such moneys, investments and interest or other income (except that moneys and securities on deposit in the Rebate Fund created under the Agreement and all interest or other income received thereon are held for the benefit of the United States of America and not for the benefit of the Registered Owners and do not secure the Bonds), subject to the application of amounts held in such Funds, Accounts and Subaccounts for the purposes and in the manner set forth in the Agreement;

(c) subject to clause (a) and clause (b) under “Particular Covenants – Payment of Lawful Charges” below, (i) the Revenues from each Project and (ii) the Revenues, including without limitation Secondary Revenues, derived from Other Projects and from such other property of the Authority, if any, as the Authority may hereafter designate by resolution; provided, however, that the assignment and pledge made by the Agreement of and the security interest granted by the Agreement in such Revenues from each Project and such Revenues, including Secondary Revenues, derived from Other Projects does not include any part thereof to be used for Current Expenses or reserves therefor, Maintenance, Repair and Operating Expenses or reserves therefor or Section 19C Payments or reserves therefor; and provided further that the assignment and pledge of and security interest in any such Secondary Revenues shall be, first, for (A) the reimbursement to the Commonwealth of any amounts theretofore paid by the Commonwealth on account of principal or interest on any Guaranteed Bonds or other bonds of the Authority guaranteed by the Commonwealth under Section 10 of the Enabling Act and (B), if and only if the Commonwealth has made no such payments or has been reimbursed therefor, to the payment of the principal, interest and premium, if any, at maturity or upon redemption or purchase, for (1) all Bonds issued under the Agreement, or (2) all bonds of the Authority issued other than under the Agreement or (3) all such Bonds and bonds of the Authority, as the Authority may determine, at the time any Revenues from an Other Project become Secondary Revenues, by resolution approved by the University Trustees with a view to achieving reasonable uniformity in charges for like rooms, accommodations and services at the University, to the extent provided in the Agreement; and

(d) (i) all Pledged Funds paid or payable and all rights of the Authority to receive such Pledged Funds, (ii) all amounts paid or payable under the Commonwealth Guaranty with respect to Guaranteed Bonds and all rights of the Authority to receive such amounts, (iii) all amounts paid or payable under any Credit Facility and all rights of the Authority to receive such amounts and (iv) all amounts paid or payable under any Derivative and all rights of the Authority to receive such amounts.

The assignment and pledge made by the Agreement and the security interest granted by the Agreement shall be for the equal and proportionate benefit and security of all the present and future Registered Owners of the Bonds issued and to be issued under the Agreement, without preference, priority or distinction as to lien or otherwise, except as otherwise provided in the Agreement, of any one Bond over any other Bond, and that the Revenues, including any Secondary Revenues, pledged as security for the Bonds shall immediately be subject to the lien of such pledge for the benefit of the Trustee and the Registered Owners of the Outstanding Bonds as provided in the Agreement without any physical delivery thereof to the Trustee or any further act.

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(a) Any bonds the Authority is authorized by the Enabling Act to issue may be issued under the Agreement. The Bonds of each Series may be Fixed Rate Bonds or Variable Rate Bonds, as set forth in the applicable Series Resolution.

(b) As provided in the applicable Series Resolution:

(i) Bonds may be issued as Guaranteed Bonds or Non-Guaranteed Bonds, but Guaranteed Bonds and Non-Guaranteed Bonds shall not be issued as part of the same Series;

(ii) some or all of the Bonds of a Series may be secured by one or more Credit Facilities, and any such Credit Facility may be replaced;

(iii) Bonds may be issued as Current Interest Bonds or Capital Appreciation Bonds, and a Series of Bonds may combine both Current Interest Bonds and Capital Appreciation Bonds;

(iv) a Series of Bonds may be (A) a Senior Series, which Senior Series shall not be subordinate to any other Series and shall be issued on a parity with each other, if any Senior Series previously, contemporaneously or subsequently issued, or (B) a Subordinate Series;

(v) a Subordinate Series shall be subordinate to all Senior Series, may be of any level of subordination to other Subordinate Series previously, contemporaneously or subsequently issued and shall be on a parity with each other, if any, Subordinate Series of the same level previously, contemporaneously or subsequently issued; a Subordinate Series shall bear as part of its designation (in the form provided in the Agreement) whichever of the following is applicable: (A) “Subordinate Series Level 2,” which Subordinate Series shall be (1) subordinate to each other, if any, Senior Series previously, contemporaneously or subsequently issued, (2) on a parity with each other, if any, Subordinate Series Level 2 previously, contemporaneously or subsequently issued and (3) superior to each other, if any, Subordinate Series of a lower level previously, contemporaneously or subsequently issued, (B) “Subordinate Series Level 3,” which Subordinate Series shall be (1) subordinate to each other, if any, Senior Series and Subordinate Series Level 2 previously, contemporaneously or subsequently issued, (2) on a parity with each other, if any, Subordinate Series Level 3 previously, contemporaneously or subsequently issued and (3) superior to each other, if any, Subordinate Series of a lower level previously, contemporaneously or subsequently issued or (C) “Subordinate Series Level 4” or “Subordinate Series Level 5” and so on in ascending numerical order depending on the level or subordination of such Subordinate Series, and each such Subordinate Series shall be subordinate to, on a parity with and superior to other Series depending on its level of subordination in accordance with the pattern described in (A) and (B) above;

(vi) a Subordinate Series may be any level of subordination, and a Subordinate Series of a given level may be issued after or before one or more Series of higher levels of subordination or one or more Senior Series are issued (and it is not necessary that any such Series of any higher level of subordination or any Senior Series shall ever be issued), but any such Subordinate Series shall not be subordinate to any Series but each Senior Series and each Subordinate Series of a higher level of subordination previously, contemporaneously or subsequently issued, (e.g., a Subordinate Series Level 4 may be issued after or before the issuance of a Senior Series or any or all of a Subordinate Series Level 2, Level 3 or Level 5, but a Subordinate Series Level 4 shall not be subordinated to any Series except Senior Series and Subordinate Series Level 2 and Subordinate Series Level 3);

(vii) the interest on a Series of Bonds may be excludable from or includable in gross income for federal income tax purposes;

(viii) a Series of Bonds may be secured by a Debt Service Reserve Fund or a Multi-Series Debt Service Reserve Fund, and all Guaranteed Bonds shall be secured by the Section 10 Reserve Fund as provided in the Agreement or by whatever reserve fund may be required by the Enabling Act as in
existence at the time of the issuance of the applicable Series of Guaranteed Bonds; provided, that if at the
time a Series of Guaranteed Bonds is issued under the Agreement the Enabling Act does not require any
reserve fund for such Series, such Series shall not be required to be (but may be) secured by a reserve fund;

(ix) a Series of Bonds may be secured by Pledged Funds;

(x) the Authority may enter into one or more Derivatives with respect to a Series of Bonds in
connection with the initial issuance thereof; provided, however, that the Authority may also enter into
Derivatives with respect to a Series of Bonds after the initial issuance thereof if bond counsel to the
Authority delivers an opinion to the effect that such action is permitted by the Enabling Act, would not
adversely affect the interest of any Registered Owner and would not adversely affect the exclusion of the
interest on the Bonds from gross income for federal income tax purposes; and

(xi) more than one Series of Bonds may be issued under a single Series Resolution,

(c) With respect to the Series of Bonds on a parity with each other:

If on any date one or more of principal, Sinking Fund Installments and interest are due on such
Series of Bonds moneys in the applicable subaccount in the Interest Account, the Principal Account or the
Sinking Fund Account are insufficient to pay any such amount in full, taking account of any amounts
deposited in any such subaccount from the Property Fund or the Optional Redemption Account as
permitted by the Agreement, but without regard to any amount drawn from any Debt Service Reserve
Fund, Multi-Series Debt Service Reserve Fund or Section 10 Reserve Fund to pay all or a portion of such
deficiency or any amount drawn under a Credit Facility to pay all or a portion of such deficiency, moneys
in any such subaccount in which a deficiency exists shall be applied to the applicable amount due from
such subaccount pro rata, without regard to any amounts to be applied to such deficiency with respect to
one or more such Series from any Debt Service Reserve Fund, Multi-Series Debt Service Reserve Fund,
Section 10 Reserve Fund or Credit Facility; provided, however, that (a) any deficiency in any such
subaccount resulting from any amount due under a Derivative not being paid in full when due shall be
allocated only to the payment due on the Series of Bonds to which such Derivative pertains and shall not
cause a deficiency in the payment due on any other Series of Bonds, (b) any moneys that would have been
applied in accordance with such pro rata application to any Bonds secured by a direct pay Credit Facility
that in fact pays all principal of, Sinking Fund Installments and interest then due on such Bonds shall be
applied to reimburse the issuer of such direct pay Credit Facility for (but not in excess of) the amount paid
thereunder and (c) any moneys that would have been applied in accordance with such pro rata application
to Bonds with respect to which all or a portion of the principal, Sinking Fund Installments or interest due
on such Bonds was paid pursuant to a Derivative shall be applied pro rata to the payment of (i) any amount
due from or on account of the Authority pursuant to such Derivative for any such payment of principal,
Sinking Fund Installment or interest and (ii) the principal, Sinking Fund Installments or interest on such
Bonds not paid pursuant to such Derivative.

(d) Each Guaranteed Bond shall have the Commonwealth Guaranty endorsed thereon in the form set forth
in the applicable Series Resolution and duly executed by the manual or facsimile signature of an officer of the
University Trustees and shall be entitled to the benefit of the pledge by the Commonwealth of its full faith and credit
for its guaranty of the payment of the principal of and interest on such Bonds as the same become due and payable.

(e) As to any Bond, the Registered Owner thereof shall be deemed and regarded as the absolute owner
thereof for all purposes and, except as otherwise provided by law, no one of the Authority, the Trustee or the Bond
registrar shall be affected by any notice to the contrary. Payment of or on account of the principal or Redemption
Price of and interest on any Bond shall be made only to or upon the order of the Registered Owner, registered
assigns or the legal representative of the Registered Owner. All such payments shall be valid and effectual to satisfy
and discharge the liability upon such Bond including the interest thereon to the extent of the sum or sums so paid.

(f) All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Trustee
when such payment, redemption or purchase is made, and such Bonds shall thereupon be cancelled. All Bonds
cancelled under any of the provisions of the Agreement shall be held by the Trustee until the Agreement shall be
discharged; provided, however, that Bonds so cancelled may at any time be destroyed by the Trustee, if the Trustee shall execute a certificate of destruction in duplicate describing the Bonds so destroyed, and one executed certificate shall be filed with the Executive Director of the Authority and the other executed certificate shall be retained by the Trustee.

REDEMPTION OF BONDS

Redemption of Bonds of any Series

If and to the extent that the Authority shall so provide in a Series Resolution, the Bonds of any Series authorized thereunder may be made redeemable, by application of Sinking Fund Installments or otherwise, at the option of the Authority, prior to their respective maturities either in whole or in part, on any date or dates as may be fixed in such Series Resolution, from any moneys that may be made available for such purpose, at the Redemption Price or Redemption Prices fixed by the Authority in such Series Resolution, together with the interest accrued thereon to the date fixed for redemption.

No optional redemption of less than all of the Outstanding Bonds may be made unless all interest accrued on all Outstanding Bonds to the redemption date shall have been paid or set aside for payment.

If the moneys made available from time to time for the purpose of redeeming Bonds (other than by Sinking Fund Installments) are not sufficient to redeem all of the Outstanding Bonds at the Redemption Prices then in effect, they shall be applied to Bonds of such Series, maturity and tenor as the Authority, in its discretion, may select, unless otherwise provided in any Series Resolution. If less than all the Bonds of a particular Series, maturity and tenor are to be redeemed, the particular Bonds and portions of Bonds of such Series, maturity and tenor to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may determine; provided, however, that any Bond may be redeemed in a principal amount equal to the minimum denomination in which it may be issued under the applicable Series Resolution or any integral multiple thereof and that, in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of each Bond by such minimum denomination.

Redemption Notice

The Trustee shall give notice of the redemption of any Bonds, specifying the date of redemption, the portions of the principal amounts thereof to be redeemed, the Redemption Price and any other matters specified in the applicable Series Resolution, by mailing, postage prepaid, not more than such number of days nor less than such number of days prior to the redemption date as shall be set forth in the applicable Series Resolution, copies thereof to the Registered Owners of any Bonds, or portions thereof, to be redeemed and to such other persons and at such times as may be set forth in the applicable Series Resolution; provided, however, that failure of any Registered Owner to receive such notice so mailed to such Registered Owner or any defect therein shall not affect the validity of proceedings for the redemption of any Bonds, and failure to mail such notice to any Registered Owner entitled thereto shall not affect the validity of the proceedings for the redemption of any Bonds as to which no such failure occurred. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, a Bond or Bonds in aggregate principal amount equal to the unredeemed portion of such Bond will be issued described below under “Partial Redemptions.”

Effect of Calling for Redemption

Notice having been given in the manner and under the conditions described above under “Redemption Notice,” the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the Redemption Price of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the Redemption Price of and interest accrued to the date of redemption on the Bonds so called for redemption being available therefor, interest on such Bonds shall cease to accrue, such Bonds or portions of Bonds shall cease to be entitled to any lien, benefit or security under the Agreement and the Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof upon presentation.
and surrender of the same and interest accrued thereon to the date of redemption and, to the extent described above in “Redemption Notice,” to receive Bonds for any unredeemed portions of Bonds.

**Partial Redemptions**

In case part but not all of an Outstanding Bond shall be selected for redemption, the Registered Owner thereof or the attorney or legal representative of such Registered Owner shall present and surrender such Bond to the Trustee for payment of the Redemption Price of the principal amount thereof so called for redemption, and the Authority shall execute (and, if any such Bond is a Guaranteed Bond cause the guaranty of the Commonwealth to be endorsed on) and the Trustee shall authenticate and deliver to or upon the order of such Registered Owner or the attorney or legal representative of such Registered Owner, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds aggregating in principal amount said unredeemed portion.

**ESTABLISHMENT AND APPLICATION OF FUNDS AND ACCOUNTS**

**Funds and Accounts**

The Agreement establishes the following Funds, Accounts and subaccounts to be held by the Trustee:

1. Note Payment Fund
2. Construction Fund
3. Preliminary Expense Fund
4. Revenue Fund
5. Debt Service Fund Interest Account:
   a. Interest Account (and within the Interest Account a single subaccount with respect to all Senior Bonds, and if and when the first Subordinate Series of a given level is issued, a single subaccount with respect to all Bonds of any Subordinate Series of such level)
   b. Principal Account (and within the Principal Account a single subaccount with respect to all Senior Bonds, and if and when the first Subordinate Series of a given level is issued, a single subaccount with respect to all Bonds of any Subordinate Series of such level)
   c. Sinking Fund Account (and within the Sinking Fund Account a single subaccount with respect to all Senior Bonds, and if and when the first Subordinate Series of a given level is issued, a single subaccount with respect to all Bonds of any Subordinate Series of such level)
   d. Optional Redemption Account
6. Section 10 Reserve Fund
7. Property Fund:
   a. General Account
   b. Insurance Proceeds Account
   c. Capital Improvements Reserve Account (and within the Capital Improvements Reserve Account a separate subaccount for each Project or each group of Projects with
respect to which the Authority by certificate of an Authorized Officer directs from time to time that a separate subaccount be established within the Capital Improvements Reserve Account)

(d) Multi-Purpose Reserve Account

(8) Rate Stabilization Fund

(9) Rebate Fund

Other Funds, Accounts and subaccounts (including without limitation Accounts within the Funds established under the Agreement as set forth in the preceding paragraph and subaccounts within the Accounts established under the Agreement as set forth in the preceding paragraph) may from time to time be established under the Agreement as directed by a Series Resolution or other resolution of the Authority, and moneys shall be deposited in and disbursed from such Funds, Accounts and Subaccounts as provided in such Series Resolution or other resolution.

Without limiting the generality of the previous paragraph, a Series Resolution under which is issued one or more Series of Bonds subject to tender for purchase may establish an Account (a “Purchase Account”) for each such Series into which moneys (which moneys may but need not include moneys in the Revenue Fund) shall be deposited as provided in such Series Resolution to be applied to the payment of the purchase price of Bonds of the applicable Series tendered as provided in the Series Resolution.

If a Series Resolution so provides, moneys (which moneys may but need not include Revenues) may be deposited in a Purchase Account prior to being deposited in the Revenue Fund or, if already on deposit in the Revenue Fund, prior to being deposited in the Debt Service Fund or in other Funds and Accounts as described below in “Revenue Fund.” Moneys in a Purchase Account representing amounts received under a Credit Facility or under a Derivative or the proceeds of the remarketing of Bonds tendered for purchase as provided in the applicable Series Resolution shall be applied to pay the purchase price only of Bonds of the Series to which the applicable Purchase Account pertains. Other moneys in a Purchase Account shall be applied as follows: if, on any date on which such moneys in a Purchase Account are to be applied to pay the purchase price of Bonds of the Series to which such Purchase Account obtains, any one or more other Purchase Accounts pertaining to Bonds of the same level (e.g., Senior Series, Subordinate Series Level 2) does not contain sufficient moneys to pay the purchase price due on such date of Bonds to which such one or more other Purchase Accounts pertain, such moneys in all Purchase Accounts pertaining to Bonds of the same level shall be applied pro rata to the payment of the purchase price of such Bonds due on such date. In addition, if and to the extent permitted by the applicable Series Resolution, moneys in any Purchase Account may be applied to reimburse the issuer of a Credit Facility for amounts received by the Trustee pursuant to such Credit Facility to be applied to the payment of the purchase price upon tender as provided in the applicable Series Resolution of Bonds for which such Purchase Account was established or to pay any amount due from or on account of the Authority under a Derivative for payments made pursuant to such Derivative for the payment of the purchase price upon tender as provided in the applicable Series Resolution of Bonds for which such Purchase Account was established.

Note Payment Fund

For each Series of Bonds the proceeds of which are to be applied in whole or in part to the payment of notes of the Authority, deposits to the credit of the Note Payment Fund shall be made as required by the provisions of the applicable Series Resolution. Moneys so deposited in the Note Payment Fund shall be held by the Trustee in trust and shall be applied to the payment of the notes referred to in the Series Resolution and, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds Outstanding under the Agreement until paid out or transferred as provided in the Agreement. Upon payment in full of such notes, the Trustee shall withdraw any excess monies then on deposit in the Note Payment Fund and deposit or disburse the same as provided in the applicable Series Resolution.
Construction Fund

For each Series of Bonds the proceeds of which are to be applied in whole or in part to the Cost of a Project (or for moneys held under any other trust agreement entered into by the Authority to be applied to the Cost of a Project) there may be established within the Construction Fund a separate Account for each such Project (or for two or more or all of such Projects) to the credit of which such deposits shall be made as are required by the provisions of the applicable Series Resolution or other resolution of the Authority or as designated in a certificate of an Authorized Officer. Any moneys received, other than as Revenues, from any other source, including but not limited to all grants and loans received from the federal government or any agency thereof or in aid of the planning, construction or financing of any such Project and all contributions of money, property, labor or other things of value available under the terms of any such grant or contribution, for the carrying out of such Project may also be deposited to the credit of the appropriate Account within the Construction Fund (or a subaccount therein) or otherwise be held in trust and be disbursed and applied, all as the Authority may determine.

The moneys in each such Account within the Construction Fund shall be held by the Trustee in trust and shall be applied to the payment of the Cost of the Project and, pending such application, shall be subject to a lien and charge in favor of the Registered Owners of the Outstanding Bonds of the Series the proceeds of which are on deposit in such Account until paid out or transferred as provided in the Agreement. The Agreement contains various requirements for disbursement of moneys from Accounts or subaccounts within the Construction Fund, including without limitation requisitions containing certifications with respect to the use of such moneys in accordance with applicable requirements of the Code.

The Trustee shall upon receipt of written instructions from an Authorized Officer (which instructions and any prior modification thereof may be modified from time to time by further written instructions of an Authorized Officer delivered to the Trustee) and without requisition from the Authority or other further authority than is contained herein, on such date or dates as may be specified in the most recent such instructions delivered by such Authorized Officer, withdraw from any Account within the Construction Fund such amounts as may therein be specified to be withdrawn on the applicable date for payment of interest on the Bonds then Outstanding and shall deposit such amount to the credit of the applicable subaccount in the Interest Account.

Preliminary Expense Fund

For each Series of Bonds from the proceeds of which an amount is specified in the Series Resolution authorizing such Series of Bonds to be applied to the cost of architectural and engineering services, plans, specifications, surveys, estimates of cost and of revenues and other expenses necessary or incident to determine the feasibility or practicability of projects for which written requests shall have been made by authority of the University Trustees, the amount so specified shall be deposited to the credit of the Preliminary Expense Fund. The moneys in the Preliminary Expense Fund shall be held by the Trustee in trust and, pending the application thereof, shall be subject to a lien and charge in favor of the Registered Owners of the Bonds from the proceeds of which such deposits were made until paid out or transferred as provided in the Agreement.

Upon receipt of a certificate of an Authorized Officer directing that all or a portion of the moneys in the Preliminary Expense Fund be transferred to any Account or Accounts with the Construction Fund, accompanied by an opinion of bond counsel to the Authority to the effect that such transfer is permitted by the Enabling Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Trustee shall withdraw moneys then on deposit to the credit of the Preliminary Expense Fund in the amounts specified in such certificate and deposit the same to the credit of the appropriate Account or Accounts within the Construction Fund in the amount or amounts specified in such certificate.

Upon receipt of a certificate of an Authorized Officer stating that all or a portion of the moneys in the Preliminary Expense Fund are not needed either for the purposes specified in the first paragraph under “Preliminary Expense Fund” or for transfer to any Account or Accounts within the Construction Fund and directing the withdrawal of such moneys from the Preliminary Expense Fund for the payment or deposit for or other application to the purposes specified in such certificate, and upon receipt of an opinion of bond counsel to the Authority to the effect that the application of the moneys to be withdrawn to the purposes set forth in such certificate is permitted by the Enabling Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal
income tax purposes, the Trustee shall withdraw from then the Preliminary Expense Fund the amount specified in such certificate and pay, deposit or apply the same as specified in such certificate.

Completion of a Project

When the construction of a Project the Cost of which shall have been paid in part or in whole from the proceeds of Bonds shall have been completed, or when for any other reason amounts on deposit in a particular Account within the Construction Fund are no longer needed to pay for the Cost of one or more Projects for which it was established, written notice thereof shall be promptly given to the Trustee by a certificate of an Authorized Officer. Any such notice with respect to the completion of a Project shall state the date of completion of the Project, the cost of the Project and the amount, if any, to be reserved for the payment of any remaining part of the Cost of the Project and the Cost of other Projects to be paid from such Account, and shall be accompanied by a Counsel’s Opinion to the effect that there are no uncancelled mechanics’, laborers’, contractors’ or materialmen’s liens on any property pertaining to the Project in existence or on file in any public office where the same should be filed in order to be valid liens against any part of such property, and that, in the opinion of the signer, the time within which such liens can be created or filed has expired.

Upon receipt of such notice and, if applicable, such Counsel’s Opinion, the balance in the applicable Account within the Construction Fund, not reserved by the Authority for the payment of any remaining part of the Cost of the Project or Projects, shall be withdrawn by the Trustee and applied or deposited as follows: (a) at the Authority’s request, as set forth in such certificate, deposited in the amount set forth in such certificate to the credit of any other Account or Accounts existing within the Construction Fund for one or more Projects (including such an Account established simultaneously with the giving of such notice) which the applicable Series of Bonds was issued to finance, if the Authority shall by a certificate of an Authorized Officer certify that the amounts then on deposit in such other Account or Accounts are not sufficient to pay in full the projected costs of the applicable Project or Projects and if such certificate is accompanied by an opinion of bond counsel to the Authority to the effect that such deposit of such moneys is permitted by the Enabling Act and will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes; (b) deposited or applied in the amounts and for the purposes as otherwise set forth in such certificate, provided that such certificate is accompanied by an opinion of bond counsel to the Authority to the effect that the deposit or application of such moneys as provided in such certificate is permitted by the Enabling Act and will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and (c) so much thereof as is not deposited pursuant to (a) or (b) shall be deposited to the credit of the Optional Redemption Account.

Revenue Fund

All Revenues received by the Trustee shall be deposited in the Revenue Fund immediately upon receipt by the Trustee; provided, however, that Revenues designated in writing by an Authorized Officer to be applied to Current Expenses, Maintenance, Repair and Operating Expenses or Section 19C Payments may be deposited in any account of the Authority designated in writing by such Authorized Officer. The moneys in the Revenue Fund shall be held by the Trustee in trust and applied as provided below and, pending such application, so much thereof as is not held for Current Expenses or reserves therefor, Maintenance, Repair and Operating Expenses or reserves therefor or Section 19C Payments or reserves therefor shall be subject to a lien and charge in favor of the Registered Owners of the Bonds issued and Outstanding under the Agreement.

Payments from the Revenue Fund shall be made at any time for Current Expenses, Maintenance, Repair and Operating Expenses or Section 19C Payments pursuant to requisitions as provided in the Agreement.

On the fifteenth day of each month (or if such fifteenth day is not a business day, on the next succeeding business day), and again on the last business day of each month preceding an Interest Payment Date, and on each other date provided in any Series Resolution, the Trustee shall withdraw from the Revenue Fund all moneys held for the credit of the Revenue Fund on the day of such withdrawal in excess of the amount required on the date of such withdrawal as a reserve for Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments. The amount so required as a reserve for Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments shall be as directed by the Authority but not more than the excess of (a) the amount stated in the then current Annual Schedule for such Current Expenses, Maintenance, Repair and Operating Expenses.
and Section 19C Payments filed by the Authority with the Trustee as described below in “Particular Covenants – Annual Schedule of Projected Expenses,” over (b) the aggregate of the payments made by the Trustee from the Revenue Fund on account of such amounts during the period commencing with the July 1 next preceding the applicable withdrawal pursuant to the preceding sentence and ending with the last day of the month preceding such withdrawal.

The Trustee shall deposit the moneys withdrawn from the Revenue Fund as aforesaid to the credit of the Accounts and Funds as follows:

First, with respect to the Senior Bonds, in the following order of priority:

(a) to the credit of the subaccount established for Senior Bonds in the Interest Account in the Debt Service Fund so much, or the whole if required, of the moneys so withdrawn from the Revenue Fund, until the amount on deposit in the such subaccount, plus any amount to be withdrawn from any Construction Fund as described above in the last paragraph in “Construction Fund” and deposited in such subaccount to be applied to the payment of interest due on any Series of Senior Bonds on the next following Interest Payment Date, shall equal (i) the interest payable on such Interest Payment Date on all Senior Bonds then Outstanding and (ii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such Interest Payment Date by each Series Resolution containing such a requirement applicable to Outstanding Senior Bonds; provided, however, that no deposit need be made to the credit of such subaccount with respect to any amount of such interest payable pursuant to a Derivative;

(b) to the credit of the subaccount established for Senior Bonds in the Principal Account in the Debt Service Fund so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund until the amount on deposit in such subaccount, (A) if the withdrawal is made during a six-month period next preceding a November 1, shall equal (i) the aggregate principal amount of Senior Bonds maturing on such November 1, plus (ii) one-half of the aggregate principal amount of Senior Bonds maturing on the next May 1, plus (iii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such November 1 by each Series Resolution containing such a requirement applicable to Outstanding Senior Bonds, or (B) if the withdrawal is made during a six-month period preceding a May 1, shall equal (i) the aggregate principal amount of Senior Bonds maturing on such May 1, plus (ii) one-half of the aggregate principal amount of Senior Bonds maturing on the next November 1, plus (iii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such May 1 by each Series Resolution continuing such a requirement applicable to Outstanding Senior Bonds;

(c) To the credit of the subaccount established for Senior Bonds in the Sinking Fund Account in the Debt Service Fund so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund until the amount, determined after taking into account as provided in the Agreement the principal amount of Term Bonds constituting Senior Bonds theretofore purchased, on deposit to the credit of such subaccount, (A) if the withdrawal is made during a six-month period next preceding a November 1, shall equal (i) the Sinking Fund Installments on Senior Bonds due on such November 1, plus (ii) one-half of the Sinking Fund Installments on Senior Bonds due on the next May 1, plus (iii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such November 1, by each Series Resolution continuing such a requirement applicable to Outstanding Senior Bonds, or (B) if the withdrawal is made during a six-month period preceding a May 1, shall equal (i) the Sinking Fund Installments of Senior Bonds due on such May 1, plus (ii) one-half of the Sinking Fund Installments on Senior Bonds due on the next November 1, plus (iii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such May 1 by each Series Resolution continuing such a requirement applicable to Outstanding Senior Bonds;

(d) in each calendar year commencing with the first full calendar year succeeding the calendar year in which the first Series of Guaranteed Bonds constituting Senior Bonds shall be issued under the Agreement, to the credit of the Section 10 Reserve Fund so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund until the amount withdrawn and deposited to the credit of the Section 10 Reserve Fund in such calendar year shall equal the aggregate of the Annual Series Requirements in effect for such calendar year in respect of all Series of Guaranteed Bonds constituting Senior Bonds Outstanding on the first day of such calendar year, plus, or, at the option of the Authority, minus, as the case may be, the deficiency or excess of the
amount on deposit to the credit of the Section 10 Reserve Fund on the first day of such calendar year, including in such amount interest accrued but unpaid on Investment Obligations in which such amount may then be invested, under or over the aggregate of all Annual Series Requirements in effect for prior calendar years in respect of such Guaranteed Bonds constituting Senior Bonds. No deposit need be made with respect to any Annual Series Requirement or portion thereof deposited pursuant to the applicable Series Resolution out of the proceeds of a Series of Guaranteed Bonds constituting Senior Bonds. If there shall have been any prior application of moneys held in the Section 10 Reserve Fund to the payment of principal of or Sinking Fund Installments or interest on Guaranteed Bonds constituting Senior Bonds, the amount of any deficiency in the amount thereafter on deposit to the credit of the Section 10 Reserve Fund resulting from such application shall be taken into account in computing the amount required to be deposited to the credit of the Section 10 Reserve Fund in any calendar year thereafter only to the extent that it is, in the judgment of the Authority, practicable to do so. The Annual Series Requirement as to any Series of Guaranteed Bonds shall be in effect for and only for the twelve calendar years next succeeding the calendar year in which Guaranteed Bonds of such Series were initially issued; for each calendar year thereafter on the first day of which Guaranteed Bonds of such Series shall be Outstanding, the aggregate of such prior Annual Series Requirements shall be included in the measure of the amount required to be on deposit to the credit of the Section 10 Reserve Fund with respect to such calendar year but no additional deposit shall be required with respect to such prior Annual Series Requirements except as may be required to restore any deficiency as aforesaid. If on the first day of any calendar year the amount on deposit in the Section 10 Reserve Fund equals or exceeds the sum of (i) the aggregate of all Annual Series Requirements in effect for prior calendar years, plus (ii) the Annual Series Requirements for such calendar year, in each case in respect of all Series of Guaranteed Bonds constituting Senior Bonds of which Guaranteed Bonds are Outstanding, no deposit need be made under this clause (d) with respect to Guaranteed Bonds constituting Senior Bonds;

(e) pro rata to the credit of each Debt Service Reserve Fund securing Senior Bonds and each Multi-Series Debt Service Reserve Fund securing Senior Bonds, (i) with respect to amounts other than amounts to replenish any withdrawal made for the payment of principal or Redemption Price of or interest on any Senior Bonds, so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund until the amount deposited in each thereof in the fiscal year in which the applicable withdrawal from the Revenue Fund is made equals the amount, if any, required to be so deposited in such fiscal year by the one or more applicable Series Resolutions, and (ii) with respect to amounts to replenish any withdrawal made from any thereof for the payment of principal or Redemption Price of or Interest on any Senior Bonds, so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund, until the amount on deposit in each thereof from which any withdrawal for such purpose has been made, equals the applicable Debt Service Reserve Requirement or Multi-Series Debt Service Reserve Requirement, as the case may be, of each thereof;

Second, with respect to the Bonds, if any, of all Subordinate Series Level 2 (“Level 2 Bonds”), in the order of priority provided in First above (except that in depositing moneys under this Second, the term “Level 2 Bonds” shall be substituted for the term “Senior Bonds” in First above; and

Third, with respect to the Bonds, if any, of all Subordinate Series Level 3 (“Level 3 Bonds”), in the order of priority provided in First above (except that in depositing moneys under this third, the term “Level 3 Bonds” shall be substituted for the term “Senior Bonds” in First above;

and so on for the Bonds, if any, of each other Subordinate Series, in descending order, (i.e. Subordinate Series Level 4, and then Subordinate Series Level 5 and so on), substituting in each case the appropriate designation of the Bonds (e.g. “Level 4 Bonds” or “Level 5 Bonds”) on account of which the deposit is being made for the term “Senior Bonds” in First above.

After deposits have been so made with respect to all Series of Bonds issued under the Agreement as provided above, the balance of moneys, if any, withdrawn from the Revenue Fund as aforesaid shall be deposited to the credit of the following Funds and Accounts in the following order of priority;

(f) so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund, to the credit of such Account or Accounts in the Property Fund as may have been established for any reserve or reserves mentioned below in clause (d) in “Particular Covenants – Rate Covenant,” pro rata until the amount deposited in each such Account in the fiscal year in which the applicable withdrawal is made from the Revenue Fund.
Fund equals the amount, if any, set forth in a certificate of an Authorized Officer to be deposited in such Account or Accounts during such fiscal year;

(g) so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund, to the credit of each other Account in the Property Fund (other than the Multi-Purpose Reserve Account), pro rata until the amount on deposit in each such Account in the fiscal year in which the applicable withdrawal is made from the Revenue Fund equals the amount, if any, set forth in a certificate of an Authorized Officer to be on deposit in such Account during such fiscal year;

(h) so much, or the whole, if required, of the balance of the moneys so withdrawn from the Revenue Fund, to the credit of the Multi-Purpose Reserve Account, until the amount deposited in such Account in the fiscal year in which the applicable withdrawal is made from the Revenue Fund equals the amount, if any, set forth in a certificate of an Authorized Officer to be deposited in such Account during such fiscal year; provided, that the Authority may also deposit in the Multi-Purpose Reserve Account from time to time any other moneys of the Authority not required to be otherwise deposited;

(i) to the credit of the Rate Stabilization Fund, so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund as may be specified from time to time in a certificate of an Authorized Officer; and

(j) the remainder, if any, to the credit of the Optional Redemption Account.

Debt Service Fund

The moneys in each Account in the Debt Service Fund shall be held in trust and applied as provided in the Agreement and in the applicable Series Resolution and, pending such application, are pledged to, and shall be subject to a lien and charge in favor of, the Registered Owners of the Bonds issued and Outstanding under the Agreement. The Trustee shall apply the moneys held from time to time for the credit of the Accounts in the Debt Service Fund as follows:

(a) as to moneys held in each subaccount in the Interest Account, to the payment of interest on the Bonds with respect to which the applicable subaccount was established, on or after the date when due to each Registered Owner of such Bonds as of the applicable Record Date or Special Record Date, as such interest becomes due and payable;

(b) as to moneys held in each subaccount in the Principal Account, to the payment, on or after the date when due, of the principal of all matured Bonds with respect to which the applicable subaccount was established;

(c) as to moneys held in each subaccount in the Sinking Fund Account, to the application on the due date of each Sinking Fund Installment to the redemption of the Term Bonds with respect to which the applicable subaccount was established, to the extent the same are then subject to redemption by application of Sinking Fund Installments, in the manner provided by the applicable Series Resolution and the Agreement and

(d) as to moneys held in the Optional Redemption Account, to the redemption or purchase of Bonds as provided below.

The Trustee upon the written direction of an Authorized Officer of the Authority shall apply moneys held in any subaccount in the Sinking Fund Account to the purchase of Term Bonds with respect to which the applicable subaccount was established whenever such Bonds may, with reasonable diligence, be purchasable at prices not exceeding the Redemption Price payable for such Bonds on the next Sinking Fund Installment due date for such Bonds; provided, however, that no such purchase shall be made within the period of forty-five (45) days next preceding the next Sinking Fund Installment due date for such Bonds.

The Trustee upon the written direction of an Authorized Officer of the Authority shall also apply moneys held in the Optional Redemption Account to the purchase, arranged as is mutually agreeable to the Trustee and the
Authority, of Bonds then Outstanding at a price not to exceed (a) the Redemption Price payable to the holders of such Bonds on the next redemption date if such Bonds shall have been called for redemption on such date or (b) if such Bonds have not been called for redemption on such date, (i) the Redemption Price applicable on such date to Bonds subject to optional redemption on such date, and (ii) as to Bonds not subject to optional redemption on such date, the Redemption Price applicable to such Bonds on the first date such Bonds are subject to optional redemption.

Notwithstanding the foregoing provision, no such purchase shall be made at any time when the amounts on deposit to the credit of the Interest Account, the Principal Account and the Sinking Fund Account are less than the amounts then respectively required to be on deposit therein, and provided further, that no such purchase of any Term Bond shall be made within the period of forty-five (45) days next preceding the next Sinking Fund Installment due date with respect to such Term Bond and no such purchase of any other Bond shall be made within the period of ten (10) days next preceding any date upon which notice of redemption of such Bonds is scheduled to be mailed.

The principal amount of all Term Bonds purchased as aforesaid shall be deemed to constitute deposits in the applicable subaccount in the Sinking Fund Account and shall be applied, first, against the amounts of such Sinking Fund Installments with respect to such Term Bonds theretofore due and not paid as the Authority shall designate by a certificate of an Authorized Officer, and second, against one or more such Sinking Fund Installments (including any portion of any such Sinking Fund Installment) not yet due as the Authority shall designate by a certificate of an Authorized Officer.

If a Series Resolution shall provide for the redemption at the option of the Authority of any Series of Bonds authorized thereunder, and if at any time on or after the earliest date specified in such Series Resolution for such redemption the amounts on deposit to the credit of the Interest Account, the Principal Account and the Sinking Fund Account shall be equal to or greater than the amounts then respectively required to be so on deposit with respect to any Series of which Bonds will be redeemed, and if the moneys held in the Optional Redemption Account shall equal or exceed (a) the Redemption Price of all Bonds theretofore called for redemption and not redeemed, plus (b) the Redemption Price payable at the next redemption date of Bonds in the aggregate principal amount or Accreted Amount equal to or greater than the smallest authorized denomination of the Bonds subject to redemption, plus (c) all necessary and proper expenses to be incurred in connection with the redemption of Bonds on such date, the Trustee shall, if the Authority shall so direct by Certificate of an Authorized Officer (which certificate shall set forth the Series, maturities and principal amounts or Accreted Amounts of each maturity of the Bonds to be redeemed), call Bonds as set forth in such certificate for redemption on the next available redemption date; provided, however, that the aggregate principal amount and Accreted Amount of Bonds to be redeemed set forth in such certificate shall not be greater than the aggregate principal amount and Accreted Amount which will most nearly exhaust the moneys so held in the Optional Redemption Account; and provided further that Bonds shall not be designated for redemption in such certificate unless such Bonds are subject to redemption on the applicable redemption date. Such call and the redemption of Bonds and portions of Bonds so called shall be made pursuant to the provisions of the Agreement.

Interest on Bonds redeemed from moneys in the Optional Redemption Account shall be paid from moneys held in the applicable subaccount in the Interest Account.

If on the date for application of moneys held in the Principal Account or in the Sinking Fund Account, the moneys so held are less than the amount required for application under whichever applies of clauses (b) or (c) of the first paragraph above in “Debt Service Fund,” or if by a Certificate of an Authorized Officer the Authority directs that some or all of the moneys in the Optional Redemption Account be applied to the payment of principal or Sinking Fund Installments due on the Bonds, the Trustee shall apply moneys then held in the Optional Redemption Account (except such moneys as to which notice of redemption has already been given) by transfer to the Principal Account or to the Sinking Fund Account, as the case may be, to the extent of the deficiency therein or as directed by such certificate, whichever is applicable; provided that bond counsel to the Authority delivers an opinion to the effect that such application of such moneys is permitted by the Enabling Act and will not jeopardize the exclusion of interest or the Bonds from gross income for federal income tax purposes.

Notwithstanding any other provision of the Agreement, if and to the extent permitted by the applicable Series Resolution, (a) moneys in any subaccount in the Interest Account, Principal Account or Sinking Fund Account may be applied to reimburse the issuer of a Credit Facility for amounts received by the Trustee pursuant to such Credit Facility to be applied to the payment of, respectively, interest on, principal of or any Sinking Fund

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Installment on the Bonds for which such subaccount was established or to pay any amount due from or on account of the Authority under a Derivative for payments made pursuant to such Derivative to be applied to the payment of, respectively, interest on, principal of or any Sinking Fund Installment on the Bonds for which such subaccount was established, and (b) moneys in the Optional Redemption Account may be applied to reimburse the issuer of a Credit Facility for amounts received by the Trustee pursuant to such Credit Facility to be applied to the payment of all or any portion of the Redemption Price of Bonds redeemed on account of moneys in the Optional Redemption Account or to pay any amounts due from or on account of the Authority under any Derivative for payments pursuant to such Derivative to be applied to the payment of all or any portion of the Redemption Price of bonds redeemed on account of moneys in the Optional Redemption Account.

Section 10 Reserve Fund; Other Reserve Funds; Moneys Received Pursuant to the Commonwealth Guaranty or a Credit Facility; Pledged Funds

(a) The moneys in the Section 10 Reserve Fund shall be held in trust and applied as provided below and, pending such application, are pledged to, and shall be subject to a lien and charge in favor of, the Registered Owners of the Guaranteed Bonds Outstanding.

The Trustee shall apply the moneys held from time to time for the credit of the Section 10 Reserve Fund to the payment to the appropriate subaccount in the Debt Service Fund of an amount equal to the excess of (a) the aggregate of amounts required at any Interest Payment Date to pay interest then due on Guaranteed Bonds and, if such date is also a maturity date or a Sinking Fund Installment due date for any Guaranteed Bonds, the principal of all such Guaranteed Bonds then matured or the amount of the Sinking Fund Installment then due with respect to Guaranteed Bonds, as the case may be, over (b) moneys then held for the credit of the appropriate subaccount or subaccounts in the Debt Service Fund, after any transfer thereto from the Optional Redemption Account, or from the Property Fund or from the Rate Stabilization Fund or from all of the foregoing, and available for the payment of such interest, principal or Sinking Fund Installment, respectively. If moneys in the Section 10 Reserve Fund are insufficient to pay in full the amounts specified above, such moneys shall be paid, first, to Guaranteed Bonds constituting Senior Bonds, and second to Guaranteed Bonds constituting Level 2 Bonds, and third to Guaranteed Bonds constituting Level 3 Bonds, and so on in descending level of subordination. If moneys in the Section 10 Reserve Fund are insufficient to pay in full the amounts to be paid with respect to all Guaranteed Bonds constituting Senior Bonds, or all Guaranteed Bonds of any applicable level of subordination, such moneys shall be applied to all Guaranteed Bonds of all Senior Series or all Guaranteed Bonds of all Series of the applicable level of subordination, as the case may be, as described below in “Defaults; Remedies – Application of Funds.”

If on the first day of any calendar year or at any other time the amount on deposit in the Section 10 Reserve Fund exceeds the aggregate of the Annual Series Requirements for the present year and all prior years with respect to all Guaranteed Bonds Outstanding, the Authority may by a certificate of an Authorized Officer direct that all or a portion of such excess (other than any part of such excess consisting of interest received and profits realized in excess of losses from investments of moneys held in the Section 10 Reserve Fund, which shall be applied as described below in “Security for Deposits and Investments of Funds – Investments”) be withdrawn from the Section 10 Reserve Fund and deposited in the Revenue Fund to be applied to the payment of interest coming due in such year on such Guaranteed Bonds, provided that such certificate is accompanied by an opinion of bond counsel to the Authority that such application or payment is permitted by applicable law and will not adversely affect the exemption from gross income for federal income tax purposes of the interest on the Bonds.

At any time when the amount on deposit in the Section 10 Reserve Fund equals or exceeds (a) the aggregate of the twelve Annual Series Requirements to be in effect with respect to any particular Series of Guaranteed Bonds of which Bonds are then Outstanding plus (b) all Annual Series Requirements in effect for all prior years and for the then current year with respect to all Series of Guaranteed Bonds of which Bonds are Outstanding, and when such aggregate plus any other moneys held under the Agreement available for the purpose shall equal or exceed the aggregate amount required to pay in full the principal and Redemption Price of and interest on all Bonds of such particular Series then Outstanding (and, if the Bonds of such particular Series are to be redeemed, the necessary and proper expenses to be incurred in connection with such redemption), the Authority may by a certificate of an Authorized Officer direct the Trustee to apply to such payment an amount from the Section 10 Reserve Fund not exceeding such aggregate; provided, however that moneys “available for the purpose” as such phrase is used above in this paragraph shall mean, (x) as to moneys in the subaccounts applicable to such particular
Series in the Interest Account, Principal Account and Sinking Fund Account, moneys in excess of the amount then required to be on deposit in each of such subaccounts with respect to all outstanding Guaranteed Bonds to which such subaccounts apply other than Guaranteed Bonds of such particular Series and (y) as to moneys in the Optional Redemption Account, any Account in the Property Fund and the Rate Stabilization Fund, moneys in any such Fund or Account described in a Certificate of an Authorized Officer to be so applied (such direction to be in accordance with the provisions of the Agreement with respect to the use of the moneys in any such Fund, Account or subaccount).

All deposits to the Section 10 Reserve Fund shall be apportioned if directed by a certificate of an Authorized Officer to separate Accounts to be created therein, one account for each Series of Guaranteed Bonds Outstanding (the “Section 10 Series Accounts”), for purposes of compliance by the Authority with the Code and to such subaccounts, as so directed, as are necessary or desirable to comply with the Code. The portion of each deposit attributed to the Account of a particular Series will be the proportion of the total deposit that the Annual Series Requirement for such Series bears to the aggregate Annual Series Requirements for all Series of Guaranteed Bonds of the same level (i.e., Senior Bonds, Subordinate Series Level 2, etc.).

Any withdrawal from the Section 10 Reserve Fund shall be made in portions taken from all Section 10 Series Accounts in such proportion from each such Account as each such Account bears to the total balance of the Section 10 Reserve Fund prior to the making of such withdrawal, unless otherwise directed by a certificate of an Authorized Officer accompanied by an opinion of bond counsel to the Authority to the effect that the instructions for withdrawal set forth in such certificate will not adversely affect the exclusion from gross income for federal tax purposes of the interest on the Bonds.

(b) Moneys in any Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund shall be applied as set forth in the one or more applicable Series Resolutions.

(c) Moneys received pursuant to the Commonwealth Guaranty shall be held in a separate Account and applied as promptly as practicable to the payment of principal and interest due on the Guaranteed Bonds on account of which such moneys were received.

(d) Moneys received by the Trustee pursuant to a Credit Facility shall be held in a separate Account and shall be applied as provided in the one or more applicable Series Resolutions or in such Credit Facility.

(e) Pledged Funds received by the Trustee shall be held in a separate Account and applied as provided in the one or more applicable Series Resolutions.

Property Fund

In addition to the Accounts and subaccounts established in the Property Fund described above in “Funds and Accounts,” the Agreement establishes and authorizes to be established Accounts in the Property Fund for such reserves as the Authority may establish as described below in clause (d) in “Particular Covenants – Rate Covenant.” Subject to the following paragraph, the Trustee shall credit all moneys deposited in the Property Fund to such Account therein (or, as to the Capital Improvements Reserve Account, to such subaccount or subaccounts therein) as the Authority may by certificate of an Authorized Officer direct and, in the absence of such a certificate, to the General Account.

The Trustee shall deposit in the Insurance Proceeds Account all proceeds of an insurance policy or policies upon any Project paid by reason of any insured casualty, except that if the Project to which the proceeds apply has not yet reached completion, such proceeds shall be deposited to the related Account of the Construction Fund; provided, that any such proceeds which are proceeds of “use or occupancy” insurance, so-called, or any other insurance providing for payments in place of income or for operating expenses, in either case as certified by an Authorized Officer, shall be deemed Revenues and be deposited to the credit of the Revenue Fund.

The moneys held in each Account in the Property Fund shall be held in trust and applied as provided below and, pending such application, are pledged to, and shall be subject to a lien and charge in favor of, the Registered Owners of the Bonds issued and Outstanding under the Agreement.
The Trustee shall apply the moneys held from time to time for the credit of each Account in the Property Fund as follows:

(a) as to any Account created for a reserve as described below in clause (d) in “Particular Covenants - Rate Covenants,” to the payment from time to time of amounts as provided by the pertinent resolution of the Authority and for the purposes therein provided in accordance with a certificate of an Authorized Officer;

(b) as to the General Account, to the payment from time to time as deemed appropriate by the Authority of Maintenance, Repair and Operating Expenses of any Project not otherwise provided for;

(c) as to the Insurance Proceeds Account, to payment, in accordance with the provisions described below in “Particular Covenants - Insurance on Projects,” for the repair, restoration or reconstruction of the damage or destruction on account of which the funds were received, or for the doing of such other work in respect of such Project as the Authority may determine in accordance with the provisions described below under “Particular Covenants - Insurance on Projects”;

(d) as to any subaccount in the Capital Improvements Reserve Account, to the payment from time to time of the costs of capital improvements or capital repairs with respect to any Project to which the applicable subaccount pertains;

(e) as to the Multi-Purpose Reserve Account, to any lawful purpose for which the Authority may expend funds (and the Trustee may rely on a statement to such effect in the certificate of an Authorized Officer directing such application that the amounts set forth in such certificate will be so applied);

(f) to the extent of moneys so held in any Account in the Property Fund which are not the proceeds of any insurance policy or policies or investment earnings on such proceeds, to transfer to any one or more subaccounts in the Interest Account, the Principal Account or the Sinking Fund Account, one or more, as the case may be, in the Debt Service Fund if and to the extent that moneys held in any such subaccount on a date for application thereof, together with money available in the Rate Stabilization Fund, shall be less than the amount then required for application from such subaccount; and

(g) to the extent of moneys so held in any Account in the Property Fund which are not the proceeds of any insurance policy or policies or investment earnings on such proceeds, to the redemption of Bonds as may be directed from time to time by a certificate of an Authorized Officer.

The Authority may, by a certificate of an Authorized Officer approved by the University Trustees and accompanied by an opinion of bond counsel to the Authority to the effect that the instructions in such certificate are permitted by the Enabling Act and will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, direct that amounts be transferred from any one or more subaccounts in the Capital Improvements Reserve Account to any other one or more subaccounts in the Capital Improvements Reserve Account or to one or more Capital Improvements Reserve Accounts or like accounts (or, if applicable, one or more subaccounts in any such Capital Improvements Reserve Account or like account) established under any other trust agreement under which the Authority has issued bonds).

Rate Stabilization Fund

Amounts shall be deposited in the Rate Stabilization Fund from the Revenue Fund in the Authority’s discretion as provided in the Agreement in order to minimize the variation over time in the fees, rents, rates and other charges fixed in accordance with the provisions described below in “Particular Covenants - Rate Covenant.” At any time, upon the direction of the Authority as evidenced by a Certificate of an Authorized Officer, amounts on deposit in the Rate Stabilization Fund may be withdrawn and deposited in the Revenue Fund or applied to the redemption of Bonds.

Notwithstanding the foregoing paragraph, if at any time the amounts on deposit and available therefor in the Debt Service Fund are insufficient to pay the principal and Redemption Price of and interest on the Bonds then

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due, the Trustee shall withdraw from the Rate Stabilization Fund and deposit in the appropriate subaccount within the Debt Service Fund the amount necessary to meet such deficiency.

Rebate Fund

For each Series of Bonds subject to the rebate requirements of the Code, there shall be established within the Rebate Fund a separate account, for the benefit of the United States of America, and such subaccounts therein as are provided in the applicable Series Resolution, as amended from time to time, or as may be directed by a certificate of an Authorized Officer.

The Trustee shall deposit in the applicable account in the Rebate Fund such amounts as are required pursuant to such Series Resolution, invest the same as set forth therein, and keep such records as shall enable the Authority to satisfy its rebate obligations for such Series under the Code. The Authority shall direct the Trustee to pay to the United States from the Rebate Fund on the Authority’s behalf such amounts as are required to be paid pursuant to the Code, all as set forth in the applicable Series Resolution, provided that any deficiency in the amounts required to be deposited into the Rebate Fund, or in any required payment from the Rebate Fund to the United States, shall be made up by the Authority, and provided further that no amount in the Rebate Fund shall be paid to the Authority or transferred to any other Fund or Account except as permitted by the Agreement, the Series Resolution and the Code.

The provisions described in this paragraph, as modified by the applicable Series Resolution, shall survive the defeasance of the Agreement, or of any Series of Bonds to which such provisions apply, and such provisions and the provisions pertaining to rebate in any Series Resolution shall be subject to amendment without the consent of any Registered Owner to reflect any applicable amendment to the Code with respect to rebate.

SECURITY FOR DEPOSITS AND INVESTMENTS OF FUNDS

Deposits with Trustee

All moneys deposited under the Agreement with the Trustee shall be held in trust and applied in accordance with the provisions of the Agreement, and shall not be subject to lien or attachment by any creditor of the Authority or the Trustee.

All moneys deposited with the Trustee under the Agreement shall be continuously secured, for the benefit of the Authority and the Registered Owners of the Bonds in such manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee to give security for any moneys which shall be invested in Investment Obligations.

All moneys deposited with the Trustee shall be credited to the particular Fund, Account or subaccount to which such moneys belong.

Investments

Moneys held for the credit of the Note Payment Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the day or days preceding the date or dates of payment of the notes for the payment of which such moneys in the Note Payment Fund are held.

Moneys held for the credit of each Account within the Construction Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates as set forth in a schedule furnished by an Authorized Officer of the Authority to the Trustee at the time moneys are first deposited in such Account, as such schedule may thereafter be amended, when moneys held for the credit of such Account will be required for the purposes intended.
Moneys held for the credit of the Revenue Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, as to moneys not in excess of the amount then required as the reserve for Current Expenses, not later than the day or days preceding the date or dates upon which moneys are to be applied to the payment of Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments as set forth in a schedule filed by the Authority with the Trustee, or, as to moneys held in the Revenue Fund and to be transferred to other Funds, Accounts and subaccounts as described above in “Establishment and Application of Funds and Accounts – Revenue Fund,” not later than the day preceding the date of such transfer.

Moneys held for the credit of each subaccount in the Debt Service Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption at the option of the holder thereof, as to moneys so held in any subaccount in the Interest Account in an amount not in excess of the amount payable as interest from such subaccount at the next Interest Payment Date, not later than the day prior to such Interest Payment Date, or, as to moneys so held in any subaccount in the Principal and Sinking Fund Accounts, in amounts not respectively in excess of the amount payable from such subaccount as principal of Bonds maturing at the next maturity date or of the amount of the Sinking Fund Installment next falling due, not later than the day prior to the date of such maturity or such due date, as the case may be, or, as to other moneys, if any, so held, not later than twelve (12) months after the date of any such investment.

Moneys held for the credit of the Section 10 Reserve Fund and the Rate Stabilization Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations, provided that amounts on deposit in the Section 10 Series Account for any Series of Outstanding Guaranteed Bonds, or in any subaccounts, shall not be invested in excess of the yield or yields as set forth in the investment instructions delivered to the Trustee from time to time by an Authorized Officer, except as permitted by an opinion of bond counsel to the Authority to the effect that investments may be made at the yield or yields set forth in such opinion without adversely affecting the exclusion from gross income of the interest on such Series of Guaranteed Bonds or any other Bonds.

Moneys held for the credit of each subaccount in the Property Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, on the dates specified from time to time in a certificate of an Authorized Officer delivered to the Trustee.

Notwithstanding any other provisions of the Agreement, the Authority may at any time deliver to the Trustee a certificate of an Authorized Officer additional or different instructions from those set forth above regarding the investment of moneys held under the Agreement, provided that such instructions do not jeopardize the exclusion from gross income for federal income tax purposes of the interest on any Bond (as to which the Authority may rely on an opinion of bond counsel to the Authority), and provided that such additional or different instructions do not violate the requirements of the issuer of any Credit Facility with respect to the moneys to which such instructions apply. The Trustee shall comply with such instructions if (a) the Authority certifies in such certificate that such instructions do not jeopardize the exclusion from gross income for federal income tax purposes of the interest on any Bond; (b) no investment is directed to be made in any investments other than Investment Obligations; (c) the Authority certifies in such certificate that such instructions do not violate the requirements of the issuer of any Credit Facility with respect to the moneys to which such instructions apply; and (d) the Trustee’s liability as set forth in the Agreement is not modified.

Investment Obligations purchased as an investment of moneys in any Fund, Account or subaccount may be purchased and held with Investment Obligations purchased as an investment of moneys in any other Fund, Account or subaccount as a part of a single investment fund but shall be deemed at all times to be a part of the Fund, Account or subaccount for which they were purchased, and the interest accruing thereon and any profit or loss realized from such investments shall be charged pro rata to each such Fund, Account or subaccount; provided, however, (a) that interest received and profits realized in excess of losses realized in any fiscal year from investments of moneys held
in the Note Payment Fund shall be deemed to be proceeds of the corresponding Series of Bonds and, except to the extent provided in the Series Resolution authorizing the issuance of such Bonds to be applied to the payment of notes issued by the Authority, shall be transferred, upon the first to occur of (i) payment in full of the pertinent notes or (ii) the end of a fiscal year, to the corresponding Account within the Construction Fund, (b) that, subject to the provisions described above in “Establishment and Application of Funds and Accounts – Rebate Fund,” all such interest and profits from the investment of moneys held in Construction Fund Accounts shall be retained in such Accounts, (c) that, subject to the provisions described above in “Establishment and Application of Funds and Accounts – Rebate Fund,” all such interest and profits from the investment of moneys held in any Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund shall be applied as provided in the one or more Series Resolutions governing the application of moneys held in the applicable Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund and (d) that, subject to the provisions described above in “Establishment and Application of Funds and Accounts – Rebate Fund,” such interest and profits from investments of moneys held in any other Fund, Account or subaccount, except as otherwise provided in a Series Resolution or in the Agreement, shall constitute Revenues and shall be transferred to the Revenue Fund. Such interest received and profits realized in excess of losses realized in any calendar year from investments of moneys held in the Section 10 Reserve Fund shall, subject to the provisions described above in “Establishment and Application of Funds and Accounts – Rebate Fund,” and if and only if the amount on deposit to the credit of the Section 10 Reserve Fund on the first day of such calendar year (or on any other date of such calendar year if bond counsel to the Authority delivers an opinion to the effect that such is permitted by the Enabling Act) exceeds the aggregate of all Annual Series Requirements in effect for the Guaranteed Bonds then Outstanding for all calendar years through and including such calendar year, constitute Revenues to the extent of the amount of such excess and shall be transferred as received to the Revenue Fund to be applied to the payment of interest on Guaranteed Bonds, unless a certificate of an Authorized Officer directs that any such interest or profits be held in the Section 10 Reserve Fund. Interest and profits derived from the investment of moneys, which interest and profits are held in the Revenue Fund or which are not subject to being transferred thereto, shall, to the extent available, be deemed to be included among the amounts first requisitioned or otherwise withdrawn and expended from any Fund, Account or subaccount. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Fund, Account or subaccount. Neither the Trustee nor the Authority shall, in the absence of bad faith, be liable on account of or responsible for the results of any such investment.

In computing the amount in any Fund, Account or subaccount held by the Trustee under the Agreement, Investment Obligations shall be valued at par if purchased at par or at amortized value if purchased at other than par. Amortized value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (1) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price; and (2) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligations.

**Investment Advice**

The Authority shall direct all investments of moneys held under the Agreement, or the Authority may, at its expense, appoint as an investment adviser a person registered under the federal Investment Advisers Act of 1940 and having a favorable reputation for competence and experience in investing in Investment Obligations to instruct the Trustee with respect to investment and reinvestment of all or a portion of the moneys held under the Agreement. The Trustee shall have no liability of any kind to the Authority, to any Registered Owner or to any other person for or on account of any investment transaction it shall carry out in accordance with investment instructions given as provided in the Agreement. The Trustee may carry out all investment transactions through its own facilities.
PARTICULAR COVENANTS

Rate Covenant

The Authority covenants that it will establish and revise rules and regulations to insure the use and occupancy of, and will fix, revise, adjust and collect fees, rents, rates and other charges for the use of, each Project and of all Other Projects and other property of the Authority the Revenues from which are pledged under the Agreement, in such manner and at such levels as may be necessary so that the aggregate of (i) the proceeds from such fees, rents, rates and other charges for the use of all Projects, Other Projects and other property the Revenues from which are pledged under the Agreement, (ii) all other Revenues from such Project, Other Projects and property and (iii) all appropriations, contributions, gifts and grants received by the Authority or made for the benefit of the Authority or any such Project, Other Project or property and available and applied for the purpose, will provide Revenues sufficient in each fiscal year:

(a) to pay the Maintenance, Repair and Operating Expenses of such Projects, Other Projects and property, provided, that in the case of a Project with respect to which a Contract is in effect that includes undertakings by the University Trustees respecting maintenance, repair and operation thereof, such undertakings shall be deemed to fulfill the covenant of the Authority as to the sufficiency of Revenues therefor;

(b) (i) to provide for making deposits to the credit of the appropriate Accounts in the Debt Service Fund in amounts in such fiscal year equal in the aggregate to the total of (A) all interest becoming due and payable in such fiscal year on all Bonds then Outstanding, (B) the principal amount of all such Bonds maturing in such fiscal year, (C) the Sinking Fund Installments, if any, becoming due in such fiscal year in respect of all such Bonds and (D) other amounts, if any, payable in such fiscal year on the account of all such Bonds or required to be deposited in such Fiscal Year to any Account in the Debt Service Fund and (ii) to provide for the payment of the purchase price of Bonds tendered as provided in the one or more applicable Series Resolutions;

(c) to pay the Current Expenses of the Authority properly allocable to such Projects, Other Projects and property;

(d) to create and maintain such funds, accounts and reserves, if any, as may be provided for in any Series Resolution authorizing the issuance of Bonds or in a resolution thereafter adopted;

(e) to pay the amounts of any Section 19C Payments to be paid in such fiscal year; and

(f) to provide for making deposits to the credit of (i) the Section 10 Reserve Fund in amounts which, together with amounts deposited in the preceding fiscal year for such purpose or to be deposited in the subsequent fiscal year for such purpose will equal in the aggregate the reserve required by Section 10 of the Enabling Act to be established and maintained in such Fund in respect of each calendar year constituting a portion of such fiscal year and (ii) each Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund in amounts, if any, required by the one or more applicable Series Resolutions;

except that

(g) as to any Project or Other Projects the Bonds or other indebtedness issued by the Authority to finance or refinance which shall have been paid or provided for in full, as described below in “Defeasance,” such Revenues need only be sufficient to pay the amounts required under clauses (a), (c), (d) and (e) above;

and, so far as consistent with the foregoing requirements, so as to maintain reasonable uniformity of charges for like rooms or other accommodations, facilities and services at the University whether or not contained in or provided by a Project of the Authority.

The Authority covenants that if the amounts deposited to the credit of any Account in the Debt Service Fund, the Section 10 Reserve Fund and any other reserve fund securing any Bonds in any fiscal year shall be less than the amounts respectively referred to above for such fiscal year, it will revise and adjust the aforesaid fees, rents,
rates and other charges so as to provide funds sufficient, with all other moneys available for the purpose, to provide
the payments and deposits specified above to be made from Revenues.

To the extent provided in the Enabling Act, any establishment or revision of said rules and regulations and
any fixing, revision or adjustment of said fees, rents, rates or other charges by the Authority shall require the
approval of the University Trustees, and the Authority covenants that it will use its best efforts to obtain such
approval whenever required.

Annual Schedule of Projected Expenses

The Authority shall file with the Trustee an annual schedule of projected expenses (the “Annual Schedule
of Projected Expenses” or “Schedule”) as follows:

(a) With or before the first remittance to the Trustee of moneys to be deposited in the Revenue Fund, the
Authority shall file with the Trustee an initial Schedule signed by an Authorized Officer setting forth the amount
estimated by the Authority to be payable from the Revenue Fund as Current Expenses, Maintenance, Repair and
Operating Expenses and Section 19C Payments during the period commencing with the date thereof and ending on
the next following June 30.

(b) On or before each June 15, commencing with the June 15 next preceding the end of the period covered
by said initial Schedule, the Authority shall file with the Trustee a Schedule similarly signed setting forth the amount
estimated by the Authority to be payable from the Revenue Fund as Current Expenses, Maintenance, Repair and
Operating Expenses and Section 20 Payments during the period commencing on the next following July 1 and
ending twelve months thereafter.

(c) If at any time prior to June 30 in any period covered by the initial or any subsequent Schedule, as the
same may have theretofore been amended, the aggregate of the amounts paid from the Revenue Fund since and
including the next preceding July 1 as Current Expenses, Maintenance, Repair and operating Expenses and Section
19C Payments shall exceed the amount set forth in such Schedule, the Authority shall file an amended Schedule
similarly signed increasing accordingly the estimated amount to be payable as Current Expenses, Maintenance,
Repair and Operating Expenses and Section 19C Payments during the balance of such period. Each amended
Schedule filed by the Authority under this clause shall supersede all initial, annual and amended Schedules filed
prior thereto.

Debt Service Payments and Payment of Purchase Price

The Authority covenants that it will promptly pay the principal of and the interest on every Bond and the
purchase price of every Bond tendered as provided in the applicable Series Resolution at the place, on the dates and
in the manner provided in the Agreement and in said Bond and Series Resolution, and any premium required for the
retirement of said Bond by purchase or redemption, according to the true intent and meaning thereof. Except as
otherwise provided in the Agreement, such principal, interest, purchase price and premium are payable solely from
Revenues and Funds pledged under the Agreement.

The Authority covenants that it will perform and observe each and every agreement, condition, covenant
and obligation on its part to be performed and observed under each Contract providing for the Commonwealth
Guaranty to the end that the Commonwealth Guaranty therein provided and the pledge of the full faith and credit of
the Commonwealth for such Commonwealth Guaranty shall remain in full force and effect and binding upon the
Commonwealth as authorized by the Enabling Act and provided by such Contract, said Commonwealth Guaranty
and pledge being evidenced by the guaranty executed on each applicable Guaranteed Bond by an officer of the
University Trustees.

Completion of Projects

The Authority covenants that it will with reasonable expedition complete each Project in conformity with
law and all requirements of all governmental authorities having jurisdiction thereover. The Authority further
covenants that upon completion or occupancy of each Project financed by a Series of Bonds issued under the
Agreement, if and to the extent that there is no obligation of the University Trustees under a Contract to undertake the operation and maintenance of any such Project, the Authority will thereafter operate and maintain, or otherwise provide for the operation and maintenance of, such Project.

Land Covenant

(a) The Authority covenants that each Project constructed or acquired by it is or will be located on lands as to which either (i) the same are leased by the Authority from the Commonwealth for the purpose by a good and valid lease or leases continuing or renewable at the option of the Authority for a term not shorter than the last maturity of any Bond of the Series pertaining to such Project, or (ii) good and marketable title to which is owned by the Authority in fee simple or the right to use and occupy which is vested in the Authority by valid franchises, licenses, easements, rights of way or other rights expiring not earlier than the last maturity of any such Bond.

(b) The foregoing covenant shall not apply to a Project consisting of the construction, alteration, enlargement, reconstruction, rehabilitation, remodeling and other work on any building, structure or other facility (including without limitation parking lots) not owned or leased by the Authority as lessee or sublessee and not involving the acquisition of such building, structure or facility by the Authority.

Compliance with Contracts

The Authority covenants that it will perform and observe each and every agreement, condition, covenant and obligation on its part to be performed and observed under each Contract, and will use its best efforts to enforce like performance and observation on the part of the Commonwealth and the University Trustees, to the end that the obligation of the Commonwealth and the University Trustees thereunder, among other things, to remit to the Authority or to the Trustee Revenues, to operate and maintain the Project and to make necessary repairs to and restoration and reconstruction of the same shall continue in full force and effect. The Authority covenants that, from and to the extent of, but not in excess of, the Revenues of each Project owned by it and any other funds available to it for the purpose, it will cure any deficiencies in the maintenance of such Project and will make all necessary repairs, restoration and reconstruction not made by the Commonwealth pursuant to the applicable Contract and that it will observe and perform all of the terms and conditions contained in the Enabling Act.

Payment of Lawful Charges

The Authority covenants that it will not create or suffer to be created any lien or charge upon any Project or any part thereof or upon the Revenues therefrom except the lien and charge upon such Revenues under the Agreement, and that, from the same or other available funds, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, as promptly as possible after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon any Project or any part thereof or the Revenues therefrom; provided, however, that nothing in the foregoing provisions in this subsection shall (a) require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith, or (b) prohibit (i) the University Trustees or the University from using any funds of the University in accordance with law and in compliance with any Contract or any other agreement applicable to the University Trustees or the University or (ii) the Expendable Fund Balance of the University from being used in accordance with law and in compliance with any Contract or any other agreement applicable to the University Trustees; and provided, further, that if on any date the Authority holds or there is held for the account of the Authority Revenues in excess of the Revenues required by the provisions described above in “Rate Covenant” for the remainder of the fiscal year in which such date occurs, the Authority may apply such excess to any lawful purpose of the Authority as the Authority may from time to time determine.

Use of Other Funds for Projects; Sale of Projects

Notwithstanding any other provision of the Agreement, the Authority may permit the Commonwealth or any of its agencies, departments or political subdivisions, to pay the cost of maintaining, repairing and operating any Project out of funds other than Revenues of such Project whether pursuant to the pertinent Contract or otherwise.
The Authority may also, if and to the extent now or hereafter permitted by law, sell any Project owned by the Authority or any portion thereof; provided, that if such sale is of an entire Project, the proceeds therefrom shall be in an amount sufficient, with all other moneys then held by the Trustee hereunder and available for the purpose, (a) to pay or provide for the payment in full at the first date upon which such payment may be made of all amounts then required for the payment of the principal or Redemption Price of and interest on the Bonds then Outstanding issued to finance or refinance the cost of such Project (and the determination of which Bonds of the applicable Series were so issued shall be made by the Authority in any reasonable manner if the Project was financed or refinanced by Bonds issued as part of a Series that financed or refinanced more than one Project and shall be evidenced to the Trustee by a certificate of an Authorized Officer) and (b) to pay all necessary and proper expenses payable in connection with such payment; provided, further, that if such sale is of a portion of a Project, the proceeds therefrom shall be an amount sufficient, with any other moneys then held by the Trustee under the Agreement and available for the purpose, (a) to pay or provide for the payment in full at the first date upon which such payment may be made of the principal or Redemption Price of and interest on a principal amount of Bonds then Outstanding of the Series issued to finance or refinance the Cost of such Project bearing the same proportion to the principal amount of all such Bonds then Outstanding that (as reasonably determined by the Authority and evidenced to the Trustee by a Certificate of an Authorized Officer) the Cost of the portion of such Project to be sold bore to the Cost of the Project and (b) to pay all necessary and proper expenses payable in connection with such payment. The proceeds of any such sale shall be deposited by the Authority with the Trustee and shall be deposited by the Trustee to the credit of the Optional Redemption Account.

Insurance on Projects

The Authority covenants that (a) during the construction, alteration, enlargement, reconstruction, rehabilitation or remodeling of or other work upon each Project it will carry such builder’s risk insurance, if any, as it may deem reasonable therefor, and (b) from and after the time when the contractors or any of them engaged in constructing any part of each Project shall cease to be responsible, pursuant to the provisions of the respective contracts for the construction of such part, for loss or damage to such part occurring from any cause, it will insure and at all times keep such part insured with a responsible insurance company or companies, qualified to assume the risk thereof, against physical loss or damage however caused, with such exemptions as are ordinarily required by insurers of buildings, structures or facilities of similar type and in similar locations, in such amount as it shall determine to be reasonable and in any event at least sufficient to comply with any legal or contractual requirement which, if breached, would result in assumption by the Authority of a portion of any loss or damage as a co-insurer; provided, however, that (i) if at any time the Authority shall be unable to obtain such insurance to the extent above required, either as to the amount of such insurance or as to the risks covered thereby, it will not constitute an event of default under the Agreement if the Authority shall maintain such insurance to the extent reasonably obtainable, (ii) such insurance may be provided by a policy or policies covering all insurable portions of such Project as a whole together with other insurable property of the Authority and (iii) the requirements set forth in clause (b) above of this paragraph shall not apply to any Project owned by the Commonwealth (but the Authority may from time to time provide such insurance of the kind described in such clause (b) for any Project owned by the Commonwealth as the Authority may determine in its discretion).

All such policies shall be for the benefit of the Trustee and the Authority as their interests shall appear, shall be made payable to the Trustee (by means of the standard mortgagee clause without contribution, if obtainable) and shall be deposited with the Trustee. The proceeds of any and all such insurance shall be deposited with the Trustee, and the Trustee shall have the sole right to receive the proceeds of such insurance and to collect claims thereunder and receipt therefor. The proceeds of any and all such insurance shall be deposited to the credit of the Insurance Proceeds Account in the Property Fund.

The Authority covenants that, immediately after any damage to or destruction of any part of any Project the estimated cost to repair, restore or reconstruct which exceeds One Hundred Thousand Dollars ($100,000), it will, if necessary, prepare or cause the Architect or Engineer, as the case may be, for the Project to prepare plans and specifications for repairing, restoring or reconstructing the damaged or destroyed property, and in any event it will proceed with all reasonable promptness as may be required to accomplish such repair, restoration or reconstruction in accordance with the original design or to do such other work as may be advised in writing by the University Trustees.
The proceeds of all insurance referred to in this subsection shall be available for, and shall to the extent necessary be applied to, the repair, restoration or reconstruction of the damaged or destroyed property, or the doing of other work with respect thereto as the Authority may determine by resolution adopted upon advice in writing from the University Trustees, and shall be disbursed by the Trustee upon receipt of copies, certified by an Authorized Officer, of the resolution adopted by the Authority authorizing such repair, restoration and reconstruction and of such written advice and otherwise in the manner and upon the showings provided in the Agreement for payments from the Construction Fund. If such proceeds shall be insufficient for such purpose, the deficiency shall be supplied from any other moneys available for the purpose in the appropriate reserve Account or in the General Account in the Property Fund.

Upon completion of the work authorized by such resolution the Authority shall cause to be filed with the Trustee a notice and a Counsel’s Opinion with respect thereto executed, approved and including statements substantially to the same effect as those provided in the Agreement for completion of construction of a Project.

Any balance of such proceeds remaining after such certificate shall have been filed shall be held by the Trustee in the Insurance Proceeds Account in the Property Fund and applied as provided herein or, if the Authority shall so direct by a certificate of an Authorized Officer, shall be transferred to one or more of the Revenue Fund, the Optional Redemption Account in the Debt Service Fund, to any Account within the Construction Fund or to the Multi-Purpose Reserve Account.

Use, Occupancy and Other Insurance

The Authority covenants that it will at all times carry with a responsible insurance company or companies or companies qualified to assume the risk thereof:

(a) use and occupancy insurance covering loss of Revenues from each Project by reason of necessary interruption, total or partial, in the use thereof resulting from damage or destruction of any part thereof however caused, with such exceptions as are ordinarily required by insurers providing similar insurance, in such amount as the Authority shall estimate is sufficient to provide a full equivalent of Revenues for the fiscal year of the Authority respecting which such insurance is carried; provided, that if at any time the Authority shall be unable to obtain such insurance to the extent above required, either as to the amount of such insurance or as to the risks covered thereby, it will not constitute an event of default under the Agreement if the Authority shall carry such insurance to the extent reasonably obtainable; provided, however, that the Authority need not (but may) provide the insurance described in this subparagraph with respect to any Project owned by the Commonwealth; and

(b) such worker’s compensation or employers’ liability insurance as may be required by law and such public liability and property damage insurance as the Authority shall deem reasonable.

All policies providing use and occupancy insurance shall be made payable to and deposited with the Trustee, and the Trustee shall have the sole right to receive any proceeds of such policies and to collect claims thereunder. Any proceeds of use and occupancy insurance paid to the Trustee shall be deposited by it forthwith to the credit of the Revenue Fund.

Any appraisement or adjustment of any loss or damage under any policy payable to the Trustee and any settlement or payment of indemnity under any such policy shall be agreed upon between the Authority and any insurer and shall be evidenced to the Trustee by a certificate, signed by an Authorized Officer of the Authority, which certificate may be relied upon by the Trustee as conclusive. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

No Inconsistent Action by Authority

The Authority covenants and agrees that none of the Revenues of any Project will be used for any purpose other than as provided in the Agreement and no contract or contracts will be entered into or any action taken which shall be inconsistent with the provisions of the Agreement.
Further Instruments and Actions

The Authority covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Agreement.

Records, Reports and Audits

The Authority covenants that it will keep an accurate record of the total cost of each Project, of the Revenues collected or derived from such Project, and of the application of such Revenues collected or derived from such Project. Such records shall be open at all reasonable times to the inspection of the Trustee. The Authority covenants that it will cause any reports or audits relating to each Project to be made as required by law and that it will furnish to the Trustee a copy of each such report and audit forthwith upon receipt thereof by the Authority.

Release of Land; Sale of Equipment

The Authority may from time to time (a) release to the University Trustees any land leased by the University Trustees to the Authority if permitted by a lease entered into between the University Trustees and the Authority and if such release will not adversely affect Revenues, (b) sell or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of Bonds or from the Revenues of a Project, if the Authority shall reasonably determine that such articles are no longer useful or appropriate in connection with the construction or operation and maintenance of such Project, and that such sale or disposition, taking account of the application of any proceeds received from such sale or disposition and any replacement to be made of or any substitution to be made for any of the properties so sold or disposed of, shall not adversely affect the Revenues from such Project.

Covenant as to Exclusion of Interest from Gross Income

The Authority covenants that it will not take any action or fail to take any action that would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Notice of Default; Financial Statements

The Authority covenants that (a) forthwith upon any officer of the Authority’s obtaining knowledge of any condition or event which constitutes or, after notice or lapse of time or both, would constitute an “event of default” as defined in the Agreement, it will file with the Trustee a certificate signed by an Authorized Officer specifying the nature and period of existence thereof, and what action the Authority has taken, is taking or proposes to take with respect thereto, (b) on or before the 15th day of each July it will file with the Trustee a certificate signed by an Authorized Officer stating that, so far as is known to the signer of the certificate, the Authority is not in default under any covenant, agreement or condition contained in the Agreement and that no event has occurred which constitutes or, after notice or lapse of time or both, would constitute such an event of default or, if the Authority shall be in default, or any such event has occurred, specifying each such default and event and the nature and period of existence thereof of which the signer may have knowledge and what action, if any, the Authority has taken, is taking or proposes to take with respect thereto and (c) it will cause an examination of its financial statements as of the end of and for each fiscal year during which Bonds shall be Outstanding under the Agreement to be made by independent certified public accountants and within one hundred eighty (180) days after the end of each fiscal year will file with the Trustee a copy of such financial statements together with the signed opinion of such independent certified public accountants with respect thereto.

Defaults; Remedies

Extended Interest

In case the time for the payment of the interest on any Bond shall be extended, whether or not such extension be by or with the consent of the Authority, such interest so extended shall not be entitled in case of default under the Agreement to the benefit or security of the Agreement except subject to the prior payment in full of the
principal of all Bonds then Outstanding and of all interest the time for the payment of which shall not have been extended.

**Events of Default**

Each of the following events is an “event of default” under the Agreement:

(a) payment of the principal and premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by required proceedings for redemption or otherwise, or payment of the purchase price of any Bond tendered as provided in the applicable Series Resolution shall not be made when such purchase price shall become due and payable; or

(b) payment of any installment of interest on the Bonds shall not be made when due and payable; or

(c) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Agreement; or

(d) an order or decree shall be entered, with the consent or acquiescence of the Authority, appointing a receiver or receivers of any Project or any part thereof or of the Revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or discharged or stayed on appeal within one hundred and twenty (120) days after the entry thereof; or

(e) any proceeding shall be instituted, with the consent or acquiescence of the Authority, for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Revenues of any Project; or

(f) the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Agreement on the part of the Authority to be performed in connection with the Bonds or any Project financed or refinanced by the Bonds, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than twenty per cent (20%) in principal amount of the Bonds then Outstanding.

For all purposes of the Agreement, any event of default specified in subparagraph (a) or subparagraph (b) of the preceding paragraph with respect to any one or more Bonds shall be deemed to be such an event of default on all other Outstanding Bonds of the same level or levels as the Bond or Bonds with respect to which such event of default occurred, i.e., any such event of default with respect to one or more Senior Bonds shall be deemed to be such an event of default on all other Outstanding Senior Bonds, any such event of default with respect to one or more Bonds of any Subordinate Series, Level 2 shall be deemed to be such an event of default on all Outstanding Bonds of all Subordinate Series, Level 2, and so on.

**No Acceleration**

Notwithstanding any other provision of the Agreement to the contrary, the Bonds shall not be subject to acceleration, and all provisions with respect to events of default under the Agreement and with respect to remedies available under the Agreement shall be subject to such prohibition.

**Remedies**

Upon the happening and continuance of any event of default under the Agreement, then and in every such case the Trustee may proceed, and upon the written request of the Registered Owners of not less than twenty per centum (20%) in principal amount of the Bonds then Outstanding (or, in the case of an event of default under clause (a) or clause (b) above in “Events of Default,” not less than twenty per centum (20%) in principal amount of the Bonds Outstanding as to which such event of default has occurred) shall proceed, subject to being indemnified as
provided in the Agreement, to protect and enforce its rights and the rights of the Registered Owners of the Bonds under the laws of the Commonwealth or under the Agreement by such suits, actions or proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Agreement or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal, interest or otherwise under any of the provisions of the Agreement or of the Bonds, with interest on overdue payments at the rate or rates of interest borne by the applicable Bonds, together with any and all costs and expenses of collection and of all proceedings under the Agreement and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Registered Owners, and to recover and enforce any judgment or decree against the Authority, but solely as provided in the Agreement and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys in the Debt Service Fund, the Section 10 Reserve Fund, any other reserve fund securing any Bond, the Rate Stabilization Fund and the Property Fund and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Application of Funds

(a) Anything in the Agreement to the contrary notwithstanding, if at any time the moneys in the Debt Service Fund, in the Section 10 Reserve Fund, in any other reserve fund securing any Bond, in the Rate Stabilization Fund and in the Property Fund, and any other moneys available for the purpose shall not be sufficient to pay the principal and Redemption Price of or the interest on the Bonds as the same shall become due and payable or the purchase price of any Bond tendered as provided in the applicable Series Resolution, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies described in this section of this Summary or otherwise, shall be applied as provided in paragraph (b) below, any such application to be made, first to all Outstanding Senior Bonds, until all principal, Redemption Price and interest then due on such Senior Bonds have been paid, and second, to all Outstanding Level 2 Bonds, until all principal, Redemption Price and interest then due on such Level 2 Bonds have been paid, and third, to all Outstanding Level 3 Bonds, until all principal, Redemption Price and interest then due on such Level 3 Bonds have been paid, and so on in descending order of subordination. Any such application shall also be subject to the following:

(i) moneys received under the Commonwealth Guaranty shall be applied only to the Guaranteed Bonds on account of which such moneys are received and shall not be applied to the payment of the fees and expenses of the Trustee;

(ii) moneys in the Section 10 Reserve Fund shall be applied only to Guaranteed Bonds and shall not be applied to fees and expenses of the Trustee;

(iii) moneys received under any Credit Facility or Derivative shall be applied only to the payment of amounts which are due on the Bonds secured by such Credit Facility or to which such Derivative applies and to which moneys received under such Credit Facility or such Derivative are permitted to be applied and shall be applied to the fees and expenses of the Trustee only if such application is explicitly permitted under the applicable Credit Facility or the applicable Derivative and only in amounts not in excess of the amounts permitted by such Credit Facility or such Derivative to be so applied;

(iv) moneys in any reserve fund other than the Section 10 Reserve Fund shall be applied only as provided in the one or more applicable Series Resolutions and shall be applied to fees and expenses of the Trustee only if such application is explicitly permitted by the applicable Series Resolution;

(v) amounts due to the issuer of a Credit Facility for reimbursement of any amount paid under such Credit Facility for payment of principal or Redemption Price of or interest on any Bond or the purchase price of any Bond tendered as provided in the applicable Series Resolution (but not including
interest on any such amount) shall, to the extent and under the conditions set forth in the applicable Series Resolution or reimbursement agreement with the issuer of such Credit Facility, be deemed for purposes of paragraph (b) below to be payments of principal or Redemption Price of or interest on such Bond and shall be paid to such issuer in connection with the application of moneys under such paragraph and

(vi) amounts due from or on account of the Authority under a Derivative for amounts paid under such Derivative for payment of principal or Redemption Price of or interest on any Bond (but not including interest on any such amount) shall, to the extent and under the conditions set forth in the applicable Series Resolution or in such Derivative, be deemed for purposes of paragraph (b) below to be payments of principal or Redemption Price of or interest on such Bond and shall be paid as provided in such Derivative in connection with the application of moneys under such paragraph.

(b) All such moneys shall be applied (subject to paragraph (a) above):

First: to the payment to the Trustee of its unpaid fees and expenses, to the extent of moneys available therefor as provided in paragraph (a) above;

Second: to the payment to the persons entitled thereto of all installments of interest on Bonds then due, in the order of the maturity of the installments of such interest, and, if the amounts available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and except as provided in paragraph (a) above;

Third: to the payment to the persons entitled thereto of the unpaid principal and Redemption Price of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Agreement), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and the unpaid purchase price of any Bond tendered in accordance with the applicable Series Resolution, and, if the amount available shall not be sufficient to pay in full the principal and Redemption Price of Bonds due on any particular date, together with interest, and such purchase price, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, Redemption Price and purchase price, ratably according to the amount of such principal and purchase price due on such date, to the persons entitled thereto, and in either case without any discrimination or preference, except as provided in paragraph (a) above and

Fourth: to the payment of the interest on and the principal and Redemption Price of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions described above under “Establishment and Application of Funds and Accounts” (and as provided in paragraph (a) above).

(c) Whenever moneys are to be applied by the Trustee pursuant to the above provisions, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; and the Trustee shall incur no liability whatsoever to the Authority, to any Registered Owner or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue.

The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Registered Owner of any Bond until such Bond shall be surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.
Discontinuance of Proceedings

In the event that any proceeding taken by the Trustee on account of any default under the Agreement shall have been discontinued or abandoned for any reason, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Agreement, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Control of Proceedings

Anything in the Agreement to the contrary notwithstanding, the registered Owners of a majority in principal amount of the Bonds then Outstanding (or, with respect to an event of default described in clause (a) or clause (b) above in “Events of Default,” the Registered Owners of a majority in principal amount of the Bonds Outstanding as to which such event of default has occurred) shall have the right, subject to the Trustee’s being indemnified as provided in the Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Agreement in connection with the Bonds, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Agreement.

Restrictions upon Actions by a Registered Owner

No Registered Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Agreement or for any other remedy under the Agreement unless such Registered Owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Registered Owners of not less than twenty per cent (20%) in principal amount of the Bonds then Outstanding (or, with respect to an event of default described in clause (a) or clause (b) above in “Events of Default,” the Registered Owners of not less than twenty per cent (20%) principal amount of the Bonds Outstanding as to which such event of default has occurred) shall have made written request of the Trustee after the right to exercise such powers of right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Agreement or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in such every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Agreement or for any other remedy under the Agreement. No one or more Registered Owners of the Bonds shall have any right in any manner whatever by action of such Registered Owner or Owners to affect, disturb or prejudice the security of the Agreement, or to enforce any right under the Agreement except in the manner provided in the Agreement, that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Agreement and for the benefit of all Registered Owners of the Outstanding Bonds, and that any individual rights of action or other right given to one or more of such Registered Owners by law are restricted by the Agreement to the rights and remedies provided in the Agreement.

Nothing in the Agreement or in the Bonds shall, however, affect or impair the absolute, unconditional and unalterable obligation of the Authority to pay when due (whether due on account of stated maturities, scheduled payments, call for redemption or otherwise) the principal and Redemption Price of and interest on the Bonds and the purchase price of any Bond tendered as provided in the applicable Series Resolution, or affect the right of any Registered Owner of a Bond to institute or require the institution of any action or proceeding against the Authority for the enforcement of such payment, or against the Commonwealth for the enforcement of its guaranty of Guaranteed Bonds.

Actions by Trustee

All rights of action under the Agreement or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all of the Registered Owners, subject to the provisions of the Agreement.
No Remedy Exclusive

No remedy conferred by the Agreement upon or reserved to the Trustee or to the Registered Owners is intended to be exclusive of any other remedy or remedies provided by the Agreement, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement.

No Delay or Omission Construed as Waiver

No delay or omission of the Trustee or of any Registered Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Agreement to the Trustee and the Registered Owners of the Bonds, respectively, with respect to events of default, may be exercised from time to time as often as may be deemed expedient.

The Trustee may, and upon written request of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Agreement or before the completion of the enforcement of any other remedy under the Agreement, but no such waiver shall extend to or affect any other existing or any subsequent default of defaults or impair any rights or remedies consequent thereon.

Notice of Default

The Trustee shall mail to all Registered Owners of Bonds then Outstanding at their addresses as they appear on the registration books written notice of the occurrence of any event of default described in clause (a) or clause (b) above in “Events of Default” promptly upon the occurrence thereof and of any other event of default described under “Events of Default” within thirty (30) days after the Trustee shall have received written notice that any such event of default has occurred and any applicable grace period shall have expired. The Trustee shall not, however, be subject to any liability to any Registered Owner by reason of its failure to mail any such notice.

CONCERNING THE TRUSTEE

Indemnity

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the Agreement or in the enforcement of any rights and powers under the Agreement, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and disbursements and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Authority shall reimburse the Trustee from the Revenues of any Project for all costs and expenses, outlays and counsel fees and disbursements and other reasonable disbursements properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of the Agreement from which the payment of fees and expenses of the Trustee is not prohibited by the Agreement and shall have a first and prior lien on such moneys for that purpose over any of the Bonds Outstanding under the Agreement.

Limitation on Obligations

The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall have no responsibility in respect of the construction or operation of any Project, the validity or sufficiency of the Agreement or the due execution or acknowledgment thereof, or in respect of the validity of the
Bonds or the due execution or issuance thereof except as represented by its own authentication, or in respect of the validity or enforceability of the guaranty by the Commonwealth executed on any Guaranteed Bond. The Trustee shall be under no obligation, except as otherwise expressly required in the Agreement, to see that any duties herein imposed upon the Authority, the Architect, the Engineer, any investment adviser appointed by the Authority, or any party other than itself, or any covenants in the Agreement on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Notice of Default

In addition to any other notices required to be given by the Trustee under the Agreement, if on the fifteenth day of the month (or, if such fifteenth day is not a business day, on the next succeeding business day) before the date which shall be one or more of a due date for a payment of interest on Guaranteed Bonds or of a Sinking Fund Installment respecting Guaranteed Bonds or a maturity date for Guaranteed Bonds then Outstanding, the moneys held by the Trustee for or to be deposited prior to such due date to the credit of any subaccount of the Interest Account, any subaccount of the Sinking Fund Account or any subaccount of the Principal Account shall be less than the amount required on such date respectively to pay in full such interest then due, to pay such Sinking Fund Installment then due or to pay the principal of all such Guaranteed Bonds then maturing, all as the case may be, the Trustee shall on such fifteenth day (or next succeeding business day) deliver or cause to be delivered to the offices of the Secretary of Administration and Finance and of the Treasurer and Receiver-General of the Commonwealth a notice addressed to said officials and shall give copies thereof to the Authority and to the purchasers in the manner provided in the Agreement. Such notice shall state (a) the amount or amounts to become due, the nature thereof and the due date, (b) the amount or amounts of moneys held by the Trustee on such business day for the credit of the pertinent Account or Accounts and subaccount or subaccounts, (c) the amount or amounts of moneys held by the Trustee on such business day for the credit of the Section 10 Reserve Fund, each Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund, the Optional Redemption Account, the Rate Stabilization Fund and any Account in the Property Fund which are available for the payment of such interest, such Sinking Fund Installment or such maturing principal amount, all as the case may be.

If the University Trustees shall be obligated to pay any such amount from Pledged Funds, the Trustee shall include in its notice a request that the University Trustees transfer or cause to be transferred applicable Pledged Funds forthwith, unless such request is otherwise required to be made by any applicable Series Resolution. If (a) the University Trustees shall be obliged by the Contract respecting Outstanding Guaranteed Bonds to give a notice respecting the availability of moneys for said purposes by said dates and (b) such notice has been given and (c) such notice states that moneys are not expected to be available by said dates in amounts sufficient to meet such purposes in full and (d) the moneys held by the Trustee as stated in the last sentence of the first paragraph above in “Notice of Default” are not sufficient, when added to whatever available amount is stated in such notice from the University Trustees, to meet such purposes in full, then the Trustee shall include in the notice to be given by it a request that the Commonwealth make funds available to honor the Commonwealth Guaranty under all such Contracts.

Except as provided above, the Trustee shall not be obliged to take notice or be deemed to have notice of any prospective event of default under the Agreement. The Trustee shall not be obliged to take notice or be deemed to have knowledge of any event of default under the Agreement, except for events of default described in clause (a) or clause (b) above in “Defaults; Remedies – Events of Default,” unless an officer in the corporate trust department of the Trustee has received written notice of such event of default by the Authority or the Registered Owners of not less than twenty per cent (20%) in principal amount of the Bonds Outstanding.

Resignation

The Trustee may resign at any time and thereby become discharged from the trusts created by the Agreement by notice in writing to be given to the Authority and the Registered Owners at least thirty (30) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee under the Agreement, if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts of the Agreement.
Removal

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding and filed with the Authority (and the Authority shall promptly deliver to the Trustee a reproduction copy of each such instrument) or by resolution of the Authority.

The Trustee may also be removed at any time for any breach of trust or violation of the Agreement by any court of competent jurisdiction upon application by the Registered Owners of not less than five per cent (5%) in principal amount of the Bonds then Outstanding.

Appointment of Successor Trustee

If at any time the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If at any time moneys on deposit with the Trustee shall not be secured as required by the Agreement, a vacancy in the position of Trustee may be declared by a resolution duly passed by the Authority. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the Authority shall appoint a Trustee to fill such vacancy. The Authority shall send written notice of any such appointment to the Registered Owners, and the Trustee whose position is being filled shall make available to the Authority at all times during normal business hours its registration books and permit the Authority to copy such registration books.

At any time within one year after any such vacancy shall have occurred, the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Registered Owners or their attorneys in fact or legal representatives and filed with the Authority, may appoint a successor Trustee which shall supersede any Trustee theretofore appointed by the Authority. Copies of such instrument shall be delivered promptly by the Authority to the predecessor Trustee and to the Trustee so appointed by the Registered Owners.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions, the Registered Owner of any Outstanding Bond or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee hereafter appointed shall be a bank or trust company within the Commonwealth (as the words “within the Commonwealth” are used in the Enabling Act) duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, having a combined capital and surplus aggregating not less than One Hundred Million Dollars ($100,000,000).

The Trustee shall not be required to be “within the Commonwealth” if the Enabling Act no longer contains such requirement.

SUPPLEMENTAL AGREEMENTS

Supplemental Agreements without Consent of Registered Owners

The Authority and the Trustee may, from time to time and at any time, without the consent of the Registered Owners, enter into agreements supplemental to the Agreement as shall not be inconsistent with the terms and provisions of the Agreement (which supplemental agreements shall thereafter form a part of the Agreement)

(a) to cure any ambiguity or formal defect or omission in the Agreement or in any supplemental agreement, or
(b) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Registered Owners or the Trustee, or

(c) to add to the covenants and agreements of the Authority other covenants and agreements thereafter to be observed by the Authority which shall not be inconsistent with the terms and provisions of the Agreement or to surrender any right or power reserved to or conferred upon the Authority in the Agreement, or

(d) to add any amendment described in “Establishment and Application of Funds and Accounts – Rebate Fund,” or

(e) for any other purpose, provided that (i) such supplemental agreement (A) does not adversely affect the interest of any Registered Owner and (B) does not make any change in the Agreement prohibited by clauses (a) through (e) below in “Modification of Agreement” and (ii) the Authority and the Trustee receive an opinion of bond counsel to the Authority to the effect that such supplemental agreement complies with subclauses (A) and (B) of this clause.

If the interest on obligations issued in bearer form should at any time qualify for exclusion from gross income for federal income tax purposes, or if the Authority desires to issue obligations the interest on which is not excludable from gross income for federal income tax purposes, and if in either case applicable law permits the issuance by the Authority of obligations in bearer form, the Agreement may be amended without the consent of the registered Owners to permit the issuance under the Agreement of obligations in such form; provided that the Authority and the Trustee receive an opinion of bond counsel to the Authority to the effect that applicable law permits the issuance by the Authority of obligations in bearer form and that such amendment will not affect the exclusion from gross income for federal income tax purposes of the interest on any Bond previously issued under the Agreement.

Any provision of the Agreement with respect to any Series of Bonds secured by a Credit Facility may be amended by the Series Resolution authorizing such Series to take into account the requirements or reasonable requests of the issuer of such Credit Facility. Such amendments may include, but not be limited to, amendments with respect to the exercise of rights of the Registered Owner of the Bonds of such Series by the issuer of such Credit Facility and subrogation of the issuer of such Credit Facility to the rights of such Registered Owners.

Modification of Agreement

The Registered Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such agreement or agreements supplemental to the Agreement as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Agreement or in any supplemental agreement; provided, however, that nothing contained in the Agreement shall permit, or be construed as permitting (a) an extension of the maturity of the principal of, the due date of any Sinking Fund Installment or respecting the due date of any interest payment due on any Bond, or (b) a reduction in the principal amount of any Bond or the Redemption Price thereof or the rate of interest thereon, or (c) the creation of a lien or pledge of Revenues ranking prior to or on a parity with the lien or pledge created by the Agreement, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds other than as provided in the Agreement or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental agreement. Nothing contained in the Agreement, however, shall be construed as making necessary the approval by Registered Owners of the execution of any supplemental agreement or agreements described above in “Supplemental Agreements without Consent of Registered Owners.”

If the Registered Owners of not less than fifty-one per cent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution thereof as provided in the Agreement, no Registered Owner shall have any right to object to the execution of such supplemental agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.
Responsibilities of Trustee

In each and every case provided for in this section “Supplemental Agreements,” the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed supplemental agreement, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the Authority, the rights and interests of the Registered Owners and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the Authority or to any Registered Owner or to anyone whomsoever for its refusal in good faith to enter into any such supplemental agreement if such agreement is deemed by it to be contrary to the provisions of this section. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Authority, as conclusive evidence that any such proposed supplemental agreement does or does not comply with the provisions of the Agreement, and that it is or is not proper for it under the applicable provisions of the Agreement, to join in the execution of such supplemental agreement.

DEFEASANCE

Release of Agreement

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Agreement, or if all Outstanding Bonds shall be deemed to be paid as provided in the following paragraph, and if all other sums, if any, then payable to the Trustee under the shall be paid, or the payment of such sums shall be provided for to the reasonable satisfaction of the Trustee, then the pledge of any Revenues and other moneys and securities pledged under the Agreement and all covenants, agreements and other obligations of the Authority to the Registered Owners, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or period as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all moneys or securities held by it pursuant to the Agreement which are not required for the payment of principal or Redemption Price, if applicable, of or interest on Bonds not theretofore surrendered for such payment or redemption, and for the payment of such other amounts. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of any Outstanding Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Agreement, or if any Outstanding Bonds shall be deemed to be paid as provided in the following paragraph, such Bonds shall cease to be entitled to any lien, benefit or security under the Agreement, and all covenants, agreements and obligations of the Authority to the Registered Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the previous paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (including any Investment Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States, which are irrevocably payable to the Trustee and in form satisfactory to the Trustee) the principal of and the interest on which when due will provide the Trustee with moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds will not be redeemed within the next succeeding sixty (60) days, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice, in the manner and at the time specified in the Agreement, that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date or dates upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. None of Investment Obligations, moneys deposited with the Trustee pursuant to this paragraph or principal or interest payments on any such Investment Obligations shall be withdrawn.
or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Obligation deposited with the Trustee, if not needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligation maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this paragraph, Investment Obligations shall mean and include only such securities as are described in clause (a) of the definition of “Investment Obligations” in “Definitions” which shall not be subject to redemption prior to their maturity.

Anything in the Agreement to the contrary notwithstanding, the Trustee shall notify the Authority in writing of any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed six months prior to the date when such moneys would escheat under applicable law and shall, at the written request of the Authority, pay such moneys to the Authority as its absolute property and free from trust, or, if the Authority does not so request in writing, or if such payment is not permitted under applicable escheat law, shall apply such moneys as provided by such applicable law, and the Trustee shall upon such payment or application be released and discharged with respect thereto and the Registered Owners shall look only to the Authority or as such applicable law may provide for the payment of such Bonds, the Authority or any other entity being liable only to the extent of funds received from the Trustee (without regard to any interest thereon received from the Trustee) and having no liability for interest on any such funds.

MISCELLANEOUS PROVISIONS

Rights under Agreement

Except as otherwise expressly provided in the Agreement, nothing in the Agreement expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the Registered Owners any right, remedy or claim, legal or equitable, under or by reason of the Agreement or any provisions hereof, the Agreement and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the Registered Owners.

Effect of Partial Invalidity

In case any one or more of the provisions of the Agreement or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Agreement or of the Bonds, but the Agreement and the Bonds shall be construed and enforced as if such illegal or invalid provision has not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or in the Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Authority to the full extent permitted by law.

Effect of Covenants, etc.

All covenants, stipulations, obligations and agreements of the Authority contained in the Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent permitted by law. No covenant, stipulation, obligation or agreement contained in the Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Authority in his individual capacity, and neither any member of the Authority nor any officer thereof executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability by reason of the issuance thereof. No member, officer, agent or employee of the Authority shall incur any liability in acting or proceeding or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Agreement and the Enabling Act.

The Agreement is executed with the intent that the laws of the Commonwealth shall govern its construction.
Reference to Interest as Excludable from Gross Income

All references in the Agreement with respect to the exclusion, excludability, inclusion or includability or the like of interest from gross income for federal income tax purposes shall apply only to Bonds and the interest thereon as to which an opinion of counsel has been rendered to the effect that interest on such Bonds is excludable from gross income for federal income tax purposes.
SUMMARY OF CERTAIN PROVISIONS OF THE CONTRACT

Except as otherwise expressly provided herein, capitalized terms shall be used as defined in the Trust Agreement dated as of November 1, 2000 by and between the Authority and the trustee named therein or its successor (the “Project Trust Agreement”) or the Trust Agreement dated as of December 1, 2000 by and between the Authority and the trustee named therein or its successor (the “Facilities Trust Agreement” and together with the Project Trust Agreement, the “Trust Agreements”). Bonds issued pursuant to the Project Trust Agreement are referred to herein as “Project Revenue Bonds,” and bonds issued pursuant to the Facilities Trust Agreement are referred to herein as “Facilities Revenue Bonds.” The trustees named in each Trust Agreement are referred to herein as the “Bond Trustee.”

PROJECTS

General

From time to time, upon the request of the University, the Authority undertakes Projects on behalf of the Commonwealth and the University. The Prior Projects are listed in the Contract. Additional Projects will become subject of the terms of the Contract upon designation thereof by the Authority and the University, as evidenced by the listing of such Projects on a Certificate delivered by the Authority and the University. Delivery of the Certificate makes the Projects listed thereon, in addition to the Prior Projects, subject to the terms of the Contract, so long as any bonds or notes of the Authority remain outstanding.

Undertaking and Completion of Projects by the Authority and the University

The Authority shall proceed with all reasonable speed to undertake, acquire, plan, construct, and complete the Projects in accordance with the written requests authorized by the University of Massachusetts Board of Trustees (the “University Trustees”), subject to such further approvals by the University Trustees and other officials as may be required by the Act or the Contract. The Authority may use any mode of procurement of acquisition, design and construction with regard to each Project that is from time to time permitted by the Act or other applicable law.

The Authority may engage such consulting architects, engineers, and other experts as it deems advisable in connection with the Projects. The plans and specifications for each of the Projects shall comply, or provide for compliance, with all applicable building codes, laws relating to health, safety and access and other applicable laws, and with all applicable rules and regulations promulgated thereunder by any governmental authority including without limitation executive orders issued by the Governor of the Commonwealth. Upon award of a contract or contracts for the doing of any work included in, or in connection with any acquisitions of, the Projects, as applicable, the Authority shall provide and maintain competent and adequate architectural and engineering observation of the Projects as the Authority deems appropriate until acceptance thereof by the University Trustees for occupancy. The Authority and the University Trustees shall permit each other free access to the Projects at all times. The Authority shall permit the University Trustees to examine such records of the Authority pertaining to the Projects as the University Trustees may desire, and the University Trustees shall permit the Authority to examine such records of the University and the Commonwealth pertaining to the Projects as the Authority may desire.

The Authority and the University Trustees shall use their best efforts to cause the Projects to be completed or acquired, as applicable, so as to be ready for use (and, where applicable, occupancy) as promptly as reasonably possible and, upon completion of all work in connection with any of the Projects, the Authority shall furnish or cause to be furnished to the University Trustees a certificate or certificates to the effect that such work has been completed free from defects and inadequacies and otherwise in conformity with the working drawings and detail specifications as amended or modified by any change order or additional work authorizations, that no mechanics’, laborers’, materialmen’s or other liens exist or can be created on the Projects on account of such work, and that the Authority has made payment or cause such payment to be made in full for the doing of the work or acquisition in question, or has made other proper arrangements so that it is no longer liable for any claims for payment for such
work or materials or supplies furnished to such portion of the Projects; or that the Authority is disputing any such claims.

During the period the Projects are being undertaken and completed the University Trustees shall also furnish to the site thereof (a) steam or other sources for temporary heating purposes, (b) electricity for temporary light and power and (c) water for construction purposes, such utilities to be furnished at such points and in such manner as is set forth in the working drawings and detail specifications approved by the University Trustees for the doing of work upon the Projects.

Operation, Maintenance and Repair of Projects

The Authority and the University, as applicable, shall administer and operate each of the Projects in accordance with the Act, the Contract and the applicable Trust Agreement.

The University acknowledges that use of the Projects or portions thereof by any individual or entity that is not a state, a political subdivision thereof or an integral part of a state or political subdivision thereof may jeopardize the tax-exempt status of interest on the tax-exempt bonds or notes issued by the Authority. The University will avoid such private use of the Projects, which would jeopardize the tax-exempt status of the tax-exempt bonds or notes. During the time that any tax-exempt bond or note is outstanding, the University will consult with the Authority and with bond counsel to the Authority regarding the impact of any private use of the Projects on the tax-exempt status of such bonds or notes and will not enter into any transaction which might result in a private use without notifying the Authority.

Fees, Rents, Rates and Other Charges for Projects

The Authority or the University, as applicable, shall establish and revise rules and regulations to ensure the use (and, where applicable, occupancy) of, and fix and revise fees, rents, rates and other charges allocable to the Projects as set forth in the Contract.

Such rules and regulations and such fees, rents, rates and other charges shall be so fixed and adjusted in respect of the aggregate of all revenues from or allocable to the Projects (collectively, the “Revenues”) (x) so as to maintain, so far as consistent with the requirements of the Contract, a reasonable uniformity in charges for like rooms and other accommodations at the University whether or not contained in a project of the Authority and (y) so as to provide Revenues sufficient to:

1. pay the cost of maintaining, repairing and operating the Projects;
2. pay the fees and expenses of the Bond Trustee, fees and expenses of any paying or fiscal agent appointed by the Authority in connection with the issuance of notes or bonds secured or provided for under the Trust Agreements or other instruments, premiums of insurance maintained by the Authority with respect to the Projects and such other projects and property and rentals payable by the Authority under any lease or leases of land on which the Projects or any other such project or property may be located;
3. pay the principal of (including Sinking Fund Installments) and the interest on notes and bonds issued to finance or refinance the Projects, as such principal and interest shall become due and payable;
4. pay such portions of the operating and administrative expenses of the Authority (which shall include any amount (the “Rebate Amount”) required by the Internal Revenue Code of 1986, as amended or other applicable law to be rebated by the Authority with respect to tax-exempt bonds or notes to the United States of America and not provided from other funds of the Authority) as the Authority shall deem properly allocable to the Projects;
5. pay amounts payable by the Authority under the Series Resolutions, any Derivatives, any Liquidity Facility, any Credit Facility or any other contract or other arrangement with respect to bonds or notes;
(vi) create or maintain reserves, if any, for such of the foregoing purposes as may be provided for in any resolution of the Authority as required or permitted by either the Trust Agreement or the Contract; and

(vii) pay the amount, if any, required by Section 19C of the Enabling Act to be paid to the Treasurer and Receiver-General of the Commonwealth out of such revenues.

Other Obligations of the University for Projects

The University Trustees shall make available to the Authority the services of officers and employees of and facilities in the University for the performance of any and all activities with respect to the Projects as necessary to operate them in furtherance of the purposes of the University and to maintain the Projects in good order and repair, as determined by the University.

In performing the foregoing services the University Trustees may act in the name of the Commonwealth or in their name, as may be consistent with law, and in their discretion as to the manner, method and time of performance.

The obligation of the University Trustees under the Contract to operate the Projects, keep them in good order and repair and maintain them shall include, but not be limited to, the furnishing of all supplies and materials needed or desirable for such operation, keeping in good order and repair, and maintenance, the making of all interior and exterior repairs to the buildings and structures included in the Projects and all repairs to other improvements and to equipment and furnishings included in the Projects, the maintenance of the Projects and the replacement, restoration and reconstruction of any structure, improvement or item of equipment or furnishings or portion thereof worn out, damaged or destroyed by whatever cause.

Other Obligations of the Authority for Projects

The Authority shall at all times conduct its business and affairs in such manner that:

(i) each of the Projects will be separately and distinctly accounted for relative to any other project or enterprise developed, administered or engaged in by the Authority; and

(ii) such portion of the office and general administrative expenses of the Authority as is charged to each of the Projects and the basis upon which the same is apportioned can be readily determined.

The Authority shall account separately for all revenues, income, reserves and funds, from whatever source, received or held by the Authority for:

(i) the undertaking, acquisition, completion, operation or maintenance of the Projects;

(ii) for any of the purposes set forth in any resolution authorizing the issue of bonds or notes or in the Trust Agreements or other instruments;

(iii) received by or for the account of the Authority as proceeds of insurance upon or as damages award for the taking or condemnation of any of the Projects or any portion thereof;

(iv) for Projects and property of the Authority for which the Authority has issued notes or bonds;

(v) for bonds and notes to be refunded by bonds issued under either Trust Agreement;

provided that the Authority may, except as otherwise provided in the Trust Agreements or other instrument or any Authority resolution relating to bonds or notes to be refunded by bonds to be issued under the Trust Agreements, mingle all revenues, income, reserves and funds, from whatever source, received or held by the Authority for the purposes of or in connection with the undertaking, completion, operation or maintenance of any Project financed or to be financed or refinanced by bonds or notes secured by the Trust
Agreements or for like purposes of or in connection with any other Project or property of the Authority the revenues from which are pledged or assigned by the Trust Agreements.

Pursuant to the Contract, the Authority authorizes and directs the University Trustees to make and revise rules and regulations concerning the conduct of persons while on or in the Projects and the bringing into or onto, keeping in or on and removal from the Projects of property of others than the Authority, to enforce such rules and regulations and to establish and impose penalties for violation of the same. All such rules, regulations and penalties shall be subject to the approval of the Authority, which shall not be reasonably withheld, shall comply with the Act, the Contract, any other contract or agreement between the Authority and the University Trustees relating to the Projects and the Trust Agreements, and, shall be made and revised so as to be nearly identical as possible with rules, regulations and penalties from time to time promulgated by the Trustees respecting other like facilities under their control.

Insurance

The Authority shall purchase and maintain in effect with respect to each of its Projects policies of insurance and fidelity bonds against such risks and losses and in such amounts as it shall deem to be reasonable.

ISSUANCE OF BONDS OR NOTES

General

From time to time, the Authority shall issue bond or notes to achieve its corporate purposes in undertaking Projects on behalf of the Commonwealth and the University and paying related expenses or to refund prior indebtedness of the Authority or other indebtedness with respect to the University, all as set forth in the Act. The bonds or notes shall be issued pursuant to the Trust Agreements or other instruments permitted by the Act. Prior Bonds subject to the terms of the Contract are listed in the Contract. Additional bonds or notes will become subject to the terms of the Contract upon designation thereof by the Authority and the University, as set forth in the Certificate related to such bonds or notes. The Certificate shall set forth (i) whether the bonds or notes constitute Facility Revenue Bonds, Project Revenue Bonds or other bonds or notes issued under the Trust Agreements or other instrument, and (ii) the aggregate principal amount of such indebtedness. The Authority shall apply the proceeds of the bonds or notes as set forth in the Act, the applicable Trust Agreement, the applicable Series Resolution and the Certificate with respect to such bonds or notes.

Commonwealth Guaranty for Certain Bonds and Notes

In accordance with the Act, certain bonds and notes of the Authority will be guaranteed by the Commonwealth with the approval of the University Trustees, acting on behalf of the Commonwealth. Prior Bonds of the Authority guaranteed by the Commonwealth are listed in the Contract (the “Prior Guaranteed Bonds”). From time to time, the Authority may issue additional bonds or notes guaranteed by the Commonwealth, as determined by the Authority and the University Trustees, on behalf of the Commonwealth, as set forth in the Certificate with respect to such bonds or notes.

With respect to the Prior Guaranteed Bonds and other guaranteed bond or notes so designated in a Certificate, the Commonwealth agrees to guarantee to the Owners thereof and to the Bond Trustee, as trustee for such Owners, the payment of the principal of and interest on all of the guaranteed bonds or notes as the same become due and payable, and in case the Authority shall default in making any such payment as and when the same shall be due and payable, the Commonwealth agrees to make such payment as the same becomes due and payable and pledges its full faith and credit for the performance of this guaranty, provided that the total outstanding amount of bonds and notes issued by the Authority and guaranteed by the Commonwealth under the Act shall not exceed the amount from time to time authorized by the Act to be so guaranteed.

Such guaranteed bonds or notes shall include a guaranty in the form of Exhibit B to the Contract executed by the University Trustees, on behalf of the Commonwealth.
No provision of the Contract shall create or be deemed to create any obligation by the Commonwealth to appropriate funds for any purposes under the Contract other than performance of the Commonwealth Guaranty on the guaranteed indebtedness.

In accordance with the Act, the Section 10 Reserve Account shall be funded in connection the issuance of guaranteed bonds or notes in an amount determined in accordance with the Act and the Trust Agreement. Moneys in the Section 10 Reserve Fund may be applied as set forth in the Trust Agreements and Series Resolutions.

Special Provisions for Facilities Revenue Bonds

A Capital Improvements Reserve Account shall be funded in connection the issuance of Facilities Revenue Bonds in an amount determined by the Authority, in consultation with the University. Moneys in the Capital Improvements Reserve Account may be applied to any lawful purpose of the Authority, all as set forth in the Trust Agreements and Series Resolutions.

Special Provisions for Derivatives

In connection with any Derivatives related to bonds or notes issued by the Authority, the Authority shall establish a General Reserve Fund. The Authority shall deposit into the General Reserve Fund from time to time, amounts received by the Authority on account of the Derivatives related to the bonds or notes, initially based on an amount equal to 0.19875% per annum of the notional amounts thereof or such other amount as determined by the Authority and set forth in a Series Resolution with respect the bonds or notes related to the Derivative. Amounts on deposit in the General Reserve Fund may be invested in any investment by which the Authority is from time to time permitted by law to invest its moneys. Moneys and investments in the General Reserve Fund shall be held separately from all other moneys and investments of the Authority. Moneys in the General Reserve Fund may be applied to any lawful purpose of the Authority. Moneys may be withdrawn from the General Reserve Fund by any authorized officer of the Authority.

SECURITY FOR PAYMENT OF BONDS AND NOTES

General Obligation of the University

Pursuant to the Contract, the University Trustees pledge all funds of the University permitted by law to be applied thereto, to the making of all payments required under the Contract, including without limitation all payments of debt service on bonds or notes issued by the Authority under the Act and the Trust Agreements or other instruments and payments with respect to any Liquidity Facility, Credit Facility or Derivatives. Notwithstanding the foregoing, this pledge does not apply to payments with respect to bonds or notes issued for Specific Revenue Projects under the Facilities Trust Agreement.

Without limiting the generality of the foregoing, the University Trustees, in the name and on behalf of the Commonwealth, pledge to the making of payments required by the Contract the Unrestricted Net Assets, Authority Eligible Gifts, University Eligible Gifts and Trust Funds, each as defined in Exhibit C to the Contract.

Pledge of the University for Bonds and Notes Related to Specific Revenue Projects

Pursuant to the Contract, the University Trustees pledge to the making of all payments required under the Contract with respect to bonds or notes issued for Specific Revenue Projects under the Facilities Trust Agreement, revenues generated from the rates and charges established by the University for such Specific Revenue Project, including amounts which constitute Authority Eligible Gifts, University Eligible Gifts and Trust Funds. Amounts payable under the Contract with respect to Specific Revenue Projects are not secured by the general obligation of the University, including without limitation Unrestricted Net Assets.
General Provisions Related to Pledged Funds

All Revenues collected or received by the Commonwealth or the University, from whatever source, as payment of fees, rents, rates or other charges for the use and occupancy of a Project, including without limitation Revenues from Specific Revenue Projects and from the Unrestricted Net Assets, and needed to pay the Certified Amount shall be held in trust by the University for the Authority and paid to the Authority, as applicable, separate from all other moneys held by the University or the Commonwealth. Such amounts (“Pledged Funds”) shall be applied solely as provided in the Act, the Contract, the Series Resolutions or the Trust Agreements and shall be remitted by the University Trustees to the Bond Trustee under the Trust Agreements or the Authority, as applicable, at such times and in such amounts as may be directed in writing by the Authority in accordance with the Authority’s annual certification process described below under subsection (D) of this Section IV.

Pledged Funds are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to the pledge created by the Contract and the University Trustees shall take all actions necessary to protect and effectuate such pledge provided, however, that nothing in this Section shall be deemed to limit the right of the University Trustees, to the extent permitted by law, to create a pledge, lien or other charge on any or all such Pledged Funds to other Projects and bonds and notes issued for such Projects in accordance with the Contract or on a basis junior and subordinate to the pledge created by the Contract.

The University shall cause to be available in the Unrestricted Net Assets at all times amounts sufficient to pay such portion of the Certified Amount (hereinafter defined) required to be paid therefrom and to provide for any other payments required under the HEFA Financing Agreements.

Authority Certification of Amounts Due under the Contract

On or before March 1 of each year for the twelve-month period commencing the next succeeding November 1, the Authority shall certify in writing to the University Trustees (and provide a copy to the Bond Trustee) the amount estimated for each component of the Projects, detailing (i) the Authority's projected debt service costs and fees and expenses related to the bonds or notes, including without limitation any payments with respect to any Liquidity Facility, Credit Facility or Derivatives, (ii) the Authority's projected operating and administrative costs, (iii) any projected required deposits to reserves, including without limitation the Section 10 Reserve Fund, Capital Improvements Reserve Fund and the General Reserve Fund, (iv) any projected payments to the Commonwealth pursuant to Section 19C of the Act, (v) any additional reserves it may propose to create or augment consistent with the Trust Agreements and (vi) the amount, if any, payable to the University Trustees to reimburse Specific Revenue Project expenses incurred by the University Trustees (collectively, the “Certified Amount”). Such certificate, which may be revised from time to time as necessary, shall state the dates within such period when any portion of the Certified Amount shall be due, the portion of the Certified Amount due on such dates, the payee of such amount and payment instructions, the source of such payments and the amount payable from each source. The Certified Amount shall also detail the fees, rents, rates and other charges proposed for the use of the Projects, which shall be fixed so as to be sufficient, in the aggregate, together with other available moneys, to cover all of the costs and transfers to reserves as aforesaid allocable to the Projects.

University Certification of Unrestricted Net Assets

On or before April 1 of each year, the University shall certify in writing to the Authority whether or not there are sufficient funds in the Unrestricted Net Assets to pay the Certified Amounts and, if so, that such funds will be held in trust in the Unrestricted Net Assets for the equal and ratable benefit of the Authority and each other person or entity for whose benefit amounts will be applied to the payment of amounts required to be paid therefrom and will not be expended for any other purpose. Such funds will be so held and not expended for any other purpose; provided, however, that if any portion of the Certified Amount is paid from University Eligible Gifts, Authority Eligible Gifts, other Authority revenues or Revenues from Specific Revenue Projects, then after any such payment an amount equal to such portion so paid need no longer be held in the Unrestricted Net Assets.
The University Trustees authorize and, pursuant to Chapter 3A of Chapter 75 of the Massachusetts General Laws and other applicable law or resolution, delegate power to the President of the University, the Senior Vice President for Administration and Finance & Treasurer of the University and any such other officer to deliver the certificate described in the preceding paragraph and to do all other acts and things necessary or desirable to cause the University to comply with its obligations under the Contract.

If such certification states that sufficient funds are not available in the Unrestricted Net Assets to pay such amounts, such certification shall state the amount of funds in the Unrestricted Net Assets that are available to pay a portion of such amounts and a ratable portion of such funds in the Unrestricted Net Assets shall be held in trust for the benefit of the Authority to be applied to the payment pro rata of all amounts payable to or for the account of the Authority from the Unrestricted Net Assets. The University will continue to be obligated to pay any portion, or, if applicable, all, of the Certified Amount payable from all funds of the University permitted by law to be applied thereto notwithstanding any shortfall in amounts available in the Unrestricted Net Assets.

If such certification states that sufficient funds are not available in the Unrestricted Net Assets to pay such amounts, or if the Authority has not received such certificate as required by the Contract, the Authority will promptly adopt or revise mandatory fees, rates, rents and other charges for the use of the Projects and any portion thereof to be charged and billed to and collected from students in the University and provide for the billing, collection and remittance of such fees, rates, rents and other charges by the University Trustees at such times and in such manner as to produce moneys sufficient and available to meet the requirements of the Contract. The Authority shall promptly notify the University Trustees in writing of the matters set forth in the foregoing sentence. Pursuant to the Contract, the University Trustees approve, and agree to confirm such approval from time to time, all fees, rates, rents and other charges adopted or revised by the Authority pursuant to this paragraph and agree to cause the same to be billed to and collected from students in the University as the Authority may provide and remitted as the Authority may provide.

Payments from Pledged Funds

The University Trustees on behalf of the University will transfer to the Authority or the Bond Trustees, as applicable, amounts required to pay the Certified Amount (defined in Authority Certification of Amounts Due under the Contract above), including but not limited to the amounts necessary to pay principal of, premium if any, and interest on the bonds and notes issued by the Authority from all funds of the University legally permitted to be applied thereto, including University Eligible Gifts, Authority Eligible Gifts, other available Revenues of the University, including without limitation, amounts available in the University’s Unrestricted Net Assets.

Expenses incurred by the University Trustees in connection with the repair and maintenance of the Projects shall be paid for or reimbursed to the University Trustees from the Pledged Funds. The Authority, in its discretion, may (a) authorize the University Trustees to deduct from the Pledged Funds, prior to remittance thereof to the Bond Trustee, amounts equal to amounts budgeted by the Authority for such expenses, or (b) instruct the University Trustees to certify to the Authority the amount of such expenses, if any, incurred by the University Trustees and not authorized to be deducted, such amounts to be reimbursed to the University Trustees from Pledged Funds transmitted to the Bond Trustee. Expenses during the period for which it was budgeted by the Authority shall be certified to the Authority by the University Trustees within 30 days and shall be retained by the University Trustees and used solely for expenses of repair and maintenance of the Projects. In the event the Authority incurs an expense for repair or maintenance of the Projects, the University Trustees shall remit to the Authority such portion of the Pledged Funds deducted under (a) as is necessary to reimburse the Authority.

DEFAULTS AND RIGHTS

Upon the failure of the Authority to pay debt service on any bond or note issued by the Authority (other than as a result of the failure of the University Trustees under the Contract) or to observe or perform any other agreement or condition under the Contract (or failure to cure the same), after 15 days notice thereof to the Authority by the University Trustees, the Authority shall be deemed to be in default under the Contract. Thereupon, the Commonwealth
may, acting by and through the University Trustees, assume the rights and obligations of the Authority under the Contract until such time as the University Trustees may declare the default to be cured.

Upon the failure of the Authority or the University Trustees to make any payment required under the provisions of the Contract, or to observe any other covenant or requirement imposed by the Contract, the Authority or the University Trustees, as the case may be, shall be deemed in default under the Contract. Thereupon, the Authority or the Trustee may institute legal proceedings to enforce such covenant or requirement or to enforce the pledge and lien granted under the provisions of the Contract and may take such other actions or exercise such other remedies as may be available at law or in equity to enforce the provisions of the Contract, including without limitation and upon agreement of the parties, mediation or arbitration. Without limiting the generality of the foregoing, in the case of an Authority default, the Commonwealth may, acting by and through the University Trustees, assume the rights and obligations of the Authority under the Contract until such time as the University Trustees may declare the default to be cured, and, in the case of the University Trustees default, the Authority may itself undertake to perform such obligations, and may employ such persons or entities and make such expenditures as are reasonably necessary for the performance thereof, until such time as the Authority may declare the default to be cured.

No action by the Authority to enforce the Contract, or any other action of the Authority under the Contract, and no default or breach by the University Trustees, shall in any way affect the obligations of the University Trustees under the Contract. No action by the University Trustees under the Contract, and no default or breach by the Authority, shall in any way affect the obligations of the Commonwealth under the Contract. Whenever a breach of the Contract, whether substantial or otherwise, and whether before or after notice of the breach has been given to the Authority or the University Trustees, has been corrected, the obligations and rights under the Contract shall be reinstated and performance of the Contract shall continue as if such breach had never occurred.

The University Trustees, the University or the Authority may, to the extent authorized by law, act under the Contract or authorize an officer or officers to act in their name thereunder, and the action of any duly authorized officer or committee of the University Trustees, the University or the Authority shall be deemed to be the action of the Commonwealth, acting by and through the University Trustees, the University or the Authority, as the case may be.

No member, officer or employee of the University Trustees or the University shall be individually liable on any obligation assumed by the Commonwealth or the University Trustees under the Contract. No member, officer or employee of the Authority shall be individually liable on any obligation assumed by the Authority under the Contract, and neither the carrying out of a Project nor the ownership of a Project by the Authority shall impose any liability on any such member, officer or employee.

NOTICES AND DEMANDS

Any notice or demand permitted or required under the Contract to be given or served by any of the parties to the Contract to or upon another party to the Contract shall be in writing and shall be signed in the name of the party giving or serving the same. Such notice or demand shall be mailed by registered mail (postage and registry charges prepaid) or served on the President of the University, if such notice is to the Commonwealth or the University Trustees, or otherwise on the Executive Director of the Authority. Notice shall be deemed to have been received at the time of actual service or three days after the date of the mailing by registered mail properly addressed. The principal office of the President of the University shall be deemed to be 225 Franklin Street, 33rd Floor, Boston, Massachusetts 02110 or such other place as the University Trustees may designate by written notice to the Authority. The principal office of the Authority shall be deemed to be 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110 or such other place as the Authority may designate by written notice to the President of the University.

NON-ASSIGNABILITY

The Contract is not assignable except that if by act of the General Court the powers, functions, duties and property of the University or the Authority are transferred to another political subdivision, agency, board, commission, department, authority or institution of the Commonwealth, the rights and obligations of the Contract shall be deemed to have been assigned thereby to such transferee, and provided further that the Authority’s rights to receive moneys under the Contract and to enforce the provisions of the Contract may be assigned to the Bond Trustee.
AMENDMENTS

The Contract may be amended only by the execution of an Amendment in writing by the Authority, the University Trustees and the Commonwealth, acting by and through the University Trustees, or their successors.
PROPOSED FORM OF OPINION OF BOND COUNSEL

MINTZ LEVIN

University of Massachusetts Building Authority
225 Franklin Street, 12th Floor
Boston, MA 02110

Re: University of Massachusetts Building Authority (the “Authority”) Project Revenue Bonds, Senior Series 2015-1 (the “Series 2015-1 Bonds”) and Refunding Revenue Bonds, Senior Series 2015-2 (the “Series 2015-2 Bonds” and together with the Series 2015-1 Bonds, the “Bonds”)

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the Bonds pursuant to (i) Chapter 773 of the Acts of 1960, as amended (the “Act”), (ii) the Trust Agreement dated as of November 1, 2000 (the “Trust Agreement”) between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”), and (iii) the Series Resolution Authorizing the Issuance of the Series 2015-1 Bonds adopted by the Authority on September 16, 2014 (the “2015-1 Series Resolution”) and the Series Resolution Authorizing the Issuance of the Series 2015-2 Bonds adopted by the Authority on September 16, 2014 (the “2015-2 Series Resolution”, and together with the 2015-1 Series Resolution, the “Series Resolutions”). In such capacity, we have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion, including without limitation the Amended and Restated Master Contract for Financial Assistance, Management and Services dated as of February 25, 2014 (the “Contract”), among the Authority, the University of Massachusetts, acting by and through the Board of Trustees (the “University Trustees”), and The Commonwealth of Massachusetts (the “Commonwealth”), acting by and through the University Trustees. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Trust Agreement and the Series Resolutions.

Under the Trust Agreement, the Authority has pledged certain revenues (the “Revenues”) for the payment of the principal of and interest on the Bonds when due.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the Trust Agreement and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon and subject to the foregoing, we are of the opinion that, under existing law:

1. The Authority is validly existing as a body politic and corporate and public instrumentality of the Commonwealth with the power to enter into the Trust Agreement and the Series Resolutions, perform the agreements on its part contained therein and issue the Bonds.
2. The Trust Agreement, the Series Resolutions and the Contract have been duly authorized, executed and delivered by the Authority and constitute valid and binding obligations of the Authority enforceable upon the Authority.

3. The Contract has been duly authorized, executed and delivered by the Commonwealth and constitutes a valid and binding obligation of the Commonwealth enforceable upon the Commonwealth.

4. Pursuant to the Act, the Trust Agreement creates a valid lien on the Revenues and other funds pledged by the Trust Agreement for the security of the Bonds issued thereunder on a parity with other bonds issued under the Trust Agreement.

5. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement. Neither the Commonwealth nor any political subdivision or instrumentality thereof, including the Authority, is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds except from the Revenues and other funds provided therefor as aforesaid in the Trust Agreement and the Series Resolutions, and neither the faith and credit nor the taxing power of the Commonwealth nor of any political subdivision or instrumentality thereof, including the Authority, is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds.

6. Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon the Authority’s compliance with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the date of issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. Interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations but will be included in the “adjusted current earnings” when calculating corporate alternative minimum taxable income under section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

7. Interest on the Bonds, and any profit made on the sale thereof, are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Trust Agreement and the Contract may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,
SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

In the Authority and University Continuing Disclosure Agreement, the University will undertake to provide to the Authority no later than 270 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2015, the annual financial information described below, together with audited financial statements of the University for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the University are not then available, such audited financial statements shall be delivered to the Authority when they become available (but in no event later than 350 days after the end of such fiscal year (the “prior fiscal year”)).

The University’s annual financial statements for each fiscal year will be prepared on an accrual basis in accordance with generally accepted accounting principles as in effect from time to time (or as otherwise may be required or permitted by law) and will consist of a combined balance sheet, a combined statement of changes in net assets and a combined statement of current net assets, revenues, expenses and other changes (or such other items as may be required or permitted by law or by generally accepted accounting principles as in effect from time to time or by other accounting principles as in effect from time to time in accordance with which the financial statements of the University may be prepared). Such financial statements will be audited by a group of certified public accountants appointed by the University. The annual financial information regarding the University to be provided to the Authority shall consist of financial and operating data, in each case updated through the last day of the prior fiscal year unless otherwise noted, relating to the following information in Appendix A – “Letter from the University” to this Official Statement and in each case substantially in the same level of detail as is found under the subheading under such caption referenced in parentheses after each item:

(a) number of full-time equivalent undergraduates and graduates at each campus of the University as of the fall of the prior fiscal year (“University Campuses – Amherst Campus,” “– Boston Campus,” “– Dartmouth Campus,” “– Lowell Campus,” “– Worcester Campus” and “– UMassOnline”);

(b) degrees and programs offered at each campus of the University (“University Campuses – Amherst Campus,” “– Boston Campus,” “– Dartmouth Campus,” “– Lowell Campus,” “– Worcester Campus,” and “– UMassOnline”);

(c) organizations related to the University (“University Related Organizations”);

(d) number and members of the Trustees or other chief governing body of the University and general governmental structure (“Governance – Board of Trustees”);

(e) number of faculty members and the number of full-time faculty members, the percentage of tenured faculty members and the full-time equivalent student to the full-time equivalent faculty ratios for each campus of the University (except the Worcester campus) (“ Governance – Faculty and Staff”);

(f) academic programs (to the extent not covered under (b) above) and accreditation (“Academic Programs and Accreditation”);

(g) applicants, acceptances and matriculations each fall on a five-year comparative basis through the fall of the prior fiscal year for first year applicants and transfer students and opening fall head count enrollment for each campus shown on a five-year comparative basis through the fall of the prior fiscal year and total head count enrollment and total full-time equivalent enrollment shown on a five-year comparative basis (“Enrollment”).
The Authority and University Continuing Disclosure Agreement also requires the Authority to transmit the financial statements of the University and the annual financial information regarding the University to the MSRB through its EMMA system promptly upon the receipt thereof from the University and will give notice to EMMA of any failure by the University to provide such financial statements or annual financial information by the dates set forth in the Authority and University Continuing Disclosure Agreement.

In the Authority and University Continuing Disclosure Agreement, the Authority will undertake to provide to EMMA no later than 270 days after the end of each fiscal year of the Authority, commencing with the fiscal year ending June 30, 2015, the annual financial information described below, together with audited financial statements of the Authority for such fiscal year if audited financial

(h) tuition and fees shown on a five-year comparative basis through the prior fiscal year for each campus of the University (“Tuition and Fees”);

(i) student financial aid amounts (“Tuition and Fees – Student Financial Aid”);

(j) sources of revenues of the University (“University Revenues and Budgeting – Budget Process”);

(k) modifications to the University’s five-year capital plan and status of completion of the University’s five-year capital plan (“Current and Future Capital Plans”);

(l) modifications to the budget process (“University Revenues and Budgeting – Budget Process”);

(m) management of appropriated funds, including appropriations received by the University shown on a five-year comparative basis and management of non-appropriated funds (“University Revenues and Budgeting – Appropriated Funds” and “– Management of Non-Appropriated Funds”);

(n) combined statement of revenues and expenses, including current fund revenues and expenditures and other changes (accrual basis) on a five-year comparative basis through the prior fiscal year (“Summary of Operations” and “Summary of Financial Results, Fiscal Years 2010 Through 2012”);

(o) University and Foundation endowment assets shown on a five-year comparative basis (“Endowment and Fundraising”);

(p) indebtedness of the University (“Indebtedness of the University”);

(q) unrestricted net assets (formerly expendable fund balances) (“Indebtedness of the University – Unrestricted Net Assets”);

(r) additional indebtedness (“Indebtedness of the University – Additional Indebtedness”);

(s) capitalized leases (“Indebtedness of the University – Capitalized Leases”);

(t) insurance (“Insurance”);

(u) technological initiatives (“Technological Initiatives”);

(v) litigation (“Litigation”) and

(w) employee relations (“Employee Relations”).
statement are then available; provided, however, that if audited financial statements of the Authority are not then available, such audited financial statements shall be delivered to the MSRB via EMMA when they become available (but in no event later than 350 days after the end of such fiscal year (the “prior fiscal year of the Authority”)). The Authority’s annual financial statements for each fiscal year will be prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles as in effect from time to time (or as otherwise may be required or permitted by law) and will consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows (or such other items as may be required or permitted by law or by accounting principles as in effect from time to time in accordance with which the financial statements of the Authority may be prepared). Such financial statements will be audited by a group of certified public accountants appointed by the Authority. The annual financial information to be provided by the Authority shall consist of financial and operating data, updated through the last day of the prior fiscal year of the Authority unless otherwise noted, relating to the following information contained in this Official Statement and substantially in the same level of detail as is found in the section of this Official Statement referenced in parentheses after each item:

(x) any material change in the provisions of the Contract (“Security and Sources of Payment for the Bonds – Contract” and “– Pledge of Revenues under the Project Trust Agreement”);

(y) annual debt service requirements on the Series 2015-1 Bonds and the Series 2015-2 Bonds (the “Bonds”) (“Security and Sources of Payment for the Bonds – Annual Debt Service Requirements”);

(z) any material change in the Enabling Act or other law of the Commonwealth with respect to the Authority (“The Authority – General”);

(aa) members, officers and staff of the Authority (“The Authority – Members, Officers and Staff”); and

(bb) any amendment to the Project Trust Agreement made with the consent of the registered owners of the Bonds and any other amendment to the Project Trust Agreement which, in the opinion of the firm of attorneys serving as bond counsel to the Authority at the time the Authority submits the information required by the University and Authority Continuing Disclosure Agreement, is material to the interests of the registered owners of Bonds (“Appendix D – Summary of Legal Documents”).

The Authority and University Continuing Disclosure Agreement will also require the Authority to submit in a timely manner, not in excess of ten business days of the event, to the MSRB via EMMA, notice of any of the following events with respect to the Bonds, as applicable:

(cc) principal and interest payment delinquencies;

(dd) non-payment related defaults;

(ee) unscheduled draws on debt service reserves reflecting financial difficulties;

(ff) unscheduled draws on credit enhancements, if any, reflecting financial difficulties;

(gg) substitution of credit or liquidity providers, if any, or their failure to perform;

(hh) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; or events affecting the tax-exempt status of the Bonds;
(ii) modifications to rights of holders of the Bonds, if material;

(jj) bond calls, if material, and tender offers;

(kk) defeasances;

(ll) release, substitution or sale of property, if any, securing payment of the Bonds, if material;

(mm) rating changes;

(nn) bankruptcy, insolvency, receivership or similar event of the Authority (For the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer of the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the Authority);

(oo) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(pp) appointment of a successor or additional trustee or the change of name of a trustee, if material.

To the extent permitted by law, the provisions of the Authority and University Continuing Disclosure Agreement shall be enforceable against the University with respect to the obligations of the University thereunder, and against the Authority with respect to the obligations of the Authority thereunder, in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the University or the Authority, as the case may be). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the University or the Authority, as applicable, and to compel the University or the Authority as applicable, and any of the officers, agents or employees of, as applicable, the University or the Authority, to perform and carry out their duties under such provisions of the Authority and University Continuing Disclosure Agreement; provided, however, that the sole remedy for a violation of the Authority and University Continuing Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the University or the Authority, as applicable, under the Authority and University Continuing Disclosure Agreement and shall not include any rights to monetary damages. The Authority and University Continuing Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first.

The Authority and University Continuing Disclosure Agreement may be amended, changed or modified by the parties thereto, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add a dissemination
agent for the information required to be provided pursuant to the Authority and University Continuing Disclosure Agreement by the University or the Authority and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the University or the Authority for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information of the University or the Authority from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the duties of the University or the Authority in the Authority and University Continuing Disclosure Agreement in a manner consistent to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the duties of the University or the Authority, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the University or the Authority (such as the firm serving at the time as bond counsel to the Authority) or by the vote or consent of the Registered Owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment, which consent shall be obtained as provided in the Trust Agreement with respect to consents of Registered Owners. Any amendment, change or modification to the Authority and University Continuing Disclosure Agreement shall be in writing.

If the Authority and University Continuing Disclosure Agreement is amended with respect to the annual financial information to be submitted by the Authority or the University thereunder, the annual financial information containing the amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information being provided. If the Authority and University Continuing Disclosure Agreement is amended with respect to the accounting principles to be followed in preparing financial statements of the University or the Authority, the annual financial information of the University or the Authority as applicable, for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and the financial statements or information prepared on the basis of the former accounting principles. Such comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the University or the Authority, as applicable, to meet its obligations with respect to the Bonds. To the extent reasonably feasible, the comparison will also be quantitative. The University will give notice of any change in its accounting principles to the Authority as promptly as practicable after such change has been determined and the Authority will submit such information to EMMA promptly upon the receipt thereof. The Authority will give notice of any change in its accounting principles to the MSRB via EMMA as promptly as practicable after such change has been determined.
BOOK-ENTRY ONLY SYSTEM

DTC

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each stated maturity of each Series of the Bonds, in the aggregate principal amount of the applicable stated maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Participants” or “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

No Responsibility of the Authority or the Trustee

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority and the Trustee. In addition, the Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Bonds. If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the holder of such Bond. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of the Bonds may be registered on the books maintained by the Trustee for such purpose only upon the assignment in the form satisfactory to the Trustee. For every exchange or registration of transfer of the Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the holder of such Bond for any exchange or registration of transfer of the Bonds. The Trustee will not be required to transfer or exchange the Bonds during the notice period preceding any redemption if such Bonds (or any part thereof) are eligible to be selected or have been selected for redemption.
### APPENDIX H

**REFUNDED BONDS**

Massachusetts Health and Educational Facilities Authority Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007)

<table>
<thead>
<tr>
<th>Maturity or Sinking Fund Installment (October 1)</th>
<th>Interest Rate</th>
<th>Par Amount (Thousands)</th>
<th>Redemption Date</th>
<th>Redemption Price</th>
<th>CUSIP†</th>
</tr>
</thead>
<tbody>
<tr>
<td>2032</td>
<td>4.75%</td>
<td>$4,325,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTW5</td>
</tr>
<tr>
<td>2033</td>
<td>4.75</td>
<td>4,530,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTW5</td>
</tr>
<tr>
<td>2034</td>
<td>4.75</td>
<td>4,750,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTW5</td>
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<tr>
<td>2035</td>
<td>4.75</td>
<td>4,975,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTW5</td>
</tr>
<tr>
<td>2036</td>
<td>4.75</td>
<td>5,210,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTW5</td>
</tr>
<tr>
<td>2017</td>
<td>5.00</td>
<td>2,130,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CSZ9</td>
</tr>
<tr>
<td>2018</td>
<td>5.00</td>
<td>2,235,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTB1</td>
</tr>
<tr>
<td>2019</td>
<td>5.00</td>
<td>2,350,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTD7</td>
</tr>
<tr>
<td>2020</td>
<td>5.00</td>
<td>2,465,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTF2</td>
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<tr>
<td>2021</td>
<td>5.00</td>
<td>2,590,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CH8</td>
</tr>
<tr>
<td>2022</td>
<td>4.35</td>
<td>2,720,000</td>
<td>October 1, 2016</td>
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<td>57586CTK1</td>
</tr>
<tr>
<td>2023</td>
<td>4.40</td>
<td>2,840,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTM7</td>
</tr>
<tr>
<td>2024</td>
<td>4.40</td>
<td>2,960,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTP0</td>
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<tr>
<td>2025</td>
<td>4.40</td>
<td>3,095,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTR6</td>
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<tr>
<td>2026</td>
<td>5.00</td>
<td>3,230,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTT2</td>
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<td>2027</td>
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<td>2028</td>
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<td>2029</td>
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<td>October 1, 2016</td>
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</tr>
<tr>
<td>2030</td>
<td>5.00</td>
<td>3,925,000</td>
<td>October 1, 2016</td>
<td>100%</td>
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<tr>
<td>2031</td>
<td>5.00</td>
<td>4,120,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CTV7</td>
</tr>
</tbody>
</table>

† CUSIP numbers are included solely for convenience. The Authority is not responsible for the selection or uses of the CUSIP numbers. The Authority makes no representation about the correctness of the numbers.
Massachusetts Health and Educational Facilities Authority Revenue Bonds,
Worcester City Campus Corporation Issue (University of Massachusetts Project),
Series F (2007)

<table>
<thead>
<tr>
<th>Maturity or Sinking Fund Installment (October 1)</th>
<th>Interest Rate</th>
<th>Par Amount</th>
<th>Redemption Date</th>
<th>Redemption Price</th>
<th>CUSIP†</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.25%</td>
<td>$870,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CUS2</td>
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<tr>
<td>2019</td>
<td>4.25</td>
<td>910,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CU0T</td>
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<tr>
<td>2020</td>
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<td>950,000</td>
<td>October 1, 2016</td>
<td>100%</td>
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<td>October 1, 2016</td>
<td>100%</td>
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<td>2022</td>
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<td>1,680,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CVJ1</td>
</tr>
<tr>
<td>2023</td>
<td>4.75</td>
<td>1,760,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CVJ1</td>
</tr>
<tr>
<td>2024</td>
<td>4.75</td>
<td>1,845,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CVJ1</td>
</tr>
<tr>
<td>2025</td>
<td>4.75</td>
<td>1,930,000</td>
<td>October 1, 2016</td>
<td>100%</td>
<td>57586CVJ1</td>
</tr>
<tr>
<td>2026</td>
<td>4.75</td>
<td>2,025,000</td>
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University of Massachusetts Building Authority Project Revenue Bonds,
Senior Series 2008-2

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<th>Redemption Price</th>
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† CUSIP numbers are included solely for convenience. The Authority is not responsible for the selection or uses of the CUSIP numbers. The Authority makes no representation about the correctness of the numbers.
University of Massachusetts Building Authority Project Revenue Bonds,
Senior Series 2009-1

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