



STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF HUMAN SERVICES
DIVISION OF CLIENT SERVICES

Nicholas A. Toumpas
Commissioner

Carol E. Sideris
Director

129 PLEASANT STREET, CONCORD, NH 03301
603-271-4344 1-800-852-3345 Ext. 4344
Fax: 603-271-4365 TDD Access: 1-800-735-2964 www.dhhs.nh.gov

April 29, 2013

75% federal
25% general

sole source

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services, Division of Community Based Cares Services to amend an existing **Sole Source** agreement with the University of Massachusetts Medical School (Vendor Code 177576), 100 Century Drive, Worcester, MA 01660 to provide disability determination services, by increasing the price limitation by \$411,950 from \$411,950 to \$823,900 and by extending the completion date from June 30, 2013 to June 30, 2014, to be effective July 1, 2013 or date of Governor and Council approval, whichever is later. Governor and Executive Council approved the original agreement on June 20, 2012 (Item #77).

Funds to support this request are anticipated to be available in the following account in SFY 2014 upon the availability and continued appropriation of funds in the future operating budgets, with authority to adjust amounts within the price limitation and amend the related terms of the contract without further approval from Governor and Executive Council.

05-95-95-958110-5193 HEALTH AND SOCIAL SERVICES, DEPT. OF HEALTH AND HUMAN SERVICES, HHS: COMMISSIONER, DCBCS DISABILITY DETERMINATION UNIT, MEDICAL

Class/Account	Title	State Fiscal Year	Current Modified Budget	Increase (Decrease) Amount	Revised Modified Budget
046-500462	Consultants	2013	\$411,950.00	0.00	\$411,950.00
046-500462	Consultants	2014	0.00	0.00	0.00
Subtotal			\$411,950.00	0.00	\$411,950.00

05-95-45-451010-79970000 HEALTH AND SOCIAL SERVICES, DEPT. OF HEALTH AND HUMAN SERVICES, HHS: COMMISSIONER, DCBCS DISABILITY DETERMINATION UNIT, MEDICAL

Class/Account	Title	State Fiscal Year	Current Modified Budget	Increase (Decrease) Amount	Revised Modified Budget
046-500462	Consultants	2014	0.00	\$411,950.00	\$411,950.00
Total			\$411,950.00	\$411,950.00	\$823,900.00

EXPLANATION

This request is being submitted to amend an existing **sole source** contract to ensure the State of New Hampshire remains in compliance with federal requirements surrounding Medicaid disability eligibility determination timeframes. The Department is releasing a Request for Proposals (RFP) for these services, but will not receive responses or be able to make an award prior to the current contract expiration date. Continuity of service provision is critical to meeting the compliance criteria established by the Federal Centers for Medicare and Medicaid Services.

The Division of Client Services, Disability Determination Unit is responsible for determining the medical component an applicant must meet for disability requirements in order to receive Medicaid Benefits. The Disability Determination Unit is authorized to evaluate applicants for Aid to the Permanently and Totally Disabled, Aid to the Needy Blind, Medicaid for Employed Adults with Disabilities, and Home Care for Children with Severe Disabilities. The Federal Centers for Medicare and Medicaid Services requires appropriate medical consultants to be available in order to complete these medical determinations. Federal law also requires that decisions about a person's Medicaid eligibility be made within 90 days.

Funding for this agreement will be used to provide disability determination services for the Aid to Permanently and Totally Disabled and Medicaid for Employed Adults With Disabilities populations. The disability determination services consist of medical file reviews and the completion of a Medical Eligibility Review Summary (MERS)/5-step Sequential Evaluation Process in concert with the Disability Determination Unit.

Over 7,000 applications for disability are received each year. To manage this quantity of reviews given department resource constraints, the Disability Determination Unit has chosen to utilize contracted medical consultants. This was determined to be in the best interest of the State based upon access to enhanced Federal matching funds when using this contracting method.

In accordance with Section 1903(a)(2) of the Social Security Act, the Department of Health and Human Services, as the State Medicaid agency, can receive Federal matching funds at an enhanced rate of 75 percent reimbursement when services are contracted with a public agency. The University of Massachusetts Medical School is a public agency. Authorization of this agreement extension will continue to allow for 75 percent reimbursement rather than the standard 50 percent reimbursement for services contracted with a non-public agency.

The University of Massachusetts Medical School Disability Evaluation Services Unit (Umass DES) was selected through a competitive bid process. The Request for Proposals was posted on the Department of Health and Human Services website from May 7, 2012 to May 18, 2012. Three proposals were submitted for consideration and the evaluation committee selected the University of Massachusetts Medical School Disability Evaluation Services Unit for the award.

Performance metrics are included in the scope of this contract and include timely completion of decisions to ensure federal compliance and the quality of the reviews performed. Case decisions are measured for quality, accuracy, and completeness based upon quarterly random sampling of completed cases. The contractor has met or exceeded performance criteria during the contract period.

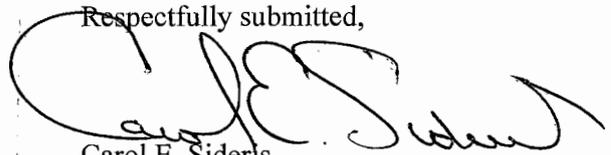
Should Governor and Executive Council not approve this request the Disability Determination Unit will not have sufficient clinical staff to make medical disability decisions within the 90 days as mandated by federal and state regulations. This could subject the Department to legal action for noncompliance, as has happened in the past.

Geographic area served: Statewide

Source of Funds: 75% federal funds and 25% general funds.

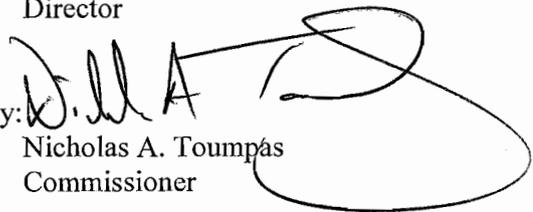
In the event that Federal Funds become no longer available, General Funds will not be requested to support this program.

Respectfully submitted,



Carol E. Sideris
Director

Approved by:



Nicholas A. Toumpas
Commissioner

New Hampshire Department of Health and Human Services- Disability Determination Services Contract Amendment



**State of New Hampshire
Department of Health and Human Services
Amendment #1 to the Disability Determination Services Contract**

This 1st Amendment to the Disability Determination Services Contract (hereinafter referred to as "Amendment #1") dated this 10th day of April 2013, is by and between the State of New Hampshire, Department of Health and Human Services (hereinafter referred to as the "State" or "Department") and University of Massachusetts Medical School (hereinafter referred to as "the Contractor"), with a place of business at 100 Century Drive, Worcester, MA 01660.

WHEREAS, pursuant to an agreement (the "Contract") approved by the Governor and Executive Council on June 20, 2012 (Item #77), the Contractor agreed to perform certain services based upon the terms and conditions specified in the Contract as amended and in consideration of certain sums specified; and

WHEREAS, the State and the Contractor have agreed to make changes to the scope of work, payment schedules and terms and conditions of the contract; and

WHEREAS, pursuant to the General Provisions, Paragraph 18, the State may, amend the agreement after approval of such amendment by the Governor and Executive Council; and

WHEREAS, the State and the Contractor have agreed that a one-year extension of the contract is agreeable to the parties;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained in the Contract and set forth herein, the parties hereto agree as follows:

To amend as follows:

- Form P-37, Item 1.7, Completion Date, shall be amended to read "June 30, 2014";
- Form P-37, Item 1.8, Price Limitation, shall be amended to read "\$823,900";
- Exhibit A, Scope of Services, Contract Period, shall be amended to read "7/1/2012 to 6/30/14";
- Exhibit B, Methods and Conditions of Payment, Item 1, Contract Price, shall be amended to read "\$823,900";
- Exhibit B, Methods and Conditions of Payment, Item 1, Payments, shall be amended to read "during FY 2014";
- Standard Exhibit D, Item B, Period Covered by this Certification, shall be amended to read "To: 6/30/14";
- Exhibit E, Certification Regarding Lobbying, Contract Period, shall be amended to read "through 6/30/14";

Except as specifically amended and modified by the terms and conditions of this Amendment, the Agreement, and the obligations of the parties there under, shall remain in full force and effect in accordance with the terms and conditions set forth herein.

New Hampshire Department of Health and Human Services- Disability Determination Services Contract Amendment



This amendment shall be effective upon the date of Governor and Executive Council approval.

IN WITNESS WHEREOF, the parties have set their hands as of the date written below,

5/9/13
Date

State of New Hampshire
Department of Health and Human Services

Nicholas A. Toumpas
Nicholas A. Toumpas
Commissioner

4/25/13
Date

University of Massachusetts Medical School

Joseph A. Murphy
Name: JOSEPH A. MURPHY
Title: Ex. Vice Chancellor
UMASS WORCESTER.

Acknowledgement:

State of Massachusetts County of Worcester on 4/25/13, before the undersigned officer, personally appeared the person identified above, or satisfactorily proven to be the person whose name is signed above, and acknowledged that s/he executed this document in the capacity indicated above.

Signature of Notary Public or Justice of the Peace

Erin M. Segal
Name and Title of Notary or Justice of the Peace



ERIN M. SEGAL
Notary Public
Commonwealth of Massachusetts
My Commission Expires
April 4, 2014

[Signature]
Date: 4/25/13

New Hampshire Department of Health and Human Services- Disability Determination Services Contract Amendment



The preceding Amendment, having been reviewed by this office, is approved as to form, substance, and execution.

OFFICE OF THE ATTORNEY GENERAL

3 May 2013
Date

Jeannette Herrick
Name: Jeannette P. Herrick
Title: Attorney

I hereby certify that the foregoing Amendment was approved by the Governor and Executive Council of the State of New Hampshire at the Meeting on: _____ (date of meeting)

OFFICE OF THE SECRETARY OF STATE

Date

Name:
Title:

Contractor Initials: *JLH*
Date: 4/25/13



BUDGET

Contract Period: July 1, 2013-June 30, 2014

Contractor: **University of Massachusetts Medical School**

Services: **Disability Determination Services**

Cost per Case: \$275

Total Number of Cases: 1,498

Price limitation: \$411,950.00

Case cost shall be all-inclusive. The contractor is responsible for all costs associated with case reviews including but not limited to: personnel, communications charges, supplies, postage, and transportation of records.

**EXTRACT FROM THE RECORDS OF
UNIVERSITY OF MASSACHUSETTS**

Granting Authority to Execute Contracts and All Other Instruments

I, Zunilka Barrett, Secretary of the Board of Trustees of the University of Massachusetts, do hereby certify that the following is a true and complete copy of a vote duly adopted by the Board of Trustees of the University of Massachusetts at a meeting duly called and held on the fifth day of February, nineteen hundred and ninety-seven at the University of Massachusetts, Chancellor's Conference Room, Boston, Massachusetts:

“Further, to affirm that, except as to matters governed by the University of Massachusetts Intellectual Property Policy (Doc. T96-040), the Treasurer of the University of Massachusetts or his designee shall be the sole contracting officer of the University with the Authority to execute all contract, grants, restricted gifts (excluding endowments), and amendments thereto for sponsored programs in instruction, research, or public service, unless and until otherwise voted by the Board of Trustees.”

I further certify that the Senior Vice President for Administration & Finance and Treasurer of the University, Christine M. Wilda, has retained the right to remain the sole contracting officer of the University of Massachusetts, but in her absence, she has designated Philip J. Marquis, Assistant Vice President for Central Administrative Services and Associate Treasurer.

I further certify that effective March 1, 2013, the following is a list of designated individuals authorized in accordance with the afore referenced votes to review and execute all grants and contracts for sponsored programs in instruction, research and public service that are applicable to and received on behalf of the University of Massachusetts for their respective campuses.

Amherst Campus

Kumble R. Subbaswamy, Chancellor, Amherst Campus, Amherst, Massachusetts,
John Dubach, Deputy Chancellor, Amherst Campus, Amherst, Massachusetts,
Michael Malone, Vice Chancellor, Amherst Campus, Amherst, Massachusetts,
Carol P. Sprague, Director of the Office of Grants and Contracts Administration, Amherst Campus, Amherst, Massachusetts,
Jennifer A. Donais, Director of Research Compliance, Amherst Campus, Amherst, Massachusetts,
Theresa W. Girardi, Assistant Director, Amherst Campus, Amherst, Massachusetts,
Nancy E. Stewart, Assistant Director, Amherst Campus, Amherst, Massachusetts,
James B. Ayres, Assistant Director, Amherst Campus, Amherst, Massachusetts,
Laura J. Howard, Associate Director, Division of Continuing Education, Amherst Campus, Amherst, Massachusetts

Boston Campus

J. Keith Motley, Chancellor, Boston Campus, Boston, Massachusetts,
Ellen M. O'Connor, Vice Chancellor for Administration & Finance, Boston Campus, Boston, Massachusetts,
Winston Langley, Provost & Vice Chancellor for Academic Affairs, Boston Campus, Boston, Massachusetts,

Zong-Guo Xia, Vice Provost for Research and Strategic Initiatives, Boston Campus, Boston, Massachusetts,

Matthew L. Meyer, Associate Vice Provost for Research and Director of the Office of Research & Sponsored Programs, Boston Campus, Boston, Massachusetts,

Paul M. Mullane, Deputy Director of the Office of Research and Sponsored Programs, Boston Campus, Boston, Massachusetts

Dartmouth Campus

Divina Grossman, Chancellor, Dartmouth Campus, Dartmouth, Massachusetts,

Alex J. Fowler, Provost & Vice Chancellor for Academic & Student Affairs, Dartmouth Campus, Dartmouth, Massachusetts,

Deborah McLaughlin, Chief Operating Officer & Vice Chancellor for Administrative and Fiscal Services, Dartmouth Campus, Dartmouth, Massachusetts,

Marilyn Scudellari-Presto, Associate Vice Chancellor for Financial Services, Administration & Finance, Dartmouth Campus, Dartmouth, Massachusetts,

Tesfay Meressi, Associate Provost for Graduate Studies & Research Development, Dartmouth Campus, Dartmouth, Massachusetts,

Michelle M. Plaud, Manager of Pre and Post Award Administration, Dartmouth Campus, Dartmouth, Massachusetts,

Lowell Campus

Martin T. Meehan, Chancellor, Lowell Campus, Lowell, Massachusetts,

Joanne Yestramski, Vice Chancellor for Administration, Finance, Facilities & Technology, Lowell Campus, Lowell, Massachusetts,

Jacqueline F. Moloney, Executive Vice Chancellor, Lowell Campus, Lowell, Massachusetts,

Ahmed Abdelal, Provost, Lowell Campus, Lowell, Massachusetts,

Steven O'Riordan, Associate Vice Chancellor for Financial Services, Lowell Campus, Lowell, Massachusetts,

Linda Concino, Proposal Development Manager, Lowell Campus, Lowell, Massachusetts,

Julie Chen, Interim Vice Provost for Research, Lowell Campus, Lowell, Massachusetts,

President's Office

Tom Chmura, Vice President for Economic Development, President's Office, Boston, Massachusetts,

Lynn Griesemer, Associate Vice President for Economic Development and Executive Director for the Donahue Institute, President's Office, Boston, Massachusetts,

Eric Heller, Deputy Director for the Donahue Institute, President's Office, Boston, Massachusetts,

Worcester

Michael F. Collins, MD, Chancellor, University of Massachusetts Medical School, Worcester, Massachusetts,

Robert Jenal, Executive Vice Chancellor for Administration & Finance, University of Massachusetts Medical School, Worcester, Massachusetts,

Joyce A. Murphy, Executive Vice Chancellor for Commonwealth Medicine, University of Massachusetts Medical School, Worcester, Massachusetts,

Nancy E. Vasil, Associate Vice Chancellor for Administration & Finance, University of Massachusetts Medical School, Worcester, Massachusetts,

Margaret L. Johnson, Director, Office of Clinical Research, University of Massachusetts Medical School, Worcester, Massachusetts,

Bethanne Giehl, Assistant Director of Research Funding, University of Massachusetts Medical School, Worcester, Massachusetts,

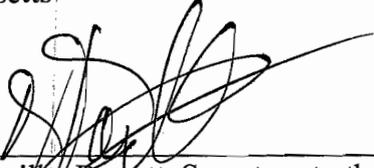
Gina Shaughnessy, Assistant Director of Contracts, University of Massachusetts Medical School, Worcester, Massachusetts,

Bhavna Bhatia, Grants Administrator III, University of Massachusetts Medical School, Worcester, Massachusetts,

Diego R. Vazquez, Assistant Vice Provost for Research Funding Services, University of Massachusetts Medical School, Worcester, Massachusetts

I further certify that Christine M. Wilda, Philip J. Marquis, Kumble R. Subbaswamy, John Dubach, Michael Malone, Carol P. Sprague, Jennifer A. Donais, Theresa W. Girardi, Nancy E. Stewart, James B. Ayres, Laura J. Howard, J. Keith Motley, Ellen M. O'Connor, Winston Langley, Zong-Guo Xia, Matthew L. Meyer, Paul M. Mullane, Divina Grossman, Alex J. Fowler, Deborah McLaughlin, Marilyn Scudellari-Presto, Tesfay Meressi, Michelle M. Plaud, Martin T. Meehan, Joanne Yestramski, Jacqueline F. Moloney, Ahmed Abdelal, Steven O'Riordan, Linda Concino, Julie Chen, Tom Chmura, Lynn Griesemer, Eric Heller, Michael F. Collins, MD, Robert Jenal, Joyce A. Murphy, Nancy E. Vasil, Margaret L. Johnson, Bethanne Giehl, Gina Shaughnessy, Bhavna Bhatia and Diego R. Vazquez are members of the University Administration with its principal office located at 333 South Street, Shrewsbury, County of Worcester, in the Commonwealth of Massachusetts.

Date: 4/25/13



Zunilka Barrett, Secretary to the
Board of Trustees



CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)
05/16/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Aon Risk Services Northeast, Inc. Providence RI Office 100 Westminster Street, 10th Floor Providence RI 02903-2393 USA	CONTACT NAME: PHONE (A/C. No. Ext): (866) 283-7122 FAX (A/C. No.): (847) 953-5390		
	E-MAIL ADDRESS:		
INSURED University of Massachusetts 333 South Street Suite 450 Shrewsbury MA 01545 USA	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A: Lexington Insurance Company		19437
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		

COVERAGES **CERTIFICATE NUMBER:** 570049933939 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. **Limits shown are as requested**

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC			004055483 SIR applies per policy terms & conditions	05/01/2013	05/01/2014	EACH OCCURRENCE \$2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$4,000,000 PRODUCTS - COM/OP AGG \$4,000,000 SIR \$100,000
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION						EACH OCCURRENCE AGGREGATE
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N	N/A			WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE-EA EMPLOYEE E.L. DISEASE-POLICY LIMIT

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 RE: Amendment No.1 to the Disability Determination Services Contract between the State of NH and UMMS (DES) for the contract period, amended to 07/1/12 through 06/30/14, Date (s) of Event: 5/1/2013-6/30/2014. State of New Hampshire Department of Health & Human Services is included as Additional Insured in accordance with the policy provisions of the General Liability Policy.

CERTIFICATE HOLDER State of New Hampshire Department of Health & Human Services 129 Pleasant Street Concord NH 03301 USA	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE <i>Aon Risk Services Northeast, Inc.</i>
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Holder Identifier :

Certificate No : 570049933939



April 18, 2013

To Whom It May Concern:

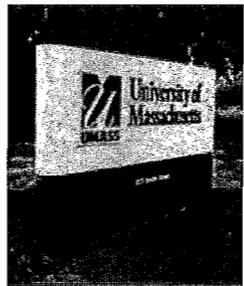
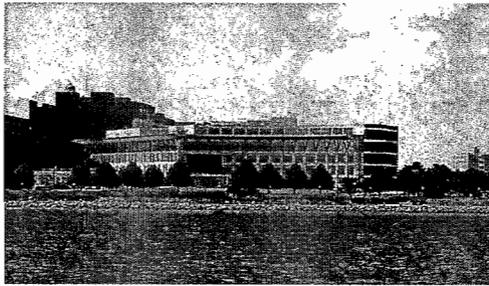
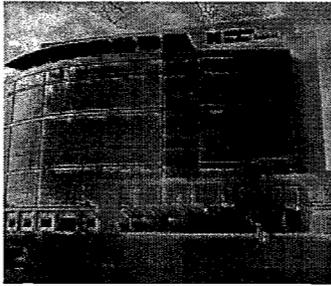
The University of Massachusetts, as an entity of the Commonwealth of Massachusetts, is self-insured for Worker's Compensation in accordance with Chapter 152 of the Massachusetts General Laws.

If you have any questions or concerns please contact me at 774-455-7575. Thank you.

Sincerely,

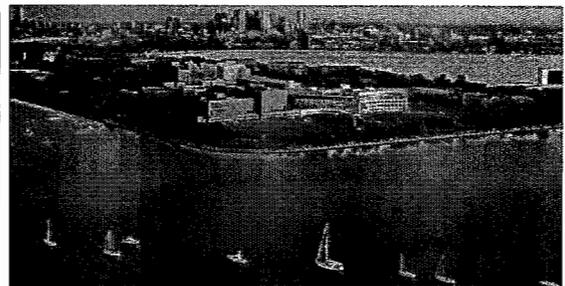
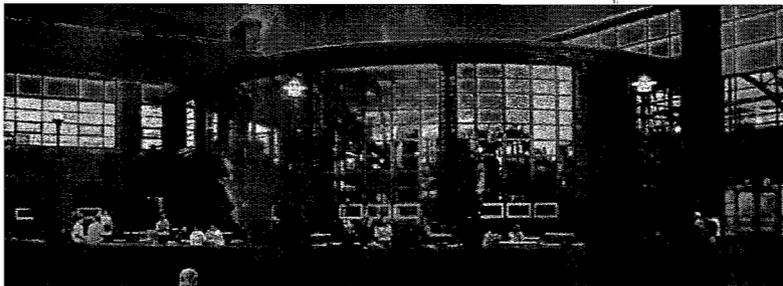
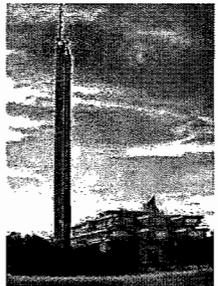
A handwritten signature in black ink, appearing to read 'M Wamback', with a long horizontal flourish extending to the right.

Matthew Wamback
Senior Insurance Analyst



Annual Financial Report

June 30, 2012



UNIVERSITY OF MASSACHUSETTS

Amherst • Boston • Dartmouth • Lowell • Worcester

University Administration

As of October 17, 2012

Board of Trustees:

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Lawrence M. Carpman, Marshfield, MA
Edward W. Collins, Jr., Springfield, MA
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Alyce J. Lee, Milton, MA
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Victor Woolridge, Springfield, MA
Margaret D. Xifaras, J.D., Marion, MA

Jennifer Healy, (UMass Amherst Student Trustee), Bellingham, MA
(Voting Student)
Alexis Marvel, (UMass Boston Student Trustee), East Taunton, MA
(Non-Voting Student)
Joshus Encarnacion, (UMass Dartmouth Student Trustee), Springfield, MA
(Non-Voting Student)
Phillip J. Geoffroy, (UMass Lowell Student Trustee), Chelmsford, MA
(Non-Voting Student)
Brian Quattrochi, (UMass Worcester Student Trustee), Worcester, MA
(Voting Student)

Officers of the University:

Robert L. Caret, Ph.D., President
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
Marcellette G. Williams, Ph.D., Senior Vice President for Academic Affairs and International Relations
Barbara F. DeVico, Secretary to the Board of Trustees



December 19, 2012

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, 2012. 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, 2012 including comparative information as of June 30, 2011.

The University's net assets increased \$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 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 2012, the University met or exceeded its targets for all five indicators. Overall, the University made important progress in fiscal 2012 toward the achievement of its long-term financial objectives of growth and stability.

Respectfully submitted,

A handwritten signature in black ink that reads "Christine M. Wilda".

Christine M. Wilda
Senior Vice President for Administration and
Finance & Treasurer

A handwritten signature in black ink that reads "Sarah B. Mongeau".

Sarah B. Mongeau
Acting University Controller

University of Massachusetts
2012 Annual Financial Report
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Grant Thornton

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Report of Independent Certified Public Accountants

Board of Trustees of the
University of Massachusetts

Grant Thornton LLP
226 Causeway Street, 6th Floor
Boston, MA 02114-2155

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F 617.723.3640
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

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, 2012 and 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. 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 established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the 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 as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 established by the American Institute of Certified Public Accountants. 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 financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

Boston, Massachusetts
December 19, 2012

**University of Massachusetts
Management's Discussion and Analysis (unaudited)
June 30, 2012**

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, 2012 with comparative information as of June 30, 2011 and June 30, 2010. 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 2011, the University enrolled approximately 59,480 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 assets increased \$248.0 million from \$2.14 billion in fiscal year 2011 to \$2.39 billion in fiscal year 2012. Net Assets at June 30, 2010 were \$1.97 billion. 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. From fiscal year 2011 to fiscal year 2012, the University's operating revenue declined by \$173.6 million and operating expenditures declined by \$199.2 million. The corresponding decline in both operating revenue and expenditure is primarily due to the 2011 sale of MedMetrics Health Partners ("MHP") which was a wholly-owned subsidiary of U Health Solutions, Inc. (formerly Public Sector Partners) which is a wholly owned subsidiary of Worcester City Campus Corporation which, in turn is a unit of the Medical School.

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 Assets, Statement of Revenues, Expenses and Changes in Net Assets 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 assets (the difference between assets and liabilities) are one indicator of the University's financial health. Over time, increases or decreases in net assets 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 assets includes all assets and liabilities 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 received, regardless of when cash is exchanged. Net assets are 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 assets are reported as restricted when constraints are imposed by third parties, such as donors or enabling legislation. Restricted net assets are 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 assets 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 state aid, 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

University of Massachusetts				
Condensed Statement of Net Assets				
As of June 30, 2012, 2011 and 2010				
(in thousands of dollars)				
	University June 30, 2012	University June 30, 2011	FY11-12 Change	University June 30, 2010
ASSETS				
Current Assets	\$617,093	\$581,207	\$35,886	\$554,377
Noncurrent Assets				
Investment In Plant Net of Accumulated Depreciation	3,098,186	2,582,651	515,535	2,324,392
All other noncurrent assets	1,594,140	1,862,508	(268,368)	1,476,628
Total Assets	\$5,309,419	\$5,026,366	\$283,053	\$4,355,397
LIABILITIES				
Current Liabilities	\$880,104	\$609,291	\$270,813	\$584,562
Noncurrent Liabilities	2,039,939	2,275,685	(235,746)	1,801,682
Total Liabilities	\$2,920,043	\$2,884,976	\$35,067	\$2,386,244
NET ASSETS				
Invested in Capital Assets Net of Related Debt	\$1,504,102	\$1,283,888	\$220,214	\$1,133,264
Restricted				
Nonexpendable	17,773	17,112	661	16,899
Expendable	188,083	184,909	3,174	218,517
Unrestricted	679,418	655,481	23,937	600,473
Total Net Assets	\$2,389,376	\$2,141,390	\$247,986	\$1,969,153

University of Massachusetts				
Condensed Statement of Net Assets for Related Organizations				
As of June 30, 2012, 2011 and 2010				
(in thousands of dollars)				
	University Related Organizations June 30, 2012	University Related Organizations June 30, 2011	FY11-12 Change	University Related Organizations June 30, 2010
ASSETS				
Current Assets	\$2,597	\$5,222	(\$2,626)	\$4,562
Noncurrent Assets				
Investment In Plant Net of Accumulated Depreciation	8,822	9,019	(197)	1,699
All other noncurrent assets	364,516	355,378	9,138	308,057
Total Assets	\$375,934	\$369,619	\$6,315	\$314,318
LIABILITIES				
Current Liabilities	\$14,612	\$15,785	(\$1,173)	\$16,063
Noncurrent Liabilities	3,487	3,413	74	3,664
Total Liabilities	\$18,099	\$19,198	(\$1,099)	\$19,727
NET ASSETS				
Invested in Capital Assets Net of Related Debt	\$8,822	\$9,020	(\$198)	\$1,699
Restricted				
Nonexpendable	273,995	254,625	19,370	240,595
Expendable	60,278	73,995	(13,717)	48,127
Unrestricted	14,740	12,781	1,959	4,170
Total Net Assets	\$357,835	\$350,421	\$7,414	\$294,591

At June 30, 2012, total University assets were \$5.31 billion, an increase of \$283.1 million over the \$5.03 billion in assets recorded for 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 and \$2.32 billion in fiscal year 2010).

University liabilities totaled \$2.92 billion at June 30, 2012, an increase of \$35.1 million over fiscal year 2011. Long-term liabilities represent 70% of the total liabilities which primarily consist of bonds payable amounting to \$1.82 billion at June 30, 2012.

The University's current assets as of June 30, 2012 of \$617.1 million were below the current liabilities of \$880.1 million, as the current ratio was 0.70 dollars in assets to every one-dollar in liabilities. June 30, 2011 current assets of \$581.2 million were below current liabilities of \$609.3 million, resulting in a current ratio of .95. June 30, 2010 current assets of \$554.4 million were below current liabilities of \$584.6 million, resulting in a current ratio of 0.95.

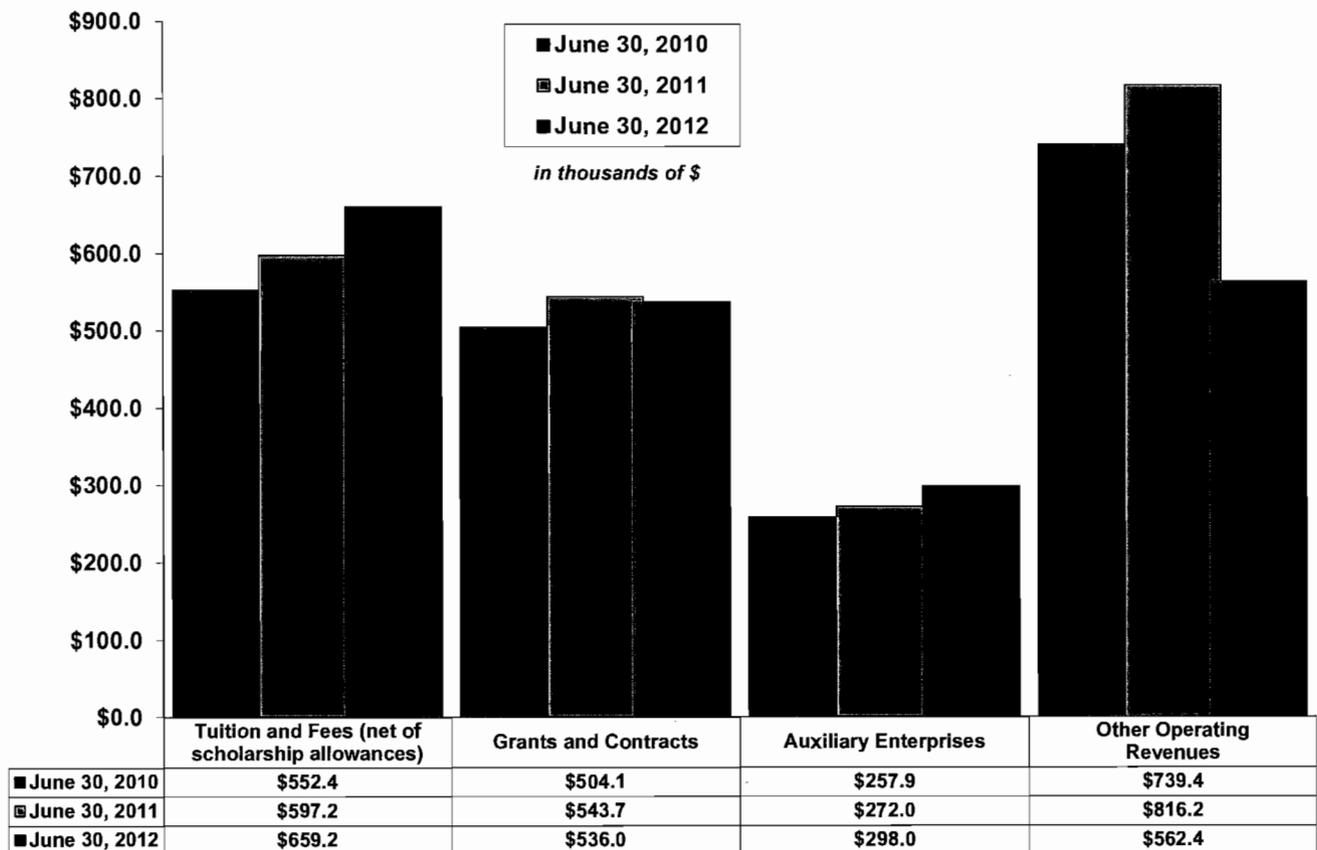
The unrestricted and restricted expendable net assets totaled \$867.5 million in fiscal year 2012, which represents 33.5% of total operating expenditures of \$2.59 billion. The unrestricted and restricted expendable net assets totaled \$840.4 million in fiscal year 2011, which represents 30.1% of total operating expenditures of \$2.79 billion. The unrestricted and restricted expendable net assets totaled \$819.0 million in fiscal year 2010, which represents 31.6% of total operating expenditures of \$2.59 billion for that fiscal year. The increase in expendable net assets is attributed to operating surpluses.

University of Massachusetts				
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
For The Year Ended June 30, 2012, 2011 and 2010				
(in thousands of dollars)				
	University June 30, 2012	University June 30, 2011	FY11-12 Change	University June 30, 2010
Operating Revenues				
Tuition and Fees (net of scholarship allowances of \$197,319 at June 30, 2012, \$178,676 at June 30, 2011 and \$177,850 at June 30, 2010)	\$659,180	\$597,200	\$61,980	\$552,419
Grants and Contracts	536,031	543,727	(7,696)	504,114
Auxiliary Enterprises	297,956	272,020	25,936	257,852
Other Operating Revenues	562,360	816,166	(253,806)	739,403
Total Operating Revenues	2,055,527	2,229,113	(173,586)	2,053,788
Operating Expenses	2,589,626	2,788,784	(199,158)	2,588,548
Operating Loss	(534,099)	(559,671)	25,572	(534,760)
Nonoperating Revenues / (Expenses)				
Federal Appropriations	6,845	5,826	1,019	5,922
State Appropriations	517,392	505,799	11,593	415,889
State Appropriations - Federal Stimulus Funds	10	37,897	(37,887)	150,639
Interest on Indebtedness	(64,434)	(65,358)	924	(49,113)
Other Nonoperating Income	65,738	119,709	(53,971)	103,917
Nonoperating Federal Grants*	73,908	70,643	3,265	60,324
Net Nonoperating Revenues	599,459	674,516	(75,057)	687,578
Income Before Other Revenues, Expenses, Gains or Losses	65,360	114,845	(49,485)	152,818
Capital Appropriations, Grants and Other Sources	193,913	62,824	131,089	77,426
Disposal of Plant Facilities	(13,606)	(10,682)	(2,924)	(12,125)
Other Additions / (Deductions)	2,317	5,250	(2,933)	9,729
Total Other Revenues, Expenses, Gains, and Losses	182,624	57,392	125,232	75,030
Total Increase in Net Assets	247,984	172,237	75,747	227,848
Net Assets				
Net Assets at Beginning of Year	2,141,390	1,969,153	172,237	1,741,305
Net Assets at End of Year	\$2,389,374	\$2,141,390	\$247,984	\$1,969,153

University of Massachusetts
Condensed Statement of Revenues, Expenses, and Changes in Net Assets for University Related Organizations
For The Year Ended June 30, 2012, 2011 and 2010
(in thousands of dollars)

	University Related Organizations June 30, 2012	University Related Organizations June 30, 2011	FY11-12 Change	University Related Organizations June 30, 2010
Operating Expenses	\$15,905	\$12,107	\$3,798	\$11,198
Operating Loss	(15,905)	(12,107)	3,798	(11,198)
Nonoperating Revenues				
Other Nonoperating Income	3,731	52,571	(48,840)	31,148
Net Nonoperating Revenues	3,731	52,571	(48,840)	31,148
Gain / (Loss) Before Other Revenues, Expenses, Gains or Losses	(12,174)	40,464	(52,638)	19,950
Additions to Permanent Endowments	19,604	15,195	4,409	13,003
Other	(16)	171	(187)	4,867
Total Other Revenues, Expenses, Gains, and Losses	19,588	15,366	4,222	17,870
Total Increase/(Decrease) in Net Assets	7,414	55,830	(48,416)	37,820
Net Assets				
Net Assets at Beginning of Year	350,421	294,591	55,830	256,771
Net Assets at End of Year	\$357,835	\$350,421	\$7,414	\$294,591

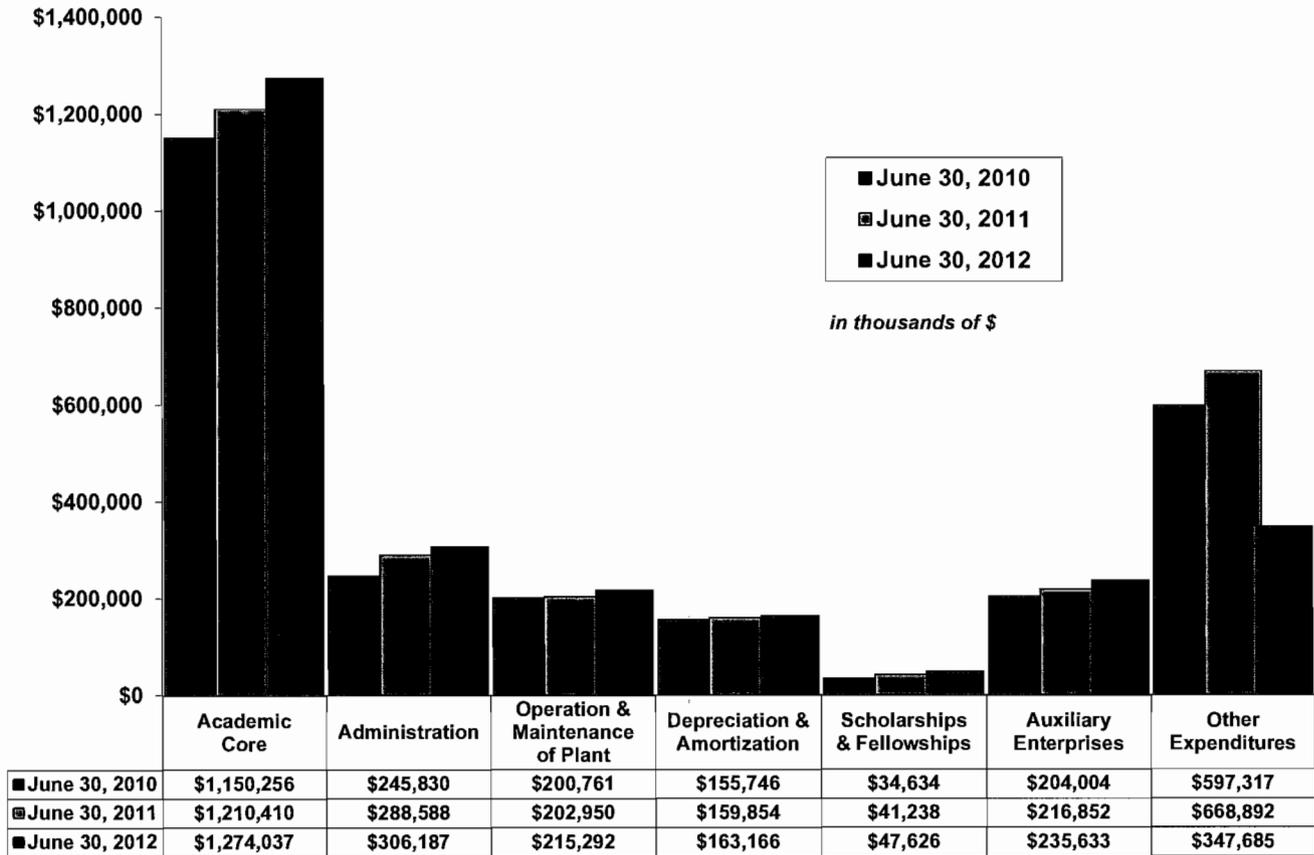
Sources of Operating Revenues, Fiscal Year 2010 to Fiscal Year 2012



Total operating revenues for fiscal year 2012 were \$2.06 billion. This represents a \$173.6 million decrease from the \$2.23 billion in operating revenues in fiscal year 2011. As mentioned previously, the decline in revenue from fiscal year 2011 to fiscal year 2012 is attributable to the 2011 sale of MedMedtrics Health Partners which was included in the Medical School results. Total operating revenues for fiscal year 2010 were \$2.05 billion. 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 2012, 2011, and 2010.

Operating Expenses by Category, Fiscal Year 2010 to Fiscal Year 2012



In fiscal year 2012, operating expenditures, including depreciation and amortization of \$163.2 million, totaled \$2.59 billion. Of this total, \$1.27 billion or 49% was used to support the academic core activities of the University, including \$417.1 million in research. In fiscal year 2011, operating expenditures totaled \$2.79 billion. Operating expenditures were \$2.59 billion in fiscal year 2010. The chart above displays fiscal year 2012, 2011, and 2010 operating spending.

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 \$360.3 million, \$345.7 million, and \$361.4 million for the years ended June 30, 2012, 2011 and 2010, respectively. Included in expenditures are CWM expenditures of \$311.9 million, \$316.5 million, and \$330.4 million for the years ended June 30, 2012, 2011, and 2010, 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 \$112.3 million, \$200.2 million, and \$125.9 million for the years ended June 30, 2012, 2011, and 2010, respectively. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts of \$60.0 million, \$177.0 million, and \$92.0 million for the years ended June 30, 2012, 2011, and 2010, respectively, pursuant to requirements of legislation enacted by the State Legislature of Massachusetts.

State Appropriations

In fiscal year 2012, state appropriations represent 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 100% of the state appropriation supports payroll and benefits for University employees.

The net state appropriation for the University increased by \$11.6 million from fiscal year 2011, with the increase attributable to a higher level of fringe benefit support allocated to University employees paid through the state appropriation.

The financial statements for the years ended June 30, 2012 record as tuition revenue approximately \$37.03 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 \$49.73 million in fiscal year 2011 and \$49.08 million in fiscal year 2010. 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 non-resident students. The amount of tuition retained by the University during 2012, 2011, and 2010 was \$50.8 million, \$34.6 million, and \$31.5 million, respectively.

The following table details the Commonwealth operating appropriations received by the University for fiscal years ending June 30, 2012, 2011 and 2010 (in thousands):

	2012	2011	2010
Gross Commonwealth Appropriations	\$425,656	\$434,963	\$383,717
Plus: Fringe Benefits*	154,953	147,511	108,634
	580,609	582,474	492,351
Less: Tuition Remitted	(37,029)	(49,731)	(49,084)
Less: Mandatory Waivers	(26,187)	(26,944)	(14,236)
Net Commonwealth support	\$517,392	\$505,799	\$429,031

*The Commonwealth pays the fringe benefit cost 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.

**It should be highlighted that in fiscal years 2010 and 2011 the Commonwealth distributed federal stimulus funding to the University in addition to the state appropriations. The \$150.6 million provided in FY2010 and the \$37.9 million provided in FY2011 are not included in the table.

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 capital improvements, including appropriations provided by the Commonwealth of Massachusetts. In fiscal year 2012, the \$150.4 million of capital support provided to the University through appropriations and grants from the Commonwealth was \$122.3 million more than the capital appropriations provided in fiscal year 2011. This increase is attributed to the Commonwealth's Division of Capital Asset Management ("DCAM") funding of several large capital projects which include: the Lab Science Building on the Amherst campus, the Science Complex on the Boston campus, Carney Library improvements on the Dartmouth campus, the Health Social Sciences Building on the Lowell campus and the Albert Sherman Center on the Worcester campus. The University projects that although capital support will fluctuate year to year, the level of capital appropriations from the Commonwealth will continue to be significant in future years as major construction projects managed by the Commonwealth's construction agency are underway at all five of the University's campuses.

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. These two campuses have been the primary catalyst in the University's research funding growth in recent years, however, the Boston, Dartmouth, and Lowell campuses continue to experience growth in sponsored research activity.

The following table details the University's grant and contract revenues (in thousands) for the fiscal years ended June 30, 2012, 2011, and 2010:

	2012	2011	2010
Federal Grants and Contracts	\$355,792	\$371,426	\$333,538
State Grants and Contracts	67,927	62,597	64,328
Local Grants and Contracts	3,077	1,937	1,880
Private Grants and Contracts	109,235	107,767	104,368
Total Grants and Contracts	\$536,031	\$543,727	\$504,114

Discretely Presented Component Units

University of Massachusetts Foundation, Inc.

The combined University and Foundation endowment has increased to approximately \$574.1 million at June 30, 2012 from \$517.7 million at June 30, 2011 which was also up from \$459.8 million at June 30, 2010.

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% to 6% of the endowment fund's average market value for the preceding twelve quarters on a one-year lag and three-year share average. The Foundation revised its policy during fiscal year 2011 and it went into effect for the fiscal year 2012 distribution. The new policy is to have 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 \$13.6 million (4%) and \$10.3 million (4%) in fiscal years 2012 and 2011, respectively. In fiscal year 2010, the Board of Directors approved an exception to the spending policy due to the significant decrease in market performance in 2008 and 2009. The distribution was 1.5% of the fiscal year 2009 ending fair value or \$5.8 million.

The total investment returns of the Foundation for fiscal year 2012, including realized and unrealized investment activity was a net loss of approximately \$2 million as compared to a net gain of \$93.3 million in fiscal year 2011 and a net gain of approximately \$66.3 million in 2010. The decrease for fiscal year 2012 is consistent with investment return performance at other institutions.

University of Massachusetts Dartmouth Foundation, Inc.

Total marketable securities for the Dartmouth Foundation were \$43.2 million at June 30, 2012, up from \$40.4 million at June 30, 2011, and up from \$32.3 million in fiscal year 2010, 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 2012, including realized and unrealized investment activity, was a net loss of approximately \$2 million as compared to a net gain of \$4.2 million in 2011 and a net gain of \$2.6 million in 2010.

Tuition and Fees

The University strives to provide students with the opportunity to obtain a quality education. In fiscal year 2004, the University established the practice of limiting the annual increases in total mandatory student charges (tuition and mandatory fees) for resident undergraduate students to rate increases of no greater than the rate of inflation. However, with state appropriations declining by \$188.3 million over the two year span from fiscal year 2008 to fiscal year 2010, the University's Board approved a \$1,500 increase for academic year 2009-2010 in total mandatory student charges for resident undergraduate students. Due to the receipt of \$150.6 million of federal stimulus funds in fiscal year 2010, a rebate of \$1,100 was provided to resident undergraduate students who had initially paid the \$1,500 increase for academic year 2009-2010. Due to the fact that the full \$1,500 increase approved for the 2009-2010 academic year stayed in effect for the 2010-2011 academic year, the University's Board decided that this in effect served as a significant increase over the prior year student charge level and voted in June 2010 to keep mandatory student charges at the currently approved level. 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.

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 2011 semester, Massachusetts residents accounted for approximately 85% and 57% of the University's total undergraduate and graduate enrollment, respectively. Total enrollment in the fall of 2011 was 59,480 FTE (69,670 headcount students). Enrollments at the University have shown significant increases over the last five years (51,069 FTE in fall 2007). 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.

The average Scholastic Aptitude Test ("SAT") scores for entering University freshmen ranged from 1043 to 1189 at the University's campuses in the fall of 2011. The average high school G.P.A. of entering freshmen ranged from 3.10 to 3.64. For comparison purposes, the 2011 national average SAT composite score was 1011.

Degrees Awarded

The University awards four levels of degrees, including associate, bachelors, masters and doctoral/professional degrees. A total of 14,711 degrees were awarded in the 2010-2011 academic year: 248 associate degrees, 9,958 bachelor degrees, 3,889 master degrees, 430 doctoral degrees and 186 Professional Practice degrees.

Bonds Payable

As of June 30, 2012, the University had outstanding bonds of approximately \$2.24 billion representing \$1.88 billion of University of Massachusetts Building Authority bonds (the "Building Authority Bonds"), \$62.0 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 \$292.9 million of bonds financed through the Worcester City Campus Corporation (the "WCCC Bonds"). Bonds payable is the University's largest liability at June 30, 2012. 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).

In fiscal year 2011, the Building Authority issued bonds in the amount of \$552.3 million through three Series and refunded two series as follows:

- The Building Authority issued Series 2010-1 bonds in the amount of \$119.0 million, Series 2010-2 Build America bonds in the amount of \$430.3 million, and Series 2010-3 bonds in the amount of \$3.0 million for various construction and renovation projects at the Amherst, Boston, Dartmouth, and Lowell campuses.
- The Building Authority refunded two outstanding variable-rate demand bond series that had been issued in 2008. These bonds were being supported by two liquidity agreements with Bank of America that were set to expire on June 10, 2011. The refunding was completed in order to replace the expiring agreements. The Bank of America liquidity support was replaced with a Wells Fargo liquidity facility, Series 2011-1 for \$135.0 million and Citibank Window Bonds, Series 2011-2 for \$101.7 million. The 2011-1 Bonds were used to redeem the 2008-3 Bonds, and the 2011-2 bonds were used to redeem the 2008-4 Bonds.

In fiscal year 2010, the Building Authority issued bonds in the amount of \$548.3 million through three Series:

- The Building Authority issued Series 2009-1 bonds in the amount of \$247.8 million for various construction and renovation projects at the Amherst, Boston, Dartmouth, Lowell, and Medical School campuses and for the construction of the Edward M. Kennedy Institute for the United States Senate on the Boston Campus.
- The Building Authority issued Series 2009-2 Build America bonds in the amount of \$271.9 million for various construction and renovation projects at the Amherst, Boston, Lowell, and Medical School campuses.
- The Building Authority issued Series 2009-3 bonds in the amount of \$28.6 million for construction and renovation projects at the Medical School campus.

Capitalized Lease Obligations

At June 30, 2012, the University had capital lease obligations with remaining principal payments of approximately \$12.0 million which is a \$5.6 million decrease from the remaining principal payments of \$17.6 million at June 30, 2011. At June 30, 2010, the University had capital lease obligations with remaining principal payments of approximately \$23.1 million. 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 10% 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, 2012 and 2011 was \$ 136.9 million and \$138.5 million, respectively.

Capital Plan

In September 2012, the University's Trustees approved a \$3.1 billion five-year (fiscal years 2013-2017) update to its capital plan to be financed from all available funding including projects already in process as well as new projects. 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 (formerly Massachusetts Health and Educational Facilities Authority) financing, Commonwealth appropriations, and private fund raising. The execution of the University's capital plan is contingent upon sufficient funding from the Commonwealth.

The University's five-year capital plan for fiscal years 2013-2017 includes both new projects and major projects that were previously approved by the University Trustees in prior-year capital plans. The major projects in the five-year capital plan and their estimated total project cost include:

Amherst Campus

- study and construction of student-housing of up to 1,500 beds for \$188.0 million
- construction of the New Life Sciences Laboratory Building for approximately \$160.0 million
- construction of a Life Sciences Research Facility for \$95.0 million

- construction of an academic classroom building for approximately \$91.0 million
- replacement of Bartlett Hall for \$50.0 million
- construction of a Physical Sciences Building for \$85.0 million
- renovations to the Morrill Science Complex totaling approximately \$51.3 million
- repairs to the Lederle Graduate Research Complex for \$41.3 million
- construction of a new electrical substation and related upgrades for \$40.0 million
- addition to the Isenberg School of Management for \$40.0 million
- improvements of McGuirk Stadium for \$34.5 million

Boston Campus

- construction of the Integrated Science Complex for \$182.0 million
- roadway and utility relocations for \$143.0 million in a move to restructure the entire campus
- renovations of existing campus buildings to address deferred maintenance for \$75.0 million
- construction of a Living/Learning Center for \$100.0 million
- construction of a 1,200 vehicle parking garage to meet current demand for approximately \$45.0 million
- construction of two new academic buildings for a total of \$213.0 million

Dartmouth Campus

- construction of a new academic building in order to consolidate operations and create more academic space for approximately \$75.0 million
- construction of Mass Accelerator for Biomanufacturing for approximately \$25.6 million
- extensive library renovations to address deferred maintenance and to improve services for approximately \$46.0 million
- an energy/water conservation project for \$40.0 million
- acquisition of the Advanced Technology Manufacturing Center for \$11.4 million
- construction or renovation of a marine fisheries research building for \$48.0 million
- expansion of the Charlton College of Business for \$15.0 million

Lowell Campus

- construction of the Emerging Technology Innovation Center for approximately \$81.5 million
- construction of Health and Social Sciences Building on the South Campus for \$41.0 million
- reconfiguration of the North Campus science and engineering space for approximately \$90.0 million
- construction of two parking garages to increase capacity for approximately \$40.0 million
- creation of the University Crossing Complex for \$91.4 million to consolidate administration services, student services, and a retail at a prime location
- construction of a new residential hall for \$56.0 million
- energy conservation projects and power plant improvements for approximately \$30.0 million

Worcester Campus

- construction of a new science facility to support new programs in stem cell research, RNAi therapies, and gene silencing for approximately \$350.0 million
- expansion of the existing power plant to improve efficiency and meet the energy requirements of the growing Campus for approximately \$51.0 million
- HVAC upgrades and replacements for approximately \$38.5 million
- construction of a parking garage to meet increased demand for \$40.0 million

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 the University's campuses through the use of operational funds, campus borrowing, and state support.

Factors Impacting Future Periods

In fiscal year 2011, a 23-member committee, comprised of faculty, trustees, alumni, students, academic leaders and community leaders, initiated a wide-ranging, national search to find the best person to lead the University of Massachusetts System. On January 13, 2011, Robert L. Caret was elected President of the University.

President Caret assumed the presidency of the University of Massachusetts after completing presidencies at San Jose State University and Towson University. President Caret presided over periods of significant growth at both universities. His presidency at Towson University in Maryland lasted for eight years where he also served as a faculty member, dean, executive vice president and provost during his more than 25-year tenure at the university. He also served for eight years as the President of San Jose State University in California. He received his PhD in organic chemistry from the University of New Hampshire in 1974 and his Bachelor of Science degree in chemistry and mathematics from Suffolk University in 1969.

In his first year of leadership at the University of Massachusetts, President Caret, in coordination with the Board of Trustees, conducted two successful Chancellor searches enabling the University to maintain its positive trajectory with the selection of Dr. Kumble R. Subbaswamy to lead the Amherst Campus and Dr. Divina Grossman to lead the Dartmouth Campus. Both Chancellors assumed their new positions on July 1, 2012.

Prior to his role at the University of Massachusetts, Dr. Subbaswamy, a physicist, served as provost at the University of Kentucky since 2006. He joined Kentucky's physics faculty in 1978 after serving as a post-doctoral fellow at the University of California, Irvine. During his first 18 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. Chancellor 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, serving until 2006. He was active in promoting life sciences-related economic development efforts in Indiana and Kentucky. He is also active in academia nationally and internationally, serving on a number of panels, including the American Council on Education and the German-American Fulbright Commission. Chancellor Subbaswamy holds a B.S. in physics from Bangalore University, an M.S. in physics from Delhi University and a Ph.D. in physics from Indiana University.

Prior to joining the University of Massachusetts, 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. While at Florida International University, Dr. Grossman established the Office of Engagement to provide leadership in implementing the FIU vision of "a public research university that is locally and globally engaged." Dr. Grossman directed the development of major FIU partnerships, including Project ACCESS (Achieving Community Collaboration in Education and Student Success) with Miami Dade County Public Schools; Life Sciences South Florida, a public-private collaborative initiative to develop an industry cluster in South Florida focusing on life sciences and biotechnology; as well as significant expansion of university-wide internships with corporations, community organizations, public and private agencies; and implementation of a service learning initiative. She also executed the merger of the School of Nursing and the School of Health Sciences and spearheaded the growth and expansion of new academic programs. Dr. Grossman holds a PhD in Nursing from the University of Pennsylvania, M.S. in Nursing from the University of Miami, and a BS in Nursing from the University of Santo Tomas (Philippines).

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 acquired several strategic properties in fiscal years 2010 and 2011:

- On February 2, 2010, the Massachusetts Board of Higher Education issued approval for UMass Dartmouth to offer the juris doctorate (J.D.) degree and establish the first public law school in the Commonwealth. On November 16, 2010, the Foundation completed the acquisition of the building and land at 333 Faunce Corner Road, Dartmouth, MA, from the Board of Trustees of Southern New England School of Law. This acquisition marks the culmination of the gift of the assets of Southern New England School of Law to the University of Massachusetts Foundation, Inc. and the University of Massachusetts Dartmouth. On July 1, 2010, the University of Massachusetts Dartmouth began operation of the law school, now known as UMass Law School at Dartmouth. The focus of the law school is on public-service, with a curriculum concentrating on civil and human rights, legal support for businesses, economic justice, and community law. Implementing its strategic plan to receive full accreditation from the American Bar Association, effective June 8, 2012, the School of Law has been provisionally approved by the accrediting Council of the Bar Association. If the Law School continues to meet Bar Association standards over the next three years, it will receive full accreditation.
- Also in February 2010, the Lowell campus accepted the transfer of the 6,500-seat Tsongas Arena from the City of Lowell. The renamed Tsongas Center at UMass Lowell has been remodeled and is a vibrant addition to the University and the surrounding communities. The Tsongas Center is host to hockey games, concerts, functions, school events and other community activities.
- In May 2010, the University's Boston Campus finalized the purchase of 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. The Boston Campus will be using the property temporarily for parking and storage space as it completes major capital projects over the next few years but they continue to collaborate with the City of Boston on the master planning around the ideal development of the property in the future.
- In January 2011, the University's Lowell Campus purchased the former Saint Joseph's Hospital in Lowell. When acquired, the property consisted 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 is in the process of converting the property through a combination of new construction and renovation into an important campus connection point focused on student and administrative services to be known as University Crossing.

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 FY13-17 capital

plan projects spending \$3.1 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 picture of the University. In order to support the University's capital plan, the University of Massachusetts Building Authority completed a bond issuance in October 2009 to fund approximately \$512.5 million of renovations, new construction, and deferred maintenance projects at the Amherst, Boston, Dartmouth, Lowell, and Worcester campuses. In November 2010, the Building Authority issued an additional \$552.3 million in bonds to fund a number of new construction and renovation projects across the University. While no target date has been set, the University anticipates another bond issuance in calendar year 2013.

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 colleges, 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.

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 a major research complex at the University's Medical School in Worcester. Additional funding is anticipated to construct a \$95 million 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 \$193.9 million in fiscal year 2012.

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.

This focus on the development of life sciences research and business in the Commonwealth dovetails with the fact that The University of Massachusetts Medical School's (UMMS) Craig C. Mello, PhD, and his colleague Andrew Fire, PhD, of Stanford University, were awarded the 2006 Nobel Prize in Physiology or Medicine for their discoveries related to ribonucleic acid (RNA). The findings of Drs. Mello and Fire demonstrated that a particular form of RNA, the cellular material responsible for the transmission of genetic information, can silence (RNAi process) targeted genes. Due to these findings, companies worldwide at the forefront of pharmaceutical innovation have purchased licenses to RNAi technology, co-owned by the UMMS, to aid in their development of treatments for disease. In addition, UMMS researchers are using RNAi technology to speed investigation into a variety of diseases. The work of Dr. Mello has not only produced revenue streams for the University and aided the work of his fellow researchers, but it has also helped recruit other distinguished faculty and researchers to the University. This recognition highlights the strength of UMMS research and has enhanced the overall reputation of the entire University.

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 now underway to develop, adjacent to the campus, 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. Once established, the Institute is likely to add significant prominence to the Boston Campus and the University.

Research funding for the University of Massachusetts continued its upward growth, approaching the \$600 million mark for fiscal year 2011. Research expenditures increased by 8.1% to \$586.7 million in Fiscal Year 2011 from \$542.7 million in Fiscal Year 2010. 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 benefiting 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 100 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 2012, UMassOnline achieved an 11% increase in revenue and a 7% increase in enrollment. Compared to the previous year, revenues increased from approximately \$65.2 million to \$72.1 million.

In July 2012, University President Caret announced the appointment of Dr. John Cunningham as Interim CEO of UMassOnline. Dr. Cunningham, who has held a series of faculty and university leadership positions at UMass for more than 25

years, is also currently serving as Vice President for Academic Affairs, Student Affairs, and International Relations for the UMass System. He replaces former UMassOnline CEO Dr. Ken Udas who recently joined the private higher education sector.

Dr. Cunningham has been a member of the faculty at UMass Amherst since 1986. During the 90's he was the Principal Investigator on three USDA education grants: incorporating computer-mediated telecommunications in instruction, developing an internet "bulletin board" for nutrition education, and the "Interactive Distance Education and Access (IDEA) Leadership Project." He also served as deputy provost at UMass Amherst for over a decade, working with the academic deans and the Faculty Senate, and supervising the directors of campus-wide undergraduate academic support units to ensure the quality and availability of the general education program. In addition, he oversaw the Division of Continuing and Professional Education and the University Without Walls units with substantial online portfolios delivered through UMassOnline.

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.

In keeping with the University's mission to remain accessible, leadership followed a strategy beginning in 2004 which limited the annual increases for mandatory student charges to levels below the estimated current inflation rate. The University believed that this "at or below inflation" approach for student charge increases would provide reasonable stability and predictability for students, their families, and institutional planners. The University was able to maintain these limits on its student charge increases through fiscal year 2009 because of stable support from the Commonwealth. On October 15, 2008, faced with a large state budget deficit, Governor Patrick implemented a fiscal action plan to close the gap that included more than \$1.0 billion in immediate cuts and spending controls across state government. As part of this action plan, the administration reduced the University's fiscal year 2009 state appropriation by 5%, or approximately \$24.6 million. As the state and national economy continued to deteriorate, the administration reduced the University's fiscal year state appropriation by an additional \$2.8 million in January 2009.

In response to these mid-year reductions and the anticipated further reduction of the state appropriation for fiscal year 2010, the University departed from its five-year practice of limiting student charge increases to at or below the rate of inflation. For fiscal year 2010, the University Trustees approved a mandatory student charge increase of up to \$1,500 for in-state undergraduate students. The approved increase included specific language that authorized rebates of the charge increases based upon the level of federal support provided by The American Recovery and Reinvestment Act of 2009 ("ARRA"). The Commonwealth's budget for fiscal year 2010 approved on June 29, 2009 reduced the University's state appropriation by \$53.5 million in comparison to the final fiscal year 2009 state appropriation after the reductions made in October 2008 and January 2009. The fiscal year 2010 state budget also eliminated \$10.2 million of line item funding specific to the University.

To protect the University from the full impact of the budget reductions made in fiscal year 2009 and fiscal year 2010, the Commonwealth's Executive Office of Education distributed to the University in September 2009, \$118.6 million of the federal education stabilization funds available to the Commonwealth from ARRA. In October 2009, in response to lower state revenue projections, the state rescinded an additional \$32.0 million from the University's state appropriation. The Commonwealth's Executive Office of Education replaced this lost appropriation with an equal amount of ARRA education stabilization funds. The receipt of this federal revenue allowed the University to remain consistent with the Board of Trustee vote on student charges taken on February 27, 2009 and offer a partial rebate of the \$1,500 student charge increase.

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 in the base state appropriation of approximately \$44.2 million in comparison to fiscal year 2010. 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. The University received an additional \$5.5 million from the Commonwealth to support the fiscal year 2011 cost of collective bargaining agreements. 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's Executive Office of Education distributed \$37.8 million of ARRA funds to the University for fiscal year 2011.

The Commonwealth's budget for fiscal year 2012 signed by Governor Patrick included a base state appropriation for the University of approximately \$418 million for the current fiscal year. While this appears to be a \$6.0 million decline from fiscal year 2011, the Governor's budget is actually provided level funding for the University. This is due to the fact that the Legislature passed a bill that permitted the University's Boston, Dartmouth, Lowell, and Worcester campuses to retain tuition collected from non-resident students starting in fiscal year 2012. The amount of non-resident tuition estimated to be collected by these four campuses totaled \$11.6 million for the initial year. Prior to the legislation, the approximately \$11.6 million of non-resident tuition would have been remitted to the Commonwealth. Therefore, the \$418 million base state appropriation provided for fiscal year 2012 is equal to the \$424.0 million fiscal year 2011 base state appropriation plus a continuation of the \$5.5 million of collective bargaining support initially provided in fiscal year 2011 less the \$11.6 million of tuition revenue to be retained by the four campuses.

In addition to the level funding of the base state appropriation, the Commonwealth's fiscal year 2012 budget included \$6.4 million of line item funding specific to the University. However, this positive support was offset by the fact that the University received almost no ARRA stimulus funds in fiscal year 2012. As a result of the flat state support, the elimination of the federal stimulus funding, and the realization that the Commonwealth would not be providing support for the fiscal year 2012 costs of the collective bargaining contracts signed in fiscal year 2011, the University's Board of Trustees voted on June 8, 2011 to increase mandatory student charges by 7.5% for resident undergraduate students for the 2011-2012 academic year.

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 FY13 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.

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
Statements of Net Assets
As of June 30, 2012 and 2011
(in thousands of dollars)

	University	University Related	University	University Related
	June 30, 2012	June 30, 2012	June 30, 2011	June 30, 2011
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$61,769		\$56,751	
Cash Held By State Treasurer	17,167		13,895	
Accounts, Grants and Loans Receivable, net	227,740		224,309	
Pledges Receivable, net	4,199	\$1,648	6,071	\$4,582
Short Term Investments	268,600		233,392	
Inventories, net	21,442		22,588	
Accounts Receivable from UMass Memorial, net	5,808		10,664	
Due From Related Organizations	173	542	51	632
Other Assets	10,195	407	13,486	8
Total Current Assets	617,093	2,597	581,207	5,222
Noncurrent Assets				
Cash and Cash Equivalents		778		684
Cash Held By State Treasurer	11,874		5,793	
Cash and Securities Held By Trustees	819,794		1,170,175	
Accounts, Grants and Loans Receivable, net	41,993		39,162	
Pledges Receivable, net	2,828	8,586	1,180	5,798
Investments	609,242	355,088	596,838	348,791
Other Assets	32,774	64	29,850	105
Deferred Outflows of Resources	75,635		19,510	
Investment In Plant Net of Accumulated Depreciation	3,098,186	8,822	2,582,651	9,019
Total Noncurrent Assets	4,692,326	373,338	4,445,159	364,397
Total Assets	\$5,309,419	\$375,934	\$5,026,366	\$369,619
LIABILITIES				
Current Liabilities				
Accounts Payable	\$169,787	\$49	\$126,532	\$61
Accrued Salaries and Wages	93,555		81,075	
Accrued Compensated Absences	71,892		72,753	
Accrued Workers' Compensation	4,467		3,726	
Accrued Interest Payable	20,218		20,681	
Bonds Payable	415,860		188,952	
Capital Lease Obligations	5,502		5,473	
Assets Held on behalf of Others		11,978		11,458
Accounts Payable to UMass Memorial	3,613		16,422	
Due To Related Organizations	542	173	632	51
Deferred Revenues and Credits	46,248	2,412	46,705	4,215
Advances and Deposits	10,154		6,994	
Other Liabilities	38,266		39,346	
Total Current Liabilities	880,104	14,612	609,291	15,785
Noncurrent Liabilities				
Accrued Compensated Absences	30,820		26,541	
Accrued Workers' Compensation	9,805		9,821	
Arbitrage Rebate Payable			14	
Bonds Payable	1,824,474		2,122,233	
Capital Lease Obligations	6,539		12,116	
Derivative Instruments, Interest Rate Swaps	106,110		51,342	
Deferred Revenues and Credits	16,501		20,080	
Advances and Deposits	26,697		26,688	
Other Liabilities	18,993	3,487	6,850	3,413
Total Noncurrent Liabilities	2,039,939	3,487	2,275,685	3,413
Total Liabilities	\$2,920,043	\$18,099	\$2,884,976	\$19,198
Net Assets:				
Invested in Capital Assets Net of Related Debt Restricted	\$1,504,102	\$8,822	\$1,283,888	\$9,020
Nonexpendable	17,773	273,995	17,112	254,625
Expendable	188,083	60,278	184,909	73,995
Unrestricted	679,418	14,740	655,481	12,781
Total Net Assets	\$2,389,376	\$357,835	\$2,141,390	\$350,421

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

University of Massachusetts
Statements of Revenues, Expenses, and Changes in Net Assets
For The Years Ended June 30, 2012 and 2011
(in thousands of dollars)

	University	University Related	University	University Related
	June 30, 2012	June 30, 2012	June 30, 2011	June 30, 2011
REVENUES				
Operating Revenues				
Tuition and Fees (net of scholarship allowances of \$197,319 at June 30, 2012 and \$178,676 at June 30, 2011)	\$659,180		\$597,200	
Federal Grants and Contracts	355,792		371,426	
State Grants and Contracts	67,927		62,597	
Local Grants and Contracts	3,077		1,937	
Private Grants and Contracts	109,235		107,767	
Sales and Service, Educational	19,311		18,011	
Auxiliary Enterprises	297,956		272,020	
Other Operating Revenues:				
Sales and Service, Independent Operations	61,087		52,619	
Sales and Service, Public Service Activities	383,855		670,557	
Other	98,107		74,979	
Total Operating Revenues	2,055,527		2,229,113	
EXPENSES				
Operating Expenses				
Educational and General				
Instruction	633,481		596,341	
Research	417,124		414,268	
Public Service	75,665	\$15,240	66,548	\$11,551
Academic Support	147,767		133,253	
Student Services	107,246		98,361	
Institutional Support	198,941		190,227	
Operation and Maintenance of Plant	215,292		202,950	
Depreciation and Amortization	163,166	203	159,854	127
Scholarships and Fellowships	47,626	462	41,238	429
Auxiliary Enterprises	235,633		216,852	
Other Expenditures				
Independent Operations	53,734		41,911	
Public Service Activities	293,951		626,981	
Total Operating Expenses	2,589,626	15,905	2,788,784	12,107
Operating Loss	(534,099)	(15,905)	(559,671)	(12,107)
NONOPERATING REVENUES/(EXPENSES)				
Federal Appropriations	6,845		5,826	
State Appropriations	517,392		505,799	
State Appropriations - Federal Stimulus funds	10		37,897	
Gifts	22,143	8,891	26,504	14,308
Investment Income	27,192	(5,255)	77,773	37,049
Endowment Income	15,623	95	10,207	1,214
Interest on Indebtedness	(64,434)		(65,358)	
Nonoperating Federal Grants	73,908		70,643	
Other Nonoperating Income	780		5,225	
Net Nonoperating Revenues	599,459	3,731	674,516	52,571
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	65,360	(12,174)	114,845	40,464
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES				
Capital Appropriations	150,367		28,109	
Capital Grants and Contracts	43,891		30,354	
Additions to Permanent Endowments		19,604		15,195
Net Amounts Earned/Received on Behalf of Others		107		(1,397)
Capital Contribution	(345)		4,361	1,666
Disposal of Plant Facilities	(13,606)		(10,682)	
Gain from Sale of Discontinued Operations			9,655	
Other Additions/Deductions	2,317	(123)	(4,405)	(98)
Total Other Revenues, Expenses, Gains, and Losses	182,624	19,588	57,392	15,366
Total Increase in Net Assets	247,984	7,414	172,237	55,830
NET ASSETS				
Net Assets at Beginning of Year	2,141,392	350,421	1,969,153	294,591
Net Assets at End of Year	\$2,389,376	\$357,835	\$2,141,390	\$350,421

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, 2012 and 2011
(in thousands of dollars)

	University June 30, 2012	University June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$730,873	\$668,202
Grants and Contracts	667,310	601,982
Payments to Suppliers	(989,163)	(1,261,310)
Payments to Employees	(1,206,719)	(1,168,247)
Payments for Benefits	(317,157)	(295,311)
Payments for Scholarships and Fellowships	(47,620)	(41,232)
Loans Issued to Students and Employees	(6,308)	(4,409)
Collections of Loans to Students and Employees	5,353	5,439
Auxiliary Enterprises Receipts	301,266	263,276
Sales and Service, Educational	17,769	15,899
Sales and Service, Independent Operations	68,408	75,050
Sales and Service, Public Service Activities	415,292	741,461
Net Cash Used for Operating Activities	(360,696)	(399,200)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	580,609	582,533
State Appropriations - Federal Stimulus Funds	10	37,897
Tuition Remitted to the State	(37,029)	(49,731)
Federal Appropriations	6,845	5,826
Gifts and Grants for Other Than Capital Purposes	24,794	22,376
Nonoperating Federal Grants	73,908	70,643
Student Organization Agency Transactions	(40)	303
Net Cash Provided by Noncapital Financing Activities	649,097	669,847
CASH FLOWS FROM CAPITAL AND OTHER FINANCING ACTIVITIES		
Proceeds from Capital Debt		539,012
Bond Issuance Costs Paid	(24)	(10,971)
Capital Appropriations	133,653	21,822
Capital Grants and Contracts	46,187	30,099
Purchases of Capital Assets and Construction	(318,942)	(221,979)
Principal Paid on Capital Debt and Leases	(72,885)	(62,239)
Interest Paid on Capital Debt and Leases	(54,929)	(53,469)
Use of Debt Proceeds on Deposit with Trustees	(345,214)	(148,602)
Net Cash (Used for) / Provided by Capital Financing Activities	(612,154)	93,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	1,379,520	1,028,009
Interest on Investments	17,872	20,639
Purchase of Investments	(1,409,649)	(1,029,342)
Net Cash (Used for) / Provided by Investing Activities	(12,257)	19,306
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(336,010)	383,626
Cash and Cash Equivalents - Beginning of the Year	1,246,614	862,988
Cash and Cash Equivalents - End of Year	\$910,604	\$1,246,614
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	(\$534,099)	(\$559,671)
<i>Adjustments to reconcile loss to net cash used by Operating Activities:</i>		
Depreciation and Amortization Expense	163,166	159,854
<i>Changes in Assets and Liabilities:</i>		
Receivables, net	(6,038)	(2,746)
Inventories	1,146	(9,370)
Due to/from Related Organizations	(212)	467
Accounts Receivable/Payable UMass Memorial	(7,953)	16,283
Other Assets	(1,969)	753
Accounts Payable (non-capital)	10,079	(11,551)
Accrued Liabilities	16,623	9,586
Deferred Revenue	(4,036)	6,338
Advances and Deposits	3,169	741
Other Liabilities	(572)	(9,884)
Net Cash Used for Operating Activities	(360,696)	(399,200)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Assets acquired and included in accounts payable and other liabilities	\$95,253	\$62,091
Loss on disposal of capital assets	(13,606)	(10,932)
Securities lending activity		(2,664)
Unrealized gains on investments	(17,711)	48,623

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

**University of Massachusetts
Notes to Financial Statements
June 30, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The financial statements herein present the financial position, results of operations, changes in net assets, and cash flows of the University of Massachusetts ("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 ("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, of which U Health Solutions, Inc. ("UHS") see note 6) is a subsidiary, 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. ("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 ("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. 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. 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 requires 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 statements of revenues, expenses, and changes to net assets, and included in supplies and services on 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.

CLASSIFICATION OF ASSETS AND LIABILITIES

The University presents current and non-current assets and liabilities in the statements of net assets. 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 in 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 amount 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 statement.

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, 2012 and 2011 was \$124.7 million and \$125.9 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 2012 and 2011. 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 assets to temporarily restricted net assets, and would be recorded in realized and unrealized gains (losses) on sale of investments. In fiscal years 2012 and 2011, the deficiencies were \$1.2 million and \$0.4 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.

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 or historical treasures. Effective fiscal year 2012, the University no longer capitalizes library book acquisitions.

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

Buildings	20-50 years
Building Improvements	3-20 years
Equipment and Furniture	3-15 years
Software	5 years
Library Books	15 years
Land Improvements	20 years

COMPENSATED ABSENCES

Employees earn the right to be compensated during absences for annual vacation leave and sick leave. The accompanying statements of net assets 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 estimated accrual.

DEFERRED REVENUE

Deferred revenue consists of amounts billed or received in advance of the University providing goods or services. Deferred 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, 2012 and 2011 record as tuition revenue approximately \$37.0 million and \$49.7 million, respectively, of tuition received by the University and remitted to the State Treasurer's Office for the general fund of the Commonwealth of Massachusetts. During fiscal year 2004, the Amherst campus was granted authority to retain tuition for out of state students as part of a pilot program authorized by the Commonwealth. This pilot program was extended indefinitely in 2005. This program has been approved effective 2012 for the remaining campuses. The amount of tuition retained by the University during 2012 and 2011 was \$50.8 million and \$34.6 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):

	2012	2011
Gross Commonwealth Appropriations	\$425,656	\$434,963
Plus: Fringe Benefits	154,953	147,511
	<u>580,609</u>	<u>582,474</u>
Less: Tuition Remitted	(37,029)	(49,731)
Less: Mandatory Waivers	(26,187)	(26,944)
Net Commonwealth support	<u>\$517,392</u>	<u>\$505,799</u>

As part of the fiscal year 2010 budget process, the University received a budget from the Commonwealth that was \$95.7 million less than the previous year. In order to address this significant decrease in funding, Governor Deval Patrick awarded \$150.6 million in Education Stabilization Funds to the University. These funds originated from the passage of the American Recovery and Reinvestment Act ("ARRA") of 2009 and were utilized for educational and general expenditures in order to mitigate the need to raise tuition and fees for in-state residents and to modernize, renovate, or repair facilities. In fiscal year 2011, the University's prior year budget cut was partially restored with an increase of \$44.5 million. Additionally, the state awarded \$37.9 million in State Fiscal Stabilization funds ("SFSF") to the University. Fringe benefits for payroll at the rate of 31.82% were funded by the University as charged to these funds. These funds were not appropriated to the University in fiscal year 2012.

AUXILIARY ENTERPRISES

Auxiliary Enterprise revenue of \$298.0 million and \$272.0 million for the years ended June 30, 2012 and 2011 respectively are stated net of room and board charge allowances of \$0.6 million and \$1.7 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 \$360.3 million and \$345.7 million for the years ended June 30, 2012 and 2011, respectively. Included in expenditures are Commonwealth Medicine expenditures of \$311.9 million and \$316.5 million for the years ended June 30, 2012 and 2011, 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 as required by the enabling legislation enacted by the Commonwealth in 1997. Educational services revenues included in public service revenues were \$112.3 million and \$200.2 million for the years ended June 30, 2012, and 2011, respectively. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts of \$60.0 million and \$177.0 million for the years ended June 30, 2012 and 2011, 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, 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, 2012 and June 30, 2011, 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 Worcester Medical School campus has assumed the obligation for the cost of fringe benefits provided by the Commonwealth to University employees (other than those employees

paid from state appropriated funds) for all periods on or after July 1, 1989. The University 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 of Massachusetts and University of Massachusetts Building Authority are agencies of the Commonwealth of Massachusetts and are exempt from Federal income tax under Section 115(a) of the Internal Revenue Code. The Worcester City Campus Corporation, U Health Solutions, Inc. and the University Related Organizations are 501(c)(3) organizations and are exempt from Federal Income tax under the Internal Revenue Code and similar state provisions. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

COMPARATIVE INFORMATION AND RECLASSIFICATIONS

The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. During 2012, the University changed certain information in financial year 2011 classifications which resulted in an increase in Institutional Support of \$5.7 million, increase in Interest on Indebtedness of \$1.2M, decrease to Research Expense of \$5.7 million and decrease in Other Additions and Deductions of \$1.2 million. These reclassifications have no effect on the total net assets at June 30, 2011 or changes in net assets for the year then ended. Management considers these errors to be immaterial.

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 22.8% and 21.6% of the University's investments at June 30, 2012 and 2011, 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 for 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, 2012 and 2011, all cash and investment accounts were held on behalf of the University by the Trustees, in the Trustee's 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; non-interest bearing accounts are fully insured through December 31, 2013. None of the accounts are collateralized above the FDIC insured amounts. The University also invested in individual CD's and BNY Mellon's CDARS program. These funds are invested in individual certificates of deposit in \$250,000 increments and are therefore fully insured by the FDIC. At June 30, 2012 and 2011, the carrying amounts, bank balances and FDIC insured amounts are as follows (in thousands):

	2012			2011		
	Book Balance	Bank Balance	FDIC Insured	Book Balance	Bank Balance	FDIC Insured
Depository Accounts	\$ 42,057	\$ 59,054	\$ 58,698	\$ 37,400	\$ 55,400	\$ 54,800
Certificates of Deposit	40,650	40,650	40,400	40,650	40,650	40,650
Money Market	217,006	217,006	1,500	186,730	186,730	1,500
Total	\$ 299,713	\$ 316,710	\$ 100,598	\$ 264,780	\$ 282,780	\$ 96,950

At June 30, 2012 the University held a carrying and fair market value of \$638.7 million in non-money market investments compared to a carrying and fair market value of \$632.0 million at June 30, 2011. In the event of negligence due to the University's custodian and/or investment manager(s), it is expected that investment balances of \$638.7 million and \$632.0 million at June 30, 2012 and 2011, 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, 2012 and June 30, 2011, respectively, there is no portion 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 shows the fair value (in thousands) and average credit quality of the fixed income component of the University's investment portfolio as of June 30, 2012 and 2011, respectively:

<u>Asset Class</u>	<u>June 30, 2012</u> <u>Fair Value</u>	<u>Average Credit</u> <u>Quality</u>	<u>June 30, 2011</u> <u>Fair Value</u>	<u>Average Credit</u> <u>Quality</u>
Short duration	\$304,965	AAA	\$263,212	AAA
Intermediate duration	246,646	A	270,530	A

The table below shows the fair value (in thousands) by credit quality of the rated debt investments component of the University's investment portfolio as of June 30, 2012 and 2011, respectively:

Rated Debt Investments - 2012
(in thousands)

Fair Value	S&P Quality Ratings								
	AAA	AA	A	BBB	BB	B	<B	Unrated	
U.S Agencies	\$ 19,180	\$ 1,124	\$ 18,020	\$ -	\$ -	\$ -	\$ -	\$ 36	\$ -
U.S Government	24,244	73	23,053	1,118	-	-	-	-	-
Foreign Gov'n't Bonds	2,186	1,141	91	26	202	410	-	-	316
Certificates of Deposit	40,500	40,500	-	-	-	-	-	-	-
Corporate Debt	123,489	24,213	11,472	40,316	16,537	4,946	5,685	3,051	17,269
Bond Mutual Funds	96,456	39,924	4,016	13,524	18,308	1,833	694	359	17,798
Municipal/Public Bonds	4,725	752	2,044	1,386	169	-	55	-	319
Money Market Funds	240,831	237,034	1,090	-	-	-	-	-	2,707
	\$ 551,611	\$ 344,761	\$ 59,786	\$ 56,370	\$ 35,216	\$ 7,189	\$ 6,434	\$ 3,446	\$ 38,409

Rated Debt Investments - 2011
(in thousands)

Fair Value	S&P Quality Ratings								
	AAA	AA	A	BBB	BB	B	<B	Unrated	
U.S Agencies	\$ 29,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48	\$ 29,938	
U.S Government	11,172	2,565	-	-	-	-	-	8,607	
Foreign Gov'n't Bonds	2,753	1,763	141	449	94	-	-	306	
Certificates of Deposit	40,500	40,500	-	-	-	-	-	-	
Corporate Debt	135,746	32,440	10,533	35,762	25,173	6,716	6,569	3,696	
Bond Mutual Funds	110,469	21,758	7,959	14,275	15,973	1,657	891	550	
Municipal/Public Bonds	4,340	1,512	531	843	304	36	152	234	
Money Market Funds	198,776	197,805	-	-	-	-	-	971	
	\$ 533,742	\$ 298,343	\$ 19,023	\$ 51,021	\$ 41,899	\$ 8,503	\$ 7,612	\$ 4,528	\$ 102,813

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 Investment Policy 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, 2012 and 2011, respectively:

<u>Asset Class</u>	<u>6/30/12</u> <u>Allocation</u>	<u>6/30/12</u> <u>Fair Value</u>	<u>6/30/11</u> <u>Allocation</u>	<u>6/30/11</u> <u>Fair Value</u>
Short Duration	35%	\$304,965	32%	\$263,212
Intermediate Duration	28%	246,646	33%	270,530
Alternative Assets	23%	200,219	21%	179,027
Equities	11%	102,895	12%	100,570
Commodities	2%	17,836	2%	14,791
Real Estate	1%	5,281	0%	2,100

Investments - 2012

(in thousands)

Investment Type:	Investment Maturity (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Debt Securities					
US Agencies	\$ 19,180	\$ 5,883	\$ 3,130	\$ -	\$ 10,167
US Government	24,244	1,145	18,005	5,021	73
Foreign Government Bonds	2,186	-	500	691	995
Certificates of Deposit	40,500	40,500	-	-	-
Corporate Debt	123,489	12,187	45,211	22,394	43,697
Bond Mutual Funds	96,456	4,188	67,662	14,017	10,589
Municipal/Public Bonds	4,725	231	865	1,347	2,282
Money Market Mutual Funds	240,831	240,831	-	-	-
Sub Total Debt Securities	\$ 551,611	\$ 304,965	\$ 135,373	\$ 43,470	\$ 67,803

Other Investments	
Alternative Assets	\$ 200,219
Equity Securities- International	44,472
Equity Securities- Domestic	58,423
Commodities	17,836
Real Estate	5,281
Grand Total	\$ 877,842

Investments - 2011

(in thousands)

Investment Type:	Investment Maturity (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Debt Securities					
US Agencies	\$ 29,986	\$ 9,968	\$ 2,468	\$ 1,198	\$ 16,352
US Government	11,172	836	6,551	3,476	309
Foreign Government Bonds	2,753	-	373	2,380	-
Certificates of Deposit	40,500	40,500	-	-	-
Corporate Debt	135,746	8,254	57,256	26,662	43,574
Bond Mutual Funds	110,469	4,878	53,820	41,892	9,879
Municipal/Public Bonds	4,340	-	612	663	3,065
Money Market Mutual Funds	198,776	198,776	-	-	-
Sub Total Debt Securities	\$ 533,742	\$ 263,212	\$ 121,080	\$ 76,271	\$ 73,179

Other Investments	
Alternative Assets	\$ 179,027
Equity Securities- International	49,558
Equity Securities- Domestic	51,012
Commodities	14,791
Real Estate	2,100
Grand Total	\$ 830,230

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 \$29.0 million at June 30, 2012 and \$19.7 million at June 30, 2011. 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 Federal Deposit Insurance Corporation (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, 2012 and June 30, 2011 there are investments of \$63,000 and \$2.0 million, respectively, available from Master Lease agreements entered into by the University for capital asset purchases at the Amherst and Boston campuses. Additionally, there is \$13.7 million and \$11.0 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 \$805 million and \$1.154 billion, respectively, held by trustees related to the Building Authority. At June 30, 2011, this includes \$3.8 million of designated funds awarded by the Commonwealth of Massachusetts for

capital projects which are held in trust by the Building Authority. At June 30, 2012 there were no funds designated. Also, at June 30, 2011, there was \$3.4 million available to be used by WCCC for capital construction purposes. At June 30, 2012, there were no funds available to be used by WCCC for capital construction purposes.

Pursuant to Trust Agreements between the Building Authority and its bond trustees, all funds deposited with those trustees (approximately \$0.8 billion at June 30, 2012 and \$1.2 billion at June 30, 2011) 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 held by Trustees consist of the following as of June 30, 2012 and 2011 (in thousands):

	<u>2012</u>	<u>2011</u>
Fully insured bank accounts	\$56	\$70
Permitted money market accounts (MMA)	<u>575,203</u>	<u>506,074</u>
	<u>\$575,259</u>	<u>\$506,144</u>

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, 2012 and 2011, the Building Authority's cash deposits of \$.06 million and \$.07 million, respectively, were not subject to custodial credit risk as they were fully insured. 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, 2012 (in thousands):

Investment type	Investment Maturities (in Years)				
	Fair value	Less than 1	1 to 5	6 to 10	More than 10
Debt Securities					
US Treasuries	\$ 10,247	\$ -	\$ 10,247	\$ -	\$ -
US Agencies	214,500	30,495	184,005	-	-
Repurchase Agreements	5,318	-	-	5,318	-
MMA	<u>575,203</u>	<u>575,203</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 805,268</u>	<u>\$ 605,698</u>	<u>\$ 194,252</u>	<u>\$ 5,318</u>	<u>\$ -</u>
Other Investments:					
MDFA Bonds	\$ 673				
Revolving Loan	13,735				
Master Leases	<u>63</u>				
	<u>\$ 819,738</u>				

As of June 30, 2011 (in thousands):

Investment type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Debt Securities					
US Treasuries	\$ 71	\$ 71	\$ -	\$ -	\$ -
US Agencies	642,201	103,037	519,235	19,930	-
Repurchase Agreements	5,318	-	-	5,318	-
MMA	<u>506,074</u>	<u>506,074</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,153,664</u>	<u>\$609,182</u>	<u>\$519,235</u>	<u>\$25,248</u>	<u>\$ -</u>
Other Investments:					
MDFA Bonds	\$ 3,416				
Revolving Loan	10,987				
Master Leases	<u>2,037</u>				
	<u>\$ 1,170,104</u>				

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 certificates 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 (MMDT), a money market account sponsored by the Treasurer of the Commonwealth and managed by Fidelity Investments. Additionally, the Building Authority's Bond Trustee invests some of the Building Authority's funds in money market accounts that are permitted and are collateralized by Treasuries.

No credit risk disclosures are required under GASB 40 related to the Building Authority's investment in Treasuries. The Building Authority's investments in Agencies are rated at the highest level by Standard & Poor's Rating Services and Moody's Investors Service, Inc. The Building Authority's investments in repurchase agreements are fully collateralized by Treasuries and Agencies but are not themselves rated. The 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, 2012 the Building Authority had 10.1% of its investments with the Federal Home Loan Mortgage Corporation. As of June 30, 2011 the Building Authority had 16.1% of its investments with the Federal Home Loan Mortgage Corporation, 16.1% of its investments with the Federal Home Loan Bank and 21.6% of its investments with the Federal National Mortgage Association.

5. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

Accounts, grants and loans receivable at June 30 consist of the following (in thousands):

University:	2012	2011
Students Accounts Receivable	\$47,167	\$41,534
Less allowance for uncollectible accounts	(16,329)	(15,303)
	<u>30,838</u>	<u>26,231</u>
Grants and Contracts Receivable	82,335	81,391
Less allowance for uncollectible accounts	(2,427)	(3,223)
	<u>79,908</u>	<u>78,168</u>
Students Loans Receivable	42,938	41,822
Less allowance for uncollectible accounts	(309)	(258)
	<u>42,629</u>	<u>41,564</u>
Commonwealth Medicine	56,216	64,599
Less allowance for uncollectible accounts	(1,007)	(947)
	<u>55,209</u>	<u>63,652</u>
Other	62,611	55,218
Less allowance for uncollectible accounts	(1,462)	(1,362)
	<u>61,149</u>	<u>53,856</u>
Total, net	\$269,733	\$263,471
Less current portion, net	(227,740)	(224,309)
Long-term, net	<u>\$41,993</u>	<u>\$39,162</u>

UMASS MEMORIAL

Effective March 31, 1998, the former University of Massachusetts Clinical Services Division (which was comprised of the University of Massachusetts Medical School Teaching Hospital Trust Fund, University of Massachusetts Medical School - Group

Practice Plan, and the University of Massachusetts Medical Center Self Insurance Trust), was merged into a separate Massachusetts not-for-profit corporation named UMass Memorial Health Care, Inc. ("UMass Memorial"). UMass Memorial, a separate entity, is not under the control of the University, and therefore is not a component of these financial statements. In connection with the merger of UMass Memorial and the former Clinical Services Division of the University in 1998, 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, 2012 and 2011, the reimbursements for services provided to UMass Memorial were \$128.5 million and \$127.0 million, respectively. Included in these amounts is payroll paid by the University on behalf of UMass Memorial in an agency capacity in the amount of \$83.1 million and \$80.9 million for fiscal years 2012 and 2011, respectively. At June 30, 2012 and 2011, the University has recorded a receivable in the amount of \$5.8 million and \$10.7 million, respectively from UMass Memorial consisting of \$2.8 million and \$9.0 million, respectively, in payroll and related fringe charges. The University has recorded a payable at June 30, 2012 of \$3.6 million primarily for cross-funded payroll. At June 30, 2011, the University had a payable of \$16.4 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, 2012, the net assets of the Foundation included as related organizations in the combined financial statements of the University are \$365.4 million, of which \$342.5 million are restricted funds and \$23.0 million are unrestricted funds. During the fiscal year ended June 30, 2012, the University received approximately \$40.6 million from the Foundation, and disbursed approximately \$42.9 million to the Foundation of which \$35.2 million related to the establishment of quasi-endowment. At June 30, 2012, the University's investments include \$242.9 million of endowment funds held in a custodial relationship at the Foundation, and \$229.9 million in ITIF.

As of June 30, 2011, the net assets of the Foundation included as related organizations in the combined financial statements of the University are \$360.0 million, of which \$338.9 million are restricted funds and \$21.1 million are unrestricted funds. During the fiscal year ended June 30, 2011, the University received approximately \$18.2 million from the Foundation, and disbursed approximately \$8.3 million to the Foundation of which none related to the establishment of quasi-endowment. At June 30, 2011, the University's investments include \$212.7 million of endowment funds held in a custodial relationship at the Foundation, and \$245.5 million in ITIF.

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

UHealthSolutions, Inc. (formerly Public Sector Partners, Inc. "PSP") and its previously wholly-owned subsidiary, MedMetrics Health Partners, Inc., is a corporation that offers a wide range of program management and consulting services to both public sector agencies and nonprofit organizations. UHS is affiliated with Commonwealth Medicine, a division of the Medical School and WCCC is its sole member. The majority of the net assets of MHP were sold to a third party on April 11, 2011, and the remainder of the MHP assets were transferred to UHS. UHS received \$12.7 million as consideration and recognized a gain of the sale of the net assets of \$9.7 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 after 3 years 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. As of June 30, 2012 and 2011, the Authority had provided operating support for the Club of approximately \$0.2 million and \$0.7 million, respectively.

7. INVESTMENT IN PLANT

Investment in plant activity for the year ended June 30, 2012 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
	Buildings and Improvements	\$3,126,849	\$207,543	(\$12,181)
Equipment and Furniture	614,625	28,305	(38,443)	604,487
Software	133,264	2,915	(2,097)	134,082
Library Books	110,423	-	(8,805)	101,618
	3,985,161	238,763	(61,526)	4,162,398
Accumulated Depreciation	(1,868,779)	(163,582)	41,784	(1,990,577)
Sub-Total	2,116,382	75,181	(19,742)	2,171,821
Land	56,556	2,216	(941)	57,831
Construction in Progress	409,713	537,862	(79,041)	868,534
Sub-Total	466,269	540,078	(79,982)	926,365
Total	\$2,582,651	\$615,259	(\$99,724)	\$3,098,186

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
	Buildings and Improvements	\$7,942	-	-
Equipment and Furniture	172	-	(\$2)	170
	8,114	-	(2)	8,112
Accumulated Depreciation	(455)	(\$195)	-	(650)
Sub-Total	7,659	(195)	(2)	7,462
Land	1,360	-	-	1,360
Total	\$9,019	(\$195)	(\$2)	\$8,822

Investment in plant activity for the year ended June 30, 2011 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
	Buildings and Improvements	\$2,885,304	\$242,806	(\$1,261)
Equipment and Furniture	601,564	35,349	(22,288)	614,625
Software	128,331	4,933	-	133,264
Library Books	109,968	8,932	(8,477)	110,423
	3,725,167	292,020	(32,026)	3,985,161
Accumulated Depreciation	(1,731,042)	(158,831)	21,094	(1,868,779)
Sub-Total	1,994,125	133,189	(10,932)	2,116,382
Land	52,989	3,567	-	56,556
Construction in Progress	277,278	277,562	(145,127)	409,713
Sub-Total	330,267	281,129	(145,127)	466,269
Total	\$2,324,392	\$414,318	(\$156,059)	\$2,582,651

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
	Buildings and Improvements	\$1,119	\$7,398	(575)
Equipment and Furniture	172	-	-	172
	1,291	7,398	(575)	8,114
Accumulated Depreciation	(352)	(126)	23	(455)
Sub-Total	939	7,272	(552)	7,659
Land	760	800	(200)	1,360
Total	\$1,699	\$8,072	(752)	\$9,019

At June 30, 2012 and 2011, investment in plant included capital lease assets of approximately \$84.7 million and \$85.0 million, respectively, net of accumulated depreciation on capital lease assets of approximately \$74.0 million and \$70.0 million, respectively (see Note 9). The University had a capital contribution of \$4.4 million during 2011 mostly due to a gift and \$29.8 million during 2010 as a result of acquiring assets below fair value.

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, 2012 and 2011, the University capitalized net interest costs of \$41.4 million and \$35.2 million respectively.

8. BONDS PAYABLE

Amounts outstanding at June 30, 2012 are as follows (in thousands):

Issue Borrowing	Original Borrowing	Maturity Date	Interest Rate	Amount Outstanding
University of Massachusetts Building Authority:				
Series 2003-1	\$ 137,970	2014	3.875-5.25%	\$ 17,665
Series 2004-A	96,025	2015	4.2-4.5%	8,765
Series 2004-1	183,965	2016	5.25%	32,195
Series 2005-1	25,595	2016	5.0%	10,440
Series 2005-2	212,550	2025	5.0%	189,645
Series 2006-2	21,240	2014	5.47-5.49%	5,375
Series 2008-A	26,580	2038	variable	23,630
Series 2008-1	232,545	2038	variable	208,515
Series 2008-2	120,560	2038	4.0-5.0%	110,750
Series 2009-1	247,810	2039	3.0-5.0%	228,665
Series 2009-2	271,855	2039	6.423-6.573%	271,855
Series 2009-3	28,570	2039	5.283-6.173%	28,155
Series 2010-1	118,985	2020	5.0%	114,275
Series 2010-2	430,320	2040	3.8-5.45%	430,320
Series 2010-3	3,005	2040	6%	2,965
Series 2011-1	135,040	2034	variable	133,765
Series 2011-2	101,700	2034	variable	100,875
				<u>1,917,855</u>
			Unamortized Bond Premium	35,946
			Less Deferred Loss on Refunding	<u>(69,719)</u>
			SUBTOTAL	<u>1,884,082</u>
University of Massachusetts HEFA/MDFA:				
2000 Series A	\$ 20,000	2030	variable	\$ 20,000
2002 Series C	35,000	2034	4.2%	740
2007 Series D	10,435	2031	3.5-4.25%	10,090
Series 2011	29,970	2034	2.5-4.0%	29,970
				<u>60,800</u>
			Unamortized Bond Premium	1,161
			SUBTOTAL	<u>61,961</u>
WCCC HEFA/MDFA:				
Series 2005-D	\$ 99,325	2029	5.0-5.25%	\$ 84,895
Series 2007-E	118,750	2036	3.5-5.0%	110,520
Series 2007-F	101,745	2036	4.0-5.0%	89,695
Series 2011	10,495	2023	2.0-5.0%	10,495
				<u>295,605</u>
			Unamortized Bond Premium	9,381
			Deferred Loss on Refunding	<u>(12,129)</u>
			SUBTOTAL	<u>292,857</u>
MDFA:				
Clean Renewable Energy Bonds	\$1,625	2027	3.5%	1,434
			TOTAL	<u><u>\$ 2,240,334</u></u>

Bonds payable activity for the year ended June 30, 2012 is summarized as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Repayments</u>	<u>Ending Balance</u>
University of Massachusetts Building Authority:				
Series 2000-A	\$1,645		(\$1,645)	-
Series 2003-1	23,045		(5,380)	\$17,665
Series 2004-A	10,735		(1,970)	8,765
Series 2004-1	39,935		(7,740)	32,195
Series 2005-1	12,745		(2,305)	10,440
Series 2005-2	197,825		(8,180)	189,645
Series 2006-2	7,860		(2,485)	5,375
Series 2008-A	24,435		(805)	23,630
Series 2008-1	215,120		(6,605)	208,515
Series 2008-2	113,105		(2,355)	110,750
Series 2009-1	240,120		(11,455)	228,665
Series 2009-2	271,855			271,855
Series 2009-3	28,570		(415)	28,155
Series 2010-1	118,985		(4,710)	114,275
Series 2010-2	430,320			430,320
Series 2010-3	3,005		(40)	2,965
Series 2011-1	135,040		(1,275)	133,765
Series 2011-2	101,700		(825)	100,875
Plus: unamortized bond premium	44,031		(8,085)	35,946
Less: deferred loss on refunding	(72,376)		2,657	(69,719)
Subtotal	1,947,700		(63,618)	1,884,082
UMass HEFA/MDFA:				
2000 Series A	20,000			20,000
2001 Series B	280		(280)	-
2002 Series C	30,660		(29,920)	740
2007 Series D	10,140		(50)	10,090
Series 2011		29,970		29,970
Plus: unamortized bond premium		1,161		1,161
Subtotal	61,080	31,131	(30,250)	61,961
WCCC HEFA/MDFA:				
WCCC 2001 Series B	12,545		(12,545)	-
WCCC 2005 Series D	87,800		(2,905)	84,895
WCCC 2007 Series E	112,295		(1,775)	110,520
WCCC 2007 Series F	92,165		(2,470)	89,695
Series 2011		10,495		10,495
Plus: unamortized bond premium	8,638	1,113	(370)	9,381
Less: deferred loss on refunding	(12,568)		439	(12,129)
Subtotal	300,875	11,608	(19,626)	292,857
MDFA:				
Clean Renewable Energy Bonds	1,530		(96)	1,434
Total	\$2,311,185	\$42,739	(\$113,590)	\$2,240,334

Maturities and interest, which is estimated using rates in effect at June 30, 2012, on bonds payable for the next five fiscal years and in subsequent five-year periods are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>
2013	\$ 70,846	\$ 93,955
2014	77,846	91,093
2015	77,776	87,545
2016	79,701	83,941
2017	82,616	80,179
2018-2022	448,983	340,037
2023-2027	470,323	244,657
2028-2032	467,425	150,945
2033-2037	331,450	68,816
2038-2042	168,728	11,904
Total	\$2,275,694	\$1,253,072

Bonds payable activity for the year ended June 30, 2011 is summarized as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
University of Massachusetts Building Authority:				
Series 2000-A	\$3,215		(\$3,215)	-
Series 2000-1	1,155		(1,155)	-
Series 2000-2	5,680		(4,035)	\$1,645
Series 2003-1	28,205		(5,160)	23,045
Series 2004-A	12,630		(1,895)	10,735
Series 2004-1	45,960		(6,025)	39,935
Series 2005-1	14,945		(2,200)	12,745
Series 2005-2	200,040		(2,215)	197,825
Series 2006-2	10,825		(2,965)	7,860
Series 2008-A	25,215		(780)	24,435
Series 2008-1	221,475		(6,355)	215,120
Series 2008-2	115,370		(2,265)	113,105
Series 2008-3	136,275		(136,275)	-
Series 2008-4	102,495		(102,495)	-
Series 2009-1	244,410		(4,290)	240,120
Series 2009-2	271,855			271,855
Series 2009-3	28,570			28,570
Series 2010-1		\$118,985		118,985
Series 2010-2		430,320		430,320
Series 2010-3		3,005		3,005
Series 2011-1		135,040		135,040
Series 2011-2		101,700		101,700
Revolving Line of Credit	401		(401)	-
Plus: unamortized bond premium	29,787	21,177	(6,933)	44,031
Less: deferred loss on refunding	(42,048)	(32,267)	1,939	(72,376)
Subtotal	1,456,460	777,960	(286,720)	1,947,700
UMass HEFA:				
2000 Series A	20,000			20,000
2001 Series B	546		(266)	280
2002 Series C	31,345		(685)	30,660
2007 Series D	10,190		(50)	10,140
Subtotal	62,081		(1,001)	61,080
WCCC HEFA:				
WCCC 2001 Series B	13,700		(1,155)	12,545
WCCC 2005 Series D	90,575		(2,775)	87,800
WCCC 2007 Series E	114,000		(1,705)	112,295
WCCC 2007 Series F	94,530		(2,365)	92,165
Plus: unamortized bond premium	9,029		(391)	8,638
Less: deferred loss on refunding	(13,266)		698	(12,568)
Subtotal	308,568		(7,693)	300,875
MDFA:				
Clean Renewable Energy Bonds		1,625	(95)	1,530
Total	\$1,827,109	\$779,585	(295,509)	2,311,185

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 of 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 \$200.0 million. The Building Authority issued bonds are all Commonwealth guaranteed with the exception of Series 2000-2, Series 2003-1, Series 2004-1, Series 2005-1, Series 2005-2, Series 2006-2 (federally taxable), Series 2008-1, Series 2008-2, Series 2009-1, Series 2009-2 (federally taxable), Series 2009-3 (federally taxable), Series 2010-1, Series 2010-2 (federally taxable), Series 2010-3 (federally taxable) and Series 2011-1.

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.

Variable Rate Bonds The 2008-1 bonds are supported with an irrevocable direct pay letter of credit (the Lloyds LOC) issued by Lloyds TSB Bank plc (Lloyds). The Lloyds LOC, upon presentation of required documentation, will pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The Lloyds LOC expires in April 2013 and may be extended at the option of Lloyds. Under the terms of the Lloyds LOC, the Authority is required to pay Lloyds in quarterly installments a facility fee in the amount of 26.5 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Building Authority in connection with the Lloyds LOC totaled \$0.6 million for the years ended June 30, 2012 and 2011.

The 2008-A bonds are supported by a standby bond purchase agreement with Bank of America, N.A. ("BofA") which requires BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Authority is required to pay BofA in quarterly installments a facility fee in the amount of 12 basis points of the initial commitment. The initial commitment under the agreement was set at \$28 million and is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in April 2013 and may be extended at the option of the BofA. Fees accrued by the Authority in connection with the standby bond purchase agreement totaled \$43,600 and \$37,600 for the years ended June 30, 2012 and 2011, respectively.

The 2008-4 bonds were supported by a standby bond purchase agreement with Bank of America, N.A. (BofA) which required BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12%. Under this agreement, the Building Authority was required to pay BofA in quarterly installments a facility fee in the amount of 35 basis points of the initial commitment. The initial commitment under the agreement was set at \$110.0 million and was subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expired in 2011 and could have been extended at the option of the BofA. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled \$0 and \$362,000 for the years ended June 30, 2012 and 2011, respectively. The agreement terminated when the 2008-4 bonds were refunded in June of 2011.

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. Under this agreement, the Building Authority is 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 \$135.0 million and is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in 2014 and may be extended at the option of the Wells. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled \$674,600 and \$33,400 for the years ended June 30, 2012 and 2011, respectively.

Window Bonds In fiscal year 2011, the Building Authority issued its 2011-2 bonds in a variable rate Window Bond mode. As with the Building Authority's other variable rate bonds, the Window Bondholders can tender the bonds at any time. But unlike the Building 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 Building 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 interest on the Window Bonds at a fixed spread over the Securities Industry and Financial Markets Association Municipal Swap Index™ (SIFMA). The initial spread to the SIFMA index is 9 basis points (.09%).

Bond Refundings In fiscal year 2011, the Building Authority refunded the 2008-3 and 2008-4 series bonds with its 2011-1 and 2011-2 series bonds. Accordingly, the Building Authority deposited into trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds which were fully repaid in August 2012 when the 2008-3 and 2008-4 series bonds were called.

In previous fiscal years the Building Authority has advanced refunded various bonds by depositing into various trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds until the bonds could be called. Assets held in the trust accounts for this purpose had an aggregate market value of approximately of \$311.7 million and \$315.7 million as of June 30, 2012 and 2011, respectively. The unpaid principal amount of the refunded bonds totaled \$292.0 million and \$294.3 million as of June 30, 2012 and 2011, respectively.

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 recorded in the University's financial statements.

In connection with the Building Authority's prior advanced refundings, the Building Authority recorded a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$45.5 million. This difference is being reported as a reduction from bonds payable and will be amortized as an increase in interest expense over the original life of the refunded bonds. The

refundings reduced the Building Authority's debt service payments in future years by approximately \$26.2 million and resulted in an economic gain (the present value of the savings) of approximately \$16.0 million.

Bond Premium, Issuance Expenses and Deferred Amount on Refundings. In connection with the Building Authority's bond issues, the Building Authority received premiums at issuance totaling approximately \$67.3 million. The Building Authority will amortize the premiums received as a reduction in interest expense over the life of the respective bond issue.

In connection with the Building Authority's bonds issues, the Building Authority incurred certain issuance costs associated with the bond offerings totaling approximately \$24.0 million. These issuance costs have been capitalized by the University and will be amortized over the life of the respective bond issue.

Pledged Revenues Pursuant to the projects administered by the University of Massachusetts Building Authority, the Authority sets fees, rents, rates and other charges for the use of the projects for each fiscal year in an amount that produces revenues in excess of the amounts needed in such fiscal year for debt service on the related bonds, required contributions to the related Section 10 Reserve Fund, expenses for the Bond trustee and any escrow agent. Such excess revenues are held by the University for the account of and on behalf of the Authority. Total applicable pledged revenues were \$68.4 million for 2012 and \$66.5 million for 2011.

Interest Rate Swaps The Building Authority uses derivative instruments to manage the cash flow impact of interest rate changes on its cash flows and net assets. The Building Authority utilizes financial derivative instruments to attempt to mitigate its exposure to certain market risks associated with operations and does not use derivative instruments for trading or speculative purposes.

The Building Authority's contracts are evaluated pursuant to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB Statement 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 Building Authority applies hedge accounting for derivative instruments that are deemed effective hedges and under GASB Statement 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 on the Statement of Net Assets 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 Building Authority's hedging derivative instruments at June 30, 2012 are as follows (in thousands):

	Fair Value June 30, 2012	Net Change in Fair Value	Fair Value June 30, 2011	Type of Hedge	Financial Statement Classification for Changes in Fair Value
Series 2008-1 Swap	\$(44,721)	\$ (24,877)	\$(19,844)	Cash Flow	Deferred outflow
Series 2008-A Swap	(5,126)	(2,808)	(2,318)	Cash Flow	Deferred outflow
Series 2006-1 Swap	(56,263)	(27,083)	(29,180)	Cash Flow	Deferred outflow
Total	\$(106,110)	\$(54,768)	\$(51,342)		

The terms of the Building Authority's financial derivative instruments that were outstanding at June 30, 2012 are summarized below (in thousands):

Type	Effective Date	Terminatio n Date	Rate Authority Pays	Authority Receives	Original Notional Value
Series 2008-1 Swap	5/1/2008	5/1/2038	3.388%	70% of 1-Month LIBOR	\$232,545
Series 2008-A Swap	5/1/2008	5/1/2038	3.378%	70% of 1-Month LIBOR	\$26,580
Series 2011-1 and 2001-2 Swap	4/20/2006	11/1/2034	3.482%	60% of 3-Month LIBOR + .18%	\$243,830

Fair Values The fair values of the swaps were 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.

Credit risk As of June 30, 2012, the Building Authority was not exposed to credit risk on the swaps with \$106.1 million in negative fair value. 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 Building 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 Building Authority's counterparties at June 30, 2012 are as follows:

	Credit Ratings		
	Moody's	S & P	Fitch
UBS AG	A2	A	A
Deutsche Bank AG	A2	A+	A+
Citi Bank NA	A3	A	A

Basis risk The Building Authority is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payment received by the Building Authority (a percent of LIBOR) on these hedging derivative instruments are based on indexes other than the actual interest rates the Building 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 Building Authority uses the International Swap Dealers Association Master Agreement (Master Agreement), which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes "additional termination events". The additional termination events provide that the swap may be terminated by the Building 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 Building Authority is withdrawn, suspended or falls below certain levels or the Building Authority fails to have a rating. The Building Authority or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. The Building 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 Building 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 Building Authority is owed money or must pay money to close out a swap position. A negative fair value means the Building Authority would incur a loss and need to make a termination payment to settle the swap position. A positive fair value means the Building Authority would realize a gain and receive a termination payment to settle the swap position.

Contingencies All of the Building Authority's swaps include provisions that require the Building Authority to post collateral in the event its credit rating falls below certain levels. In the event the Building Authority is rated A2 by Moody's Investors Service or A by Standard & Poor's, the Building Authority would need to post collateral equal to amounts above the fair value of its swaps in liability positions above \$10.0 million. In the event the Building Authority is not rated or rated below A3 by Moody's Investors Service or below A- by Standard & Poor's the Building 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 Building Authority does not post collateral, the derivative instrument may be terminated by the counterparty. The Building Authority's credit rating is Aa2 from Moody's Investors Service and AA from Fitch Ratings at June 30, 2012; therefore, no collateral has been posted.

Termination of Hedge Accounting In June of 2012 the Building 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 Statement 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 \$22.2 million. The change in fair value of the Series 2006-1 Swap from the refunding date to June 30, 2012 is reported as a deferred outflow as the swap was determined to be effective at June 30, 2012.

Swap payments and associated debt Using rates as of June 30, 2012, 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. As rates vary, variable-rate bond interest payments and net swap payments will vary (in thousands).

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2013	\$ 9,680	\$ 395	\$ 14,871	\$ 24,946
2014	10,050	388	14,578	25,016
2015	10,430	381	14,251	25,062
2016	10,845	374	13,932	25,151
2017	11,625	366	13,536	25,527
2018-2022	94,640	1,668	60,972	157,280
2023-2027	158,250	1,045	38,932	198,227
2028-2032	124,330	397	15,578	140,305
2033-2037	35,035	48	1,814	36,897
2038	825	1	27	853
Total	<u>\$ 465,710</u>	<u>\$ 5,063</u>	<u>\$ 188,491</u>	<u>\$ 659,264</u>

The Building Authority maintains a Revolving Line of Credit (the Line) with BofA. The Line matures on the anniversary of the date of the agreement and can be extended or renewed at the option of the Bank. At the time of each draw on the Line the Building

Authority must elect to have the interest on the draw calculated based on (a) a percentage of the one-month, two-month or three-month LIBOR rate (LIBOR Rate) plus a fixed rate or (b) the higher of 75% Federal Funds Rate plus 0.5% or 75% the Bank's "prime rate" (Base Rate). Interest is due at the end of the one, two or three month period under a LIBOR Rate draw, the first business day of the calendar quarter for Base Rate draws or the Line's maturity date, whichever comes first. During the term of the Line the Building Authority can elect to have the interest charges incorporated into a subsequent draw. In November 2009 the Line was renewed until January 2012 for \$30.0 million, the unborrowed fee was increased to 0.25% and the interest rate was set at 65% of LIBOR plus 0.85%. In 2012 and 2011 the Building Authority paid \$30,000 and \$64,700, respectively related to charges for the Line. As of June 30, 2012 and 2011 the Building Authority had \$0 and \$0 respectively outstanding under the Line. The interest terms on the draws made under the Line in fiscal 2011 were one-month LIBOR and the interest rates ranged from 1.015% to 1.076%.

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 will be 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, B, C, D and 2011

The University, through MassDevelopment, has issued bonds in order to construct new student centers on the Boston and Lowell Campuses and to create a pool of funds to acquire telecommunications, electronics, computer, office, research, equipment and administrative systems and 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. On March 27, 2009 (the "Mandatory Purchase Date"), the Series A Bonds were subject to mandatory tender for purchase due to the expiration of the liquidity facility supporting the Series A Bonds and the conversion of the Series A Bonds from a weekly rate period to a long-term rate period. Only \$20.0 million of the Series A Bonds was remarketed on the Mandatory Purchase Date (the "Remarketed Series A Bonds" and together with the Series A Bonds the "Bonds"). The initial long-term rate of 0.85% ended on March 31, 2010. The Remarketed Series A Bonds were remarketed again on April 1, 2010 and now bear interest at the long-term rate of 2.20%. The new long-term rate period will end on March 31, 2013 and the Remarketed Series A Bonds will be subject to mandatory tender for purchase on April 1, 2013. 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 new 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. Average interest rates on the Bonds during fiscal year 2012 and 2011 were approximately 2.20% respectively. At June 30, 2012 and 2011, the outstanding principal balance on the Bonds is \$20.0 million.

Debt covenants The University of Massachusetts Series A, B, C and D 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 to an irrevocable trust fund to provide for payment of the University 2002 Series C Bonds. This payment was made as a lump sum in October 2012. The Series 2011 bonds were issued at a premium of \$1.2million. These bonds bear interest at various fixed rates ranging from 2.5% to 4% and mature on October 1, 2034. At June 30, 2012, the aggregate principal payment outstanding on these bonds was \$30.0 million. As a result of the refunding, 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 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 recorded in the University's financial statements.

Worcester City Campus Corporation Series B, 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 "Series 2011 Bonds"). The Series 2011 Bonds were issued at a premium of \$1.1 million. These bonds bear interest at various fixed rates ranging from 2.00% to 5.00% and mature October 1, 2023. At June 30, 2012, the aggregate principal payments outstanding on these bonds were \$10.5 million. The proceeds of the Series 2011 Bonds were used to refund the MHEFA 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 \$101.7 million of Massachusetts Health and Education Facilities Authority ("MHEFA") Revenue Bonds (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, 2012 and June 30, 2011, the aggregate principal payments outstanding on this portion of the Series F Bonds were \$30.4 million and \$31.1 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, 2012 and 2011, the aggregate principal payments outstanding on this portion of the Series F Bonds were \$59.3 million and \$61.1 million, respectively.

In January 2007, WCCC issued \$118.8 million of MHEFA Revenue Bonds (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 to an irrevocable trust fund to provide for partial advanced refunding of outstanding MHEFA Series B Revenue Bonds. In accordance with the applicable guidance, a portion of the Series B Bonds totaling \$30.8 million and the related irrevocable trust has been derecognized by the Corporation.

In April 2005, WCCC issued \$99.3 million of MHEFA Revenue Bonds (the "Series D Bonds"). The Corporation deposited the proceeds to an irrevocable trust fund to provide for payment of the MHEFA Series A Revenue Bonds. In accordance with the applicable guidance, the Series A Bonds and the related irrevocable trust were derecognized 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 Series D Bonds were issued at a premium of \$4.1 million. At June 30, 2012 and 2011, the aggregate principal payment outstanding on the Series D Bonds was \$84.9 million and \$87.8 million, respectively. The proceeds from the 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 recorded 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 2012 and 2011, 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.

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 \$20.0 million and \$16.8 million for the years ended June 30, 2012 and 2011, respectively. The master leases primarily consist of telecommunications, software, and co-generation systems. The University also leases space to third party tenants. During 2012 and 2011, the amount reported as rental income was \$13.6 million and \$12.6 million, respectively. The master leases primarily consist of telecommunications, software, and co-generation systems.

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, 2012 (in thousands):

Year	University Capital Leases			Operating Leases	June 30, 2012	University Capital Lease Obligations	
	Master Leases	Other Leases	TOTAL			Principal	Interest
2013	\$5,748	\$132	\$5,880	\$14,585			
2014	4,372	131	4,503	17,233			
2015	2,186	87	2,273	16,847			
2016	-	-	-	15,875			
2017 and thereafter	-	-	-	34,566			
Total Payments	12,306	350	12,656	\$99,106	2013	\$5,502	\$378
Less: Amount representing interest	(591)	(24)	(615)		2014	4,307	196
Present Value of Minimum Lease Payments	\$11,715	\$326	\$12,041		2015	2,232	41
					Total Payments	\$12,041	\$615

10. CAPITAL LEASES AND OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2012 the following changes occurred in long-term liabilities as recorded in the statements of net assets (in thousands):

	Beginning Balance	Additions/ Adjustments*	Reductions/ Adjustments*	Ending Balance
University:				
Capital lease obligations	\$12,116	-	(\$5,577)	\$6,539
Compensated absences	26,541	\$4,279	-	30,820
Workers' compensation	9,821	-	(16)	9,805
Deferred revenues and credits	20,080	7,270	(10,849)	16,501
Advances and deposits	26,688	367	(357)	26,698
Other Liabilities	6,850	12,459	(316)	18,993
University Related Organization:				
Other Liabilities	\$3,413	\$74	-	\$3,487

* Adjustments include changes in estimates

During the year ended June 30, 2011 the following changes occurred in long-term liabilities as recorded in the statement of net assets (in thousands):

	Beginning Balance	Additions/ Adjustments*	Reductions/ Adjustments*	Ending Balance
University:				
Capital lease obligations	\$17,177	\$412	(\$5,473)	\$12,116
Compensated absences	25,843	698	-	26,541
Workers' compensation	10,688	-	(867)	9,821
Deferred revenues and credits	23,567	9,474	(12,961)	20,080
Advances and deposits	26,507	603	(422)	26,688
Other Liabilities	1,107	6,564	(821)	6,850
University Related Organization:				
Other Liabilities	\$3,046	\$367	-	\$3,413

* Adjustments include changes in estimates

11. FRINGE BENEFITS

Expenditures for the years ended June 30, 2012 and 2011 include \$272.7 million and \$262.3 million, respectively, for the employer portion of fringe benefit costs (pension expense, health insurance for active employees and retirees, and unemployment) that was paid directly by the Commonwealth of Massachusetts. Of this amount, \$117.8 million for 2012 and \$110.9 million for 2011 was reimbursed to the Commonwealth and \$155.0 million and \$151.5 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 medicine in the Commonwealth for one year, or for students matriculating after 1990, two or four (depending on conditions) full years in primary care. 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 \$63.8 million and \$61.4 million at June 30, 2012 and 2011, respectively. Cumulative repayments totaled approximately \$46.4 million and \$43.5 million as of June 30, 2012 and 2011, respectively.

13. RETIREMENT PLANS

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of University employees who participate in the State Employees' Retirement System ("SERS"). SERS, 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 benefits up to a maximum of 80% of a member's highest three-year average rate of regular compensation. 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 or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Members contribute 5%, 7%, 8% and 9% of regular compensation for hire dates prior to 1975, 1983, June 30, 1996 and after July 1, 1996, respectively. Employees hired after 1979 also contribute an additional 2% of regular compensation in excess of \$30,000.

The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately \$64.0 million and \$35.6 million for the years ended June 30, 2012 and 2011, respectively. Annual covered payroll approximated 75.0% and 74.7% for the years ended June 30, 2012 and 2011, 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 SERS and participate in a defined contribution plan, the Massachusetts Optional Retirement Plan ("ORP"), administered by the Commonwealth's Department of Higher Education. At June 30, 2012 and 2011, there were approximately 4,060 and 3,574 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 \$8.0 million and \$7.0 million in 2012 and 2011, respectively. University employees contributed \$18.2 million and \$16.4 million in 2012 and 2011, respectively.

14. CONCENTRATION OF CREDIT RISK

The financial instrument that potentially subjects the University to concentrations of credit risk is the receivable from UMass Memorial which is uncollateralized. The receivable from UMass Memorial represents 2.1% and 3.9% of total accounts receivable for the University at June 30, 2012 and 2011, respectively. The University also had uncollateralized receivables from two other organizations comprising approximately 6.9% and 3.8% of the total outstanding receivables at June 30, 2012 and 6.8% and 6.9% of the total outstanding receivables at June 30, 2011.

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 \$306.7 million and \$483.3 million at June 30, 2012 and 2011, respectively. In connection with the investments in certain limited partnership agreements, the Foundation has \$8.9 million and \$10.2 million in committed calls as of June 30, 2012 and 2011, 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, 2012 and 2011 in the amount of \$16.2 million and \$6.3 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 \$14.3 million as of June 30, 2012 and \$13.5 million as of June 30, 2011. Estimated future payments related to such costs have been discounted at a rate of 4%.

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 UMass Memorial Medical Center (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, UMMC 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 UMMC, and its subsequent amendments and the indemnification provisions in these Agreements, may be required to indemnify UMMC 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.

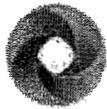
Five Universities in the Commonwealth of Massachusetts jointly formed the Massachusetts Green High Performance Computing Center, Inc. (MGHPCC) and MGHPCC Holyoke, Inc. in May 2010 and April 2011, respectively, to construct and operate a research computing center located in Holyoke, Massachusetts. MGHPCC and MGHPCC Holyoke, Inc. are tax-exempt organizations under the Internal Revenue Code section 501(c)(3). Each respective university agreed to contribute \$10M and as of June 30, 2012, each university had contributed the required amounts. The University's \$10M is included in their Statement of Financial Position within Prepaids (\$1M) and Other Assets (\$9M).

16. SUBSEQUENT EVENT

The University has assessed the impact of subsequent events through December 19, 2012, the date of the issuance of the consolidated financial statements, and has concluded that there were no material events that require adjustment to or disclosure in the consolidated financial statements.

**University of Massachusetts
2012 Annual Financial Report
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Report of Independent Certified Public Accountants on Accompanying Information

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Board of Trustees of the
University of Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University of Massachusetts as of and for the years ended June 30, 2012 and 2011, and our report dated December 19, 2012, which is presented in the preceding section, expressed an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming our opinions on these financial statements that collectively comprise the University's financial statements.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the business-type activities and the aggregate discretely presented component units of the University of Massachusetts (the "University") taken as a whole. The supplemental information listed in the accompanying index is presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the basic 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Boston, Massachusetts
December 19, 2012

University of Massachusetts
CENTRAL ADMINISTRATION
Statements of Net Assets
As of June 30, 2012 and 2011
(in thousands of dollars)

	June 30, 2012	June 30, 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$7,854	\$4,787
Cash Held By State Treasurer	743	688
Accounts, Grants and Loans Receivable, net	2,386	4,431
Short Term Investments	46,901	32,986
Due From Other Campuses	182	421
Other Assets	4,218	7,592
Total Current Assets	62,284	50,905
Noncurrent Assets		
Cash and Securities Held By Trustees	70,549	77,487
Investments	88,781	79,899
Other Assets	9,404	496
Investment In Plant Net of Accumulated Depreciation	31,393	15,181
Total Noncurrent Assets	200,127	173,063
Total Assets	\$262,411	\$223,968
LIABILITIES		
Current Liabilities		
Accounts Payable	\$5,675	\$3,626
Accrued Salaries and Wages	1,336	1,145
Accrued Compensated Absences	3,632	3,738
Accrued Interest Payable	459	465
Bonds Payable	15,822	15,124
Due To Campuses	35,187	22,275
Due To Related Organizations	436	201
Deferred Revenues and Credits	2,067	3,621
Advances and Deposits	464	637
Other Liabilities	6,304	4,262
Total Current Liabilities	71,382	55,094
Noncurrent Liabilities		
Accrued Compensated Absences	375	368
Bonds Payable	57,412	58,830
Deferred Revenues and Credits	192	201
Total Noncurrent Liabilities	57,979	59,399
Total Liabilities	\$129,361	\$114,493
Net Assets:		
Invested in Capital Assets Net of Related Debt	\$17,135	\$14,259
Restricted		
Nonexpendable	2,206	2,257
Expendable	31,560	24,092
Unrestricted	82,149	68,867
Total Net Assets	\$133,050	\$109,475

**University of Massachusetts
CENTRAL ADMINISTRATION
Statements of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2012 and 2011
(in thousands of dollars)**

REVENUES	June 30, 2012	June 30, 2011
Operating Revenues		
Tuition and Fees	\$7,153	\$5,599
Federal Grants and Contracts	2,577	3,906
State Grants and Contracts	2,584	2,632
Local Grants and Contracts	78	169
Private Grants and Contracts	4,305	5,170
Sales and Service, Educational	1,478	1,623
Allocation from Campuses	55,898	53,604
Other Operating Revenues:		
Other	17,603	10,529
Total Operating Revenues	91,676	83,232
EXPENSES		
Operating Expenses		
<i>Educational and General</i>		
Instruction	13,058	13,165
Research	3,279	3,134
Public Service	1,149	1,577
Institutional Support	57,157	50,022
Operation and Maintenance of Plant	6,213	5,537
Scholarships and Fellowships	6	6
Depreciation and Amortization	5,879	7,326
Total Operating Expenses	86,741	80,767
Operating Income	4,935	2,465
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	12,730	10,926
State Appropriations - Federal Stimulus funds	7	
Investment Return	2,089	7,983
Endowment Return	231	193
Interest on Indebtedness	172	(891)
Other Nonoperating Income	(78)	17
Net Nonoperating Revenues	15,151	18,228
Income Before Other Revenues, Expenses, Gains, and Losses	20,086	20,693
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Grants and Contracts	2,282	2,100
Disposal of Plant Facilities		
Other Additions/Deductions	1,206	(1,080)
Total Other Revenues, Expenses, Gains, and Losses	3,488	1,020
Total Increase in Net Assets	23,574	21,713
NET ASSETS		
Net Assets at Beginning of Year	109,476	87,762
Net Assets at End of Year	\$133,050	\$109,475

University of Massachusetts
AMHERST CAMPUS
Statements of Net Assets
As of June 30, 2012 and 2011
(in thousands of dollars)

	June 30, 2012	June 30, 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$15,060	\$15,140
Cash Held By State Treasurer	6,815	6,477
Accounts, Grants and Loans Receivable, net	36,581	32,985
Pledges Receivable, net	1,444	1,316
Short Term Investments	97,686	92,072
Inventories, net	5,902	3,952
Due From Other Campuses	15,955	10,056
Other Assets	592	1,010
Total Current Assets	180,035	163,008
Noncurrent Assets		
Cash Held By State Treasurer	4,996	1,657
Cash and Securities Held By Trustees	217,426	332,641
Accounts, Grants and Loans Receivable, net	18,180	17,583
Pledges Receivable, net	1,588	1,120
Investments	215,069	215,472
Other Assets	7,450	7,813
Deferred Outflows of Resources	49,888	15,340
Investment In Plant Net of Accumulated Depreciation	1,241,597	1,065,666
Total Noncurrent Assets	1,756,194	1,657,292
Total Assets	\$1,936,229	\$1,820,300
LIABILITIES		
Current Liabilities		
Accounts Payable	\$47,224	\$40,663
Accrued Salaries and Wages	37,140	32,911
Accrued Compensated Absences	23,593	23,470
Accrued Workers' Compensation	2,226	1,854
Accrued Interest Payable	5,565	5,684
Bonds Payable	243,670	77,327
Capital Lease Obligations	4,039	3,900
Deferred Revenues and Credits	12,402	11,902
Advances and Deposits	510	372
Other Liabilities	6,090	3,917
Total Current Liabilities	382,459	202,000
Noncurrent Liabilities		
Accrued Compensated Absences	11,840	10,127
Accrued Workers' Compensation	4,885	4,888
Bonds Payable	458,437	653,819
Derivative Instrument , Interest Rate Swap	64,570	30,687
Capital Lease Obligations	6,332	10,371
Deferred Revenues and Credits	10,917	11,355
Advances and Deposits	12,998	13,237
Total Noncurrent Liabilities	569,979	734,484
Total Liabilities	\$952,438	\$936,484
Net Assets:		
Invested in Capital Assets Net of Related Debt	\$675,387	\$588,367
Restricted		
Nonexpendable	3,963	3,922
Expendable	77,710	82,295
Unrestricted	226,731	209,232
Total Net Assets	\$983,791	\$883,816

**University of Massachusetts
AMHERST CAMPUS
Statements of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2012 and 2011
(in thousands of dollars)**

REVENUES	June 30, 2012	June 30, 2011
Operating Revenues		
Tuition and Fees (net of scholarship allowances of \$101,423 at June 30, 2012 and \$93,364 at June 30, 2011)	\$301,888	\$273,883
Federal Grants and Contracts	103,168	103,748
State Grants and Contracts	13,580	13,547
Local Grants and Contracts	530	377
Private Grants and Contracts	31,164	27,773
Sales and Service, Educational	7,339	6,971
Auxiliary Enterprises	177,650	160,494
Other Operating Revenues:		
Other	15,713	13,310
Total Operating Revenues	651,032	600,103
EXPENSES		
Operating Expenses		
<i>Educational and General</i>		
Instruction	283,236	266,419
Research	108,227	104,345
Public Service	27,357	23,677
Academic Support	56,433	50,340
Student Services	48,304	46,496
Institutional Support	55,203	55,249
Operation and Maintenance of Plant	80,231	83,781
Depreciation and Amortization	68,995	65,379
Scholarships and Fellowships	19,146	15,800
<i>Auxiliary Enterprises</i>	148,153	135,373
Total Operating Expenses	895,285	846,859
Operating Loss	(244,253)	(246,756)
NONOPERATING REVENUES/(EXPENSES)		
Federal Appropriations	6,845	5,826
State Appropriations	239,383	235,698
State Appropriations - Federal Stimulus funds	3	18,759
Gifts	13,750	11,620
Investment Return	8,591	25,911
Endowment Return	7,960	4,678
Interest on Indebtedness	(19,562)	(21,605)
Nonoperating Federal Grants	25,069	25,359
Other Nonoperating Income	(357)	2,364
Net Nonoperating Revenues	281,682	308,610
Income Before Other Revenues, Expenses, Gains, and Losses	37,429	61,854
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	62,480	8,444
Capital Grants and Contracts	5,389	314
Disposal of Plant Facilities	(4,667)	(4,434)
Other Additions/Deductions	(657)	1,722
Total Other Revenues, Expenses, Gains, and Losses	62,545	6,046
Total Increase in Net Assets	99,974	67,900
NET ASSETS		
Net Assets at Beginning of Year	883,817	815,916
Net Assets at End of Year	\$983,791	\$883,816

University of Massachusetts
BOSTON CAMPUS
Statements of Net Assets
As of June 30, 2012 and 2011
(in thousands of dollars)

	June 30, 2012	June 30, 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$5,765	\$5,703
Cash Held By State Treasurer	2,864	2,922
Accounts, Grants and Loans Receivable, net	23,246	24,225
Pledges Receivable, net		25
Short Term Investments	40,606	38,749
Inventories, net	722	678
Due From Other Campuses	4,189	2,813
Other Assets	404	745
Total Current Assets	77,796	75,860
Noncurrent Assets		
Cash Held By State Treasurer	2,170	619
Cash and Securities Held By Trustees	246,172	271,070
Accounts, Grants and Loans Receivable, net	6,415	4,645
Investments	80,515	83,206
Other Assets	3,453	3,062
Deferred Outflows of Resources	3,099	(224)
Investment In Plant Net of Accumulated Depreciation	231,286	194,991
Total Noncurrent Assets	573,110	557,369
Total Assets	\$650,906	\$633,229
LIABILITIES		
Current Liabilities		
Accounts Payable	\$6,949	\$9,339
Accrued Salaries and Wages	15,674	13,674
Accrued Compensated Absences	10,347	9,880
Accrued Workers' Compensation	305	243
Accrued Interest Payable	2,658	2,778
Bonds Payable	20,554	20,113
Capital Lease Obligations	1,462	1,570
Deferred Revenues and Credits	5,626	5,536
Advances and Deposits	2,847	3,073
Other Liabilities	3,821	3,265
Total Current Liabilities	70,243	69,471
Noncurrent Liabilities		
Accrued Compensated Absences	3,952	3,382
Accrued Workers' Compensation	670	640
Bonds Payable	293,365	301,086
Capital Lease Obligations	207	1,744
Derivative Instrument, Interest Rate Swap	6,585	3,409
Deferred Revenues and Credits	1,317	1,159
Advances and Deposits	3,649	3,704
Other Liabilities	1,960	
Total Noncurrent Liabilities	311,705	315,124
Total Liabilities	\$381,948	\$384,595
Net Assets:		
Invested in Capital Assets Net of Related Debt	\$147,498	\$126,582
Restricted		
Nonexpendable	6,569	6,056
Expendable	25,606	22,258
Unrestricted	89,285	93,738
Total Net Assets	\$268,958	\$248,634

**University of Massachusetts
BOSTON CAMPUS
Statements of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2012 and 2011
(in thousands of dollars)**

REVENUES	June 30, 2012	June 30, 2011
Operating Revenues		
Tuition and Fees (net of scholarship allowances of \$30,066 at June 30, 2012 and \$25,100 at June 30, 2011)	\$139,759	\$125,947
Federal Grants and Contracts	31,893	29,919
State Grants and Contracts	9,520	8,160
Local Grants and Contracts	1,589	937
Private Grants and Contracts	11,327	11,784
Sales and Service, Educational	2,546	2,937
Auxiliary Enterprises	10,054	10,017
Other Operating Revenues:		
Other	781	442
Total Operating Revenues	207,469	190,143
EXPENSES		
Operating Expenses		
<i>Educational and General</i>		
Instruction	127,268	119,754
Research	30,869	29,827
Public Service	11,084	7,264
Academic Support	27,098	24,037
Student Services	22,444	20,539
Institutional Support	31,250	31,120
Operation and Maintenance of Plant	25,606	24,448
Depreciation and Amortization	14,032	13,350
Scholarships and Fellowships	11,684	11,177
<i>Auxiliary Enterprises</i>	10,223	9,240
Total Operating Expenses	311,558	290,756
Operating Loss	(104,089)	(100,613)
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	87,749	87,923
State Appropriations - Federal Stimulus funds		6,563
Gifts	2,346	2,548
Investment Return	5,570	10,214
Endowment Return	2,285	956
Interest on Indebtedness	(6,593)	(6,352)
Nonoperating Federal Grants	20,365	19,348
Other Nonoperating Income	189	273
Net Nonoperating Revenues	111,911	121,473
Income Before Other Revenues, Expenses, Gains, and Losses	7,822	20,860
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	15,616	5,002
Capital Grants and Contracts	53	137
Disposal of Plant Facilities	(1,288)	(1,397)
Other Additions/Deductions	(1,879)	398
Total Other Revenues, Expenses, Gains, and Losses	12,502	4,140
Total Increase in Net Assets	20,324	25,000
NET ASSETS		
Net Assets at Beginning of Year	248,634	223,634
Net Assets at End of Year	\$268,958	\$248,634

**University of Massachusetts
DARTMOUTH CAMPUS
Statements of Net Assets
As of June 30, 2012 and 2011
(in thousands of dollars)**

	June 30, 2012	June 30, 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$1,658	\$2,062
Cash Held By State Treasurer	1,674	138
Accounts, Grants and Loans Receivable, net	13,047	12,066
Short Term Investments	7,151	9,537
Inventories, net	894	907
Due From Other Campuses	993	752
Due From Related Organizations	173	51
Other Assets	354	539
Total Current Assets	25,944	26,052
Noncurrent Assets		
Cash Held By State Treasurer	1,819	1,285
Cash and Securities Held By Trustees	49,849	74,782
Accounts, Grants and Loans Receivable, net	2,025	1,907
Investments	13,072	17,330
Other Assets	3,227	3,641
Deferred Outflows of Resources	12,805	780
Investment In Plant Net of Accumulated Depreciation	273,250	237,249
Total Noncurrent Assets	356,047	336,974
Total Assets	\$381,991	\$363,026
LIABILITIES		
Current Liabilities		
Accounts Payable	\$4,736	\$5,023
Accrued Salaries and Wages	9,342	8,498
Accrued Compensated Absences	5,529	5,436
Accrued Workers' Compensation	359	256
Accrued Interest Payable	1,744	1,749
Bonds Payable	66,009	44,223
Due To Other Campuses	182	421
Deferred Revenues and Credits	1,145	1,451
Advances and Deposits	1,320	1,395
Other Liabilities	2,969	4,026
Total Current Liabilities	93,335	72,478
Noncurrent Liabilities		
Accrued Compensated Absences	3,759	3,192
Accrued Workers' Compensation	788	675
Arbitrage Rebate Payable		14
Bonds Payable	136,190	187,188
Derivative Instrument, Interest Rate Swap	23,294	11,732
Deferred Revenues and Credits	200	321
Advances and Deposits	2,591	2,464
Other Liabilities	16,249	6,286
Total Noncurrent Liabilities	183,071	211,872
Total Liabilities	\$276,406	\$284,350
Net Assets:		
Invested in Capital Assets Net of Related Debt	\$90,277	\$64,549
Restricted		
Expendable	4,368	2,304
Unrestricted	10,940	11,823
Total Net Assets	\$105,585	\$78,676

**University of Massachusetts
DARTMOUTH CAMPUS
Statements of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2012 and 2011
(in thousands of dollars)**

REVENUES	June 30, 2012	June 30, 2011
Operating Revenues		
Tuition and Fees (net of scholarship allowances of \$30,000 at June 30, 2012 and \$29,110 June 30, 2011)	\$74,904	\$72,088
Federal Grants and Contracts	10,863	15,137
State Grants and Contracts	7,546	5,711
Local Grants and Contracts	601	176
Private Grants and Contracts	5,084	4,778
Sales and Service, Educational	50	93
Auxiliary Enterprises	47,300	45,546
Other Operating Revenues:		
Other	6,356	4,566
Total Operating Revenues	152,704	148,095
EXPENSES		
Operating Expenses		
<i>Educational and General</i>		
Instruction	66,161	64,830
Research	18,852	18,213
Public Service	5,581	4,677
Academic Support	27,219	24,761
Student Services	10,159	9,845
Institutional Support	17,527	17,504
Operation and Maintenance of Plant	23,402	22,137
Depreciation and Amortization	11,409	12,531
Scholarships and Fellowships	8,116	5,842
<i>Auxiliary Enterprises</i>	31,425	28,827
Total Operating Expenses	219,851	209,167
Operating Loss	(67,147)	(61,072)
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	55,993	51,840
State Appropriations - Federal Stimulus funds		4,079
Gifts		1,000
Investment Return	1,890	2,069
Endowment Income	1,430	969
Interest on Indebtedness	(7,873)	(9,173)
Nonoperating Federal Grants	12,779	11,646
Other Nonoperating Income	627	946
Net Nonoperating Revenues	64,846	63,376
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	(2,301)	2,304
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	30,650	8,201
Capital Grants and Contracts		100
Capital Contribution		3,332
Disposal of Plant Facilities	(1,270)	(1,154)
Other Additions/Deductions	(170)	774
Total Other Revenues, Expenses, Gains, and Losses	29,210	11,253
Total Increase in Net Assets	26,909	13,557
NET ASSETS		
Net Assets at Beginning of Year	78,676	65,119
Net Assets at End of Year	\$105,585	\$78,676

University of Massachusetts
LOWELL CAMPUS
Statements of Net Assets
As of June 30, 2012 and 2011
(in thousands of dollars)

	June 30, 2012	June 30, 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$4,059	\$4,319
Cash Held By State Treasurer	3,774	2,703
Accounts, Grants and Loans Receivable, net	24,790	22,235
Pledges Receivable, net	795	51
Short Term Investments	25,070	27,835
Due From Other Campuses	3,875	2,518
Other Assets	313	502
Total Current Assets	62,676	60,163
Noncurrent Assets		
Cash Held By State Treasurer	2,558	2,073
Cash and Securities Held By Trustees	106,652	150,716
Accounts, Grants and Loans Receivable, net	4,869	4,831
Pledges Receivable, net	1,240	60
Investments	51,471	60,613
Other Assets	2,535	2,454
Deferred Outflows of Resources	9,843	3,614
Investment In Plant Net of Accumulated Depreciation	342,341	250,776
Total Noncurrent Assets	521,509	475,137
Total Assets	\$584,185	\$535,300
LIABILITIES		
Current Liabilities		
Accounts Payable	\$22,747	\$13,349
Accrued Salaries and Wages	15,380	11,954
Accrued Compensated Absences	7,912	7,523
Accrued Workers' Compensation	329	255
Accrued Interest Payable	2,086	2,116
Bonds Payable	53,283	16,364
Capital Lease Obligations	1	3
Deferred Revenues and Credits	5,209	4,373
Advances and Deposits	894	1,406
Other Liabilities	3,378	3,006
Total Current Liabilities	111,219	60,349
Noncurrent Liabilities		
Accrued Compensated Absences	5,090	4,282
Accrued Workers' Compensation	723	672
Bonds Payable	197,864	244,784
Derivative Instruments, Interest Rate Swap	11,661	5,514
Capital Lease Obligations	1	1
Deferred Revenues and Credits	1,393	2,394
Advances and Deposits	4,012	3,835
Other Liabilities	250	
Total Noncurrent Liabilities	220,993	261,482
Total Liabilities	\$332,212	\$321,831
Net Assets:		
Invested in Capital Assets Net of Related Debt Restricted	\$178,839	\$126,666
Nonexpendable	4,018	3,877
Expendable	7,369	8,080
Unrestricted	61,747	74,846
Total Net Assets	\$251,973	\$213,469

**University of Massachusetts
LOWELL CAMPUS
Statements of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2012 and 2011
(in thousands of dollars)**

REVENUES	June 30, 2012	June 30, 2011
Operating Revenues		
Tuition and Fees (net of scholarship allowances of \$29,990 at June 30, 2012 and \$28,087 at June 30, 2011)	\$127,679	\$113,418
Federal Grants and Contracts	22,404	24,964
State Grants and Contracts	5,622	5,123
Local Grants and Contracts	279	278
Private Grants and Contracts	10,700	10,577
Sales and Service, Educational	375	228
Auxiliary Enterprises	32,564	30,054
Other Operating Revenues:		
Other	4,202	4,694
Total Operating Revenues	203,825	189,336
EXPENSES		
Operating Expenses		
<i>Educational and General</i>		
Instruction	101,858	90,691
Research	36,794	35,285
Public Service	1,824	2,216
Academic Support	23,058	20,164
Student Services	20,516	17,405
Institutional Support	39,376	32,135
Operation and Maintenance of Plant	32,737	27,482
Depreciation and Amortization	16,927	16,085
Scholarships and Fellowships	8,674	8,413
<i>Auxiliary Enterprises</i>	19,832	18,814
Total Operating Expenses	301,596	268,690
Operating Loss	(97,771)	(79,354)
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	77,868	76,303
State Appropriations - Federal Stimulus funds		5,735
Gifts	2,463	2,667
Investment Return	3,975	8,514
Endowment Return	1,329	874
Interest on Indebtedness	(5,310)	(4,596)
Nonoperating Federal Grants	15,695	14,290
Other Nonoperating Income	126	167
Net Nonoperating Revenues	96,146	103,954
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	(1,625)	24,600
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	41,220	5,463
Capital Grants and Contracts	2,105	1,901
Disposal of Plant Facilities	(4,528)	(1,004)
Other Additions/Deductions	1,332	220
Total Other Revenues, Expenses, Gains, and Losses	40,129	6,580
Total Increase in Net Assets	38,504	31,180
NET ASSETS		
Net Assets at Beginning of Year	213,469	182,289
Net Assets at End of Year	\$251,973	\$213,469

University of Massachusetts
WORCESTER CAMPUS
Statements of Net Assets
As of June 30, 2012 and 2011
(in thousands of dollars)

	Worcester Campus June 30, 2012	Worcester Campus June 30, 2011	Worcester City Campus Corporation June 30, 2012	Worcester City Campus Corporation June 30, 2011	Eliminations June 30, 2012	Eliminations June 30, 2011	Combined Totals Memorandum Only June 30, 2012	Combined Totals Memorandum Only June 30, 2011
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$6,966	\$4,817	\$20,407	\$19,923			\$27,373	\$24,740
Cash Held By State Treasurer	1,297	967					1,297	967
Accounts, Grants and Loans Receivable, net	125,400	126,320	2,290	2,047			127,690	128,367
Pledges Receivable, net	1,960	4,679					1,960	4,679
Short Term Investments	51,186	32,213					51,186	32,213
Inventories, net	13,924	17,051					13,924	17,051
Accounts Receivable UMass Memorial, net	5,808	10,269		395			5,808	10,664
Due From Other Campuses	10,175	6,136					10,175	6,136
Due From Related Organizations	1,480	1,117	41,801	35,153	(\$43,281)	(\$36,270)		
Other Assets	3,452	2,732	862	366			4,314	3,098
Total Current Assets	221,648	206,301	65,360	57,884	(43,281)	(36,270)	243,727	227,915
Noncurrent Assets								
Cash Held By State Treasurer	331	159					331	159
Cash and Securities Held By Trustees	129,146	260,063		3,416			129,146	263,479
Accounts, Grants and Loans Receivable, net	6,016	7,404	4,488	2,792			10,504	10,196
Investments	160,334	140,318					160,334	140,318
Other Assets	3,847	3,745	2,858	8,639			6,705	12,384
Investment In Plant Net of Accumulated Depreciation	582,793	402,729	395,526	416,059			978,319	818,788
Total Noncurrent Assets	882,467	814,418	402,872	430,906			1,285,339	1,245,324
Total Assets	\$1,104,115	\$1,020,719	\$468,232	\$488,790	(43,281)	(36,270)	\$1,529,066	\$1,473,239
LIABILITIES								
Current Liabilities								
Accounts Payable	\$79,750	\$40,918	\$2,706	\$13,614			\$82,456	\$54,532
Accrued Salaries and Wages	14,683	12,893					14,683	12,893
Accrued Compensated Absences	20,879	22,706					20,879	22,706
Accrued Workers' Compensation	1,248	1,118					1,248	1,118
Accrued Interest Payable	4,248	4,299	3,458	3,590			7,706	7,889
Bonds Payable	7,295	7,055	9,227	8,746			16,522	15,801
Accounts Payable UMass Memorial	3,613	15,244		1,178			3,613	16,422
Due to Related Organizations	41,907	35,584	1,480	1,117	(43,281)	(36,270)	106	431
Deferred Revenues and Credits	19,799	19,822					19,799	19,822
Advances and Deposits	4,119	111					4,119	111
Other Liabilities	12,200	16,600	3,504	4,270			15,704	20,870
Total Current Liabilities	209,741	176,350	20,375	32,515	(43,281)	(36,270)	186,835	172,595
Noncurrent Liabilities								
Accrued Compensated Absences	5,804	5,190					5,804	5,190
Accrued Workers' Compensation	2,739	2,946					2,739	2,946
Bonds Payable	397,574	384,397	283,632	292,129			681,206	676,526
Deferred Revenues and Credits	2,482	4,650					2,482	4,650
Advances and Deposits	3,447	3,448					3,447	3,448
Other Liabilities			534	564			534	564
Total Noncurrent Liabilities	412,046	400,631	284,166	292,693			696,212	693,324
Total Liabilities	\$621,787	\$576,981	\$304,541	\$325,208	(43,281)	(36,270)	\$883,047	\$865,919
Net Assets:								
Invested in Capital Assets Net of Related Debt Restricted	\$299,337	\$258,265	\$95,629	\$105,200			\$394,966	\$363,465
Nonexpendable	1,017	1,000					1,017	1,000
Expendable	38,585	42,836	2,885	3,044			41,470	45,880
Unrestricted	143,389	141,637	65,177	55,338			208,566	196,975
Total Net Assets	\$482,328	\$443,738	\$163,691	\$163,582			\$646,019	\$607,320

University of Massachusetts
WORCESTER CAMPUS
Statements of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2012 and June 30, 2011
(in thousands of dollars)

	Worcester Campus June 30, 2012	Worcester Campus June 30, 2011	Worcester City City Campus Corporation June 30, 2012	Worcester City City Campus Corporation June 30, 2011	Eliminations June 30, 2012	Eliminations June 30, 2011	Combined Totals Memorandum Only June 30, 2012	Combined Totals Memorandum Only June 30, 2011
REVENUES								
Operating Revenues								
Tuition and Fees (net of scholarship allowances of \$2,840 at June 30, 2012 and \$3,015 at June 30, 2011)	\$14,107	\$12,084					\$14,107	\$12,084
Federal Grants and Contracts	184,887	193,763					184,887	193,763
State Grants and Contracts	30,462	29,653					30,462	29,653
Private Grants and Contracts	47,782	49,037					47,782	49,037
Sales and Service, Educational	7,523	6,159					7,523	6,159
Auxiliary Enterprises	30,388	25,909					30,388	25,909
Other Operating Revenues:								
Sales and Service, Independent Operations	61,087	52,619					61,087	52,619
Sales and Service, Public Service Activities	382,861	467,537	\$32,449	\$238,995	(\$31,455)	(\$35,975)	383,855	670,557
Other	42,257	31,826	45,697	47,893	(32,861)	(36,567)	55,093	43,152
Total Operating Revenues	801,354	868,587	78,146	286,888	(64,316)	(72,542)	815,184	1,082,933
EXPENSES								
Operating Expenses								
Educational and General								
Instruction	48,743	47,935			(110)	(110)	48,633	47,825
Research	221,028	226,352				(57)	221,028	226,295
Public Service	28,836	27,374					28,836	27,374
Academic Support	14,061	14,053			(102)	(102)	13,959	13,951
Student Services	5,823	4,076					5,823	4,076
Institutional Support	56,480	60,015			(513)	(500)	55,967	59,515
Operation and Maintenance of Plant	49,343	47,785	17,906	15,414	(20,146)	(23,634)	47,103	39,565
Depreciation and Amortization	26,599	25,358	19,325	19,825			45,924	45,183
Auxiliary Enterprises	27,800	26,398			(1,800)	(1,800)	26,000	24,598
Other Expenditures								
Independent Operations	60,339	48,518			(6,605)	(6,607)	53,734	41,911
Public Service Activities	304,812	434,541	24,179	232,172	(35,040)	(39,732)	293,951	626,981
Total Operating Expenses	843,864	962,405	61,410	267,411	(64,316)	(72,542)	840,958	1,157,274
Operating Income/(Loss)	(42,510)	(93,818)	16,736	19,477			(25,774)	(74,341)
NONOPERATING REVENUES/(EXPENSES)								
State Appropriations	43,669	43,109					43,669	43,109
State Appropriations - Federal Stimulus Funds		2,761						2,761
Gifts	3,584	8,669					3,584	8,669
Investment Return	4,640	22,872	437	210			5,077	23,082
Endowment Return	2,388	2,537					2,388	2,537
Interest on Indebtedness	(11,234)	(8,299)	(14,034)	(14,442)			(25,268)	(22,741)
Other Nonoperating Income	273	1,458					273	1,458
Net Nonoperating Revenues	43,320	73,107	(13,597)	(14,232)			29,723	58,875
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	810	(20,711)	3,139	5,245			3,949	(15,466)
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES								
Capital Appropriations	401	999					401	999
Capital Grants and Contracts	34,062	25,802					34,062	25,802
Disposal of Plant Facilities	(1,601)	(2,612)	(252)	(81)			(1,853)	(2,693)
Contributions for Capital Expenditures		(1,102)	(345)	2,131			(345)	1,029
Gain from Sale of Discontinued Operations				9,655				9,655
Other Additions/Deductions	4,918	(6,439)	(2,433)				2,485	(6,439)
Total Other Revenues, Expenses, Gains, and Losses	37,780	16,648	(3,030)	11,705			34,750	28,353
Total Increase/(Decrease) in Net Assets	36,590	(4,063)	109	16,950			38,699	12,887
NET ASSETS								
Net Assets at Beginning of Year	443,738	447,801	163,582	146,632			607,320	594,433
Net Assets at End of Year	\$482,328	\$443,738	\$163,691	\$163,582			\$646,019	\$607,320

Combining Statements of Net Assets for University Related Organizations as of June 30, 2012 and 2011
(in thousands of dollars)

Supplemental Schedule I

	Total June 30, 2012	Eliminations and Adjustments June 30, 2012	The University of Massachusetts Foundation, Inc. June 30, 2012	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2012	Total June 30, 2011	Eliminations and Adjustments June 30, 2011	The University of Massachusetts Foundation, Inc. June 30, 2011	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2011
ASSETS								
Current Assets								
Accounts, Grants and Loans Receivable, net	\$1,648	(\$7,712)	\$8,325	\$1,034	\$4,582	(\$9,006)	\$12,083	\$1,505
Pledges Receivable, net	542	451		91	632	632		
Due From Related Organizations	407		401	6	8			8
Total Current Assets	2,597	(7,261)	8,726	1,131	5,222	(8,374)	12,083	1,513
Noncurrent Assets								
Cash and Cash Equivalents	778		84	694	684		45	639
Pledges Receivable, net	8,586	(7,755)	14,721	1,619	5,798	(8,526)	12,666	1,658
Investments	355,088	(511,083)	822,949	43,222	348,791	(494,906)	803,273	40,424
Other Assets	64		7	57	105		50	55
Investment in Plant Net of Accumulated Depreciation	8,822		8,822		9,019		9,019	
Total Noncurrent Assets	373,338	(518,838)	846,583	45,592	364,397	(503,432)	825,053	42,776
Total Assets	\$375,934	(\$526,098)	\$855,309	\$46,723	\$369,619	(\$511,806)	\$837,136	\$44,289
LIABILITIES								
Current Liabilities								
Accounts Payable	\$49		\$40	\$9	\$61		\$40	\$21
Due To Related Organizations	173	(4,644)		4,817	51	(\$2,519)		2,570
Notes Payable								
Assets Held on Behalf of the University	11,978	(472,119)	472,119		11,458	(458,198)	458,198	
Assets Held on Behalf of Others	2,412		11,978		4,215		11,458	
Deferred Revenues and Credits			2,412				4,215	
Total Current Liabilities	14,612	(476,763)	486,549	4,826	15,785	(460,717)	473,911	2,591
Noncurrent Liabilities								
Notes Payable	3,487	177	3,310		3,413	172	3,241	
Other Liabilities	3,487	177	3,310		3,413	172	3,241	
Total Noncurrent Liabilities	\$18,099	(\$476,586)	\$489,859	\$4,826	\$19,198	(\$460,545)	\$477,152	\$2,591
Net Assets:								
Invested in Capital Assets Net of Related Debt Restricted	\$8,822	\$8,822			\$9,020	\$9,020		
Nonexpendable Expendable	273,995	(47,539)	\$286,266	\$35,268	254,625	(47,778)	\$268,362	\$34,041
Unrestricted	60,278	(1,973)	56,225	6,026	73,995	(3,483)	70,508	6,970
	14,740	(8,822)	22,959	603	12,781	(9,020)	21,114	687
Total Net Assets	\$357,835	(\$49,512)	\$365,450	\$41,897	\$350,421	(\$51,261)	\$359,984	\$41,698

**Combining Statements of Revenues, Expenses, and Changes in Net Assets for University Related Organizations
For The Years Ended June 30, 2012 and 2011
(in thousands of dollars)**

Supplemental Schedule II

	Eliminations and Adjustments June 30, 2012		The University of Massachusetts Foundation, Inc. June 30, 2012		University of Massachusetts Dartmouth Foundation, Inc. June 30, 2012		Eliminations and Adjustments June 30, 2011		The University of Massachusetts Foundation, Inc. June 30, 2011		University of Massachusetts Dartmouth Foundation, Inc. June 30, 2011	
	Total	June 30, 2012	Total	June 30, 2012	Total	June 30, 2012	Total	June 30, 2011	Total	June 30, 2011	Total	June 30, 2011
EXPENSES												
Operating Expenses												
Educational and General												
Public Service	\$15,240	(\$1,000)	\$14,302	\$1,938			\$11,551	(\$1,083)	\$10,883			\$1,751
Depreciation	203		203				127		127			
Scholarships and Fellowships	462	(1,045)	805	702			429	(822)	739			512
Total Operating Expenses	15,905	(2,045)	15,310	2,640			12,107	(1,905)	11,749			2,263
Operating Income/(Loss)	(15,905)	2,045	(15,310)	(2,640)			(12,107)	1,905	(11,749)			(2,263)
NONOPERATING REVENUES/(EXPENSES)												
Gifts	8,891	(802)	7,862	1,831			14,308	(1,397)	12,636			3,069
Investment Income	(5,255)	1,346	(6,264)	(337)			37,049	(56,921)	90,100			3,870
Endowment Income	95	(13,592)	13,687				1,214	(9,169)	10,383			
Net Nonoperating Revenues	3,731	(13,048)	15,285	1,494			52,571	(67,487)	113,119			6,939
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	(12,174)	(11,003)	(25)	(1,146)			40,464	(65,582)	101,370			4,676
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES												
Additions to Permanent Endowments	19,604	1,466	16,793	1,345			15,195	2,765	12,331			99
Less: Amounts Earned/Received on Behalf of the University		(20,677)	20,677				(1,397)	45,291	(45,291)			
Less: Amounts Earned/Received on Behalf of Others	107	32,107	107				1,666	15,714	(15,714)			
Distribution to University			(32,107)									
Capital Contribution												
Disposal of Plant Facilities												
Other Additions/Deductions	(123)	(144)	21				(98)	(145)	47			
Total Other Revenues, Expenses, Gains, and Losses	19,588	12,752	5,491	1,345			15,366	63,625	(48,358)			99
Total Increase/(Decrease) in Net Assets	7,414	1,749	5,466	199			55,830	(1,957)	53,012			4,775
NET ASSETS												
Net Assets at Beginning of Year	350,421	(51,261)	359,984	41,698			294,591	(49,304)	306,972			36,923
Net Assets at End of Year	\$357,835	(\$49,512)	\$365,450	\$41,897			\$350,421	(\$51,261)	\$359,984			\$41,698

X
X[About UMMS](#)

Our Mission, Values and Vision

The mission of the University of Massachusetts Medical School is to advance the health and well-being of the people of the commonwealth and the world through pioneering advances in education, research and health care delivery.

Values and Vision

As a combined enterprise with our clinical partner, UMass Memorial Health Care, we value:

- improving health and enhancing access to care for people within our community, the commonwealth, and the world;
- excellence in achieving the highest quality standards in patient care and satisfaction, education and research;
- common good as an institutional focus, exercised both internally and externally;
- collegiality as we work through a shared vision for the common good;
- integrity in decision-making and actions held to the highest ethical standards;
- diversity promoted within our institution to foster an atmosphere of compassion, courtesy, and mutual respect, stimulating inventiveness and broadening our talents and perspectives;
- academic opportunity and scholarship through high-quality, affordable educational programs for the training of physicians, nurses, advanced practitioners, researchers, and educators; and
- scientific advancement made possible by embracing creative thinking and innovation to yield an understanding of the causes, prevention, and treatment of human disease for the pursuit of knowledge and the benefit of people everywhere.

To become one of the nation's most distinguished academic health sciences centers, we seek to:

- achieve excellence in the practice of safe, high-quality care;
- design and implement innovative educational methods to train educators, clinicians, and scientists to meet the future health care workforce needs in Massachusetts and the United States;
- develop educators, clinicians and scientists who are equipped to become the next generation of outstanding leaders in health care;
- develop and capitalize on the strengths of all staff who provide the operational support for an academic health sciences center;
- nurture ongoing progress in the basic sciences to fuel breakthrough discoveries that will transform the practice of medicine;

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Updated 4/1/13 - <http://www.massachusetts.edu/bot/members.html>



STATE OF NEW HAMPSHIRE
 DEPARTMENT OF HEALTH AND HUMAN SERVICES
 DIVISION OF COMMUNITY BASED CARE SERVICES

DISABILITY DETERMINATION UNIT

Nicholas A. Toumpas
 Commissioner

Nancy L. Rollins
 Associate
 Commissioner

29 HAZEN DRIVE, CONCORD, NH 03301-6504
 603-271-4445 1-800-852-3345 Ext. 4445
 Fax: 603-271-4376 TDD Access: 1-800-735-2964

May 25, 2012

APPROVED BY _____

DATE 6/20/12

PAGE 10

ITEM # 77

His Excellency, Governor John H. Lynch
 and the Honorable Executive Council
 State House
 Concord, NH 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services (DHHS), Division of Community Based Care Services to enter into an Agreement with the University of Massachusetts Medical School (Vendor Code 177576), 100 Century Drive, Worcester, MA 01660 to provide disability determination services, by an amount not to exceed \$411,950, effective July 1, 2012, or date of Governor and Executive Council approval, whichever is later through June 30, 2013. Funds are available in State Fiscal Year 13 in the following account:

05-95-95-958110-5193 HEALTH AND SOCIAL SERVICES, DEPT. OF HEALTH AND HUMAN SERVICES, HHS: COMMISSIONER, DCBCS DISABILITY DETERMINATION UNIT, MEDICAL AND CLIENT SERVICES

<u>Appropriation</u>	<u>Class/Object</u>	<u>Class Title</u>	<u>Amount</u>
05-95-95-958110-5193	046-500462	Consultants	\$411,950

EXPLANATION

The Division of Community Based Care Services, Disability Determination Unit is responsible for determining the medical component for those pathways to eligibility in which the applicant must meet disability requirements in order to receive Medicaid Benefits. The Disability Determination Unit is authorized to evaluate applicants for Aid to the Permanently and Totally Disabled, Aid to the Needy Blind, Medicaid for Employed Adults with Disabilities, and Home Care for Children with Severe Disabilities. The Federal Centers for Medicare and Medicaid Services requires appropriate medical consultants to be available in order to complete these medical determinations. Federal law also requires that decisions about a person's Medicaid eligibility be made within 90 days.

Applications for disability continue to increase. New applications for calendar year 2011 were 8,900 as compared to 7,254 in calendar year 2010; an increase of 22%. The number of applications for the first three months of 2012 continues to maintain the trend of record highs. In order to manage reviews within the federal mandated timetable, the Disability Determination Unit has chosen to utilize contracted medical consultants in this capacity due to internal state and department resource constraints. This was determined to be in the best interest of the State.

Funding in this agreement will be used to provide disability determination services for the Aid to the Permanently and Totally Disabled and Medicaid for Employed Adults With Disabilities populations. The services will consist of the completion of the Medical Eligibility Review Summary (MERS)/5-step Sequential Evaluation Process in conjunction with the Disability Determination Unit.

The University of Massachusetts Medical School Disability Evaluation Services Unit (UMass DES) was selected through a competitive bid process. The Request for Proposals was posted on the Department of Health and Human Services website from May 7, 2012 to May 18, 2012. Three proposals were submitted for consideration. The evaluation committee, following the criteria listed in the Request for Proposals, scored UMass DES substantially higher with 85.92 points out of a possible 100. The bid summary is attached. Although the vendor selected, UMass DES, had been providing disability determination services since 2008, the Department of Health and Human Services decided to issue a new Request for Proposal this year to solicit other vendors and pricing that may be advantageous to the State.

Performance metrics are included in the scope of this contract relative to the timely completion of decisions to ensure federal compliance and the quality of the reviews performed. Case decisions will be measured for quality, accuracy, and completeness based upon quarterly random sampling of completed cases. The contractor has met or exceeded performance criteria during the prior contract periods.

In accordance with Section 1903(a)(2) of the Social Security Act, the Department of Health and Human Services, as the State Medicaid agency, can receive Federal matching funds at an enhanced rate of 75 percent for contracted services with the U-Mass Medical School, as a public agency, for compensation of skilled professional medical personnel and their directly supporting staff. Authorization of this agreement will continue to allow 75 percent federal reimbursement rather than the standard 50 percent reimbursement for services contracted with a non-public agency.

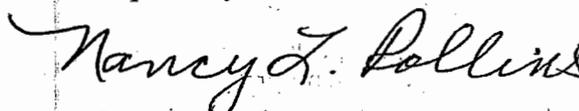
Should Governor and Executive Council determine not to approve this request the Disability Determination Unit will not have sufficient clinical staff to make medical disability decisions within 90 days as mandated by federal and state regulations. This could subject the Department to legal action for noncompliance as has happened in the past.

Areas Served: Statewide

Source of funds: 75% federal funds and 25% general funds.

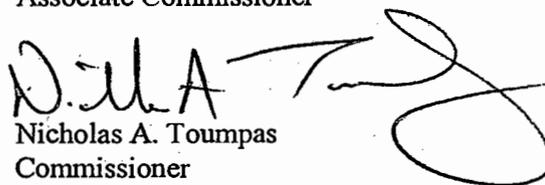
In the event that the Federal funds become no longer available, additional general funds will not be requested to support these contract services.

Respectfully submitted,



Nancy L. Rollins
Associate Commissioner

Approved by:



Nicholas A. Toumpas
Commissioner

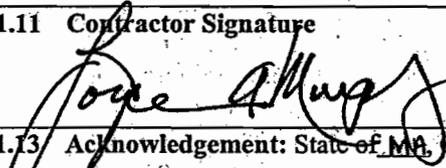
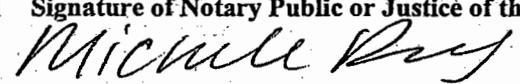
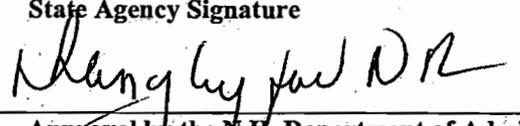
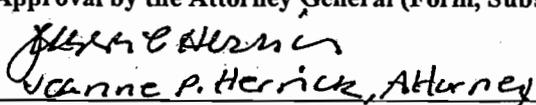
Subject: Disability Determination Services

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION.

1.1 State Agency Name Department of Health and Human Services Division of Community Based Care Services Disability Determination Unit		1.2 State Agency Address 29 Hazen Drive, Concord, NH 03301	
1.3 Contractor Name University of Massachusetts Medical School		1.4 Contractor Address 11 Midstate Drive, Auburn, MA 01501	
1.5 Contractor Phone Number 774-455-8228	1.6 Account Number 05-95-95-958110-51930000-046-500462	1.7 Completion Date 6/30/2013	1.8 Price Limitation \$411,950
1.9 Contracting Officer for State Agency Nancy L. Rollins		1.10 State Agency Telephone Number 603-271-9410	
1.11 Contractor Signature 		1.12 Name and Title of Contractor Signatory Joyce A. Murphy, Executive Vice Chancellor	
1.13 Acknowledgement: State of <u>MA</u>, County of <u>Worcester</u> On <u>5/25</u> , before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that s/he executed this document in the capacity indicated in block 1.12.			
1.13.1 Signature of Notary Public or Justice of the Peace  [Seal]			
1.13.2 Name and Title of Notary or Justice of the Peace Michele Roy			
1.14 State Agency Signature 		1.15 Name and Title of State Agency Signatory Nancy L. Rollins, Associate Commissioner	
1.16 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director, On: _____			
1.17 Approval by the Attorney General (Form, Substance and Execution) By:  Joanne P. Herrick, Attorney On: <u>30 May 2012</u>			
1.18 Approval by the Governor and Executive Council By: _____ On: _____			

2. EMPLOYMENT OF CONTRACTOR/SERVICES TO BE PERFORMED. The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT A which is incorporated herein by reference ("Services").

3. EFFECTIVE DATE/COMPLETION OF SERVICES.
3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, this Agreement, and all obligations of the parties hereunder, shall not become effective until the date the Governor and Executive Council approve this Agreement ("Effective Date").
3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

4. CONDITIONAL NATURE OF AGREEMENT. Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Contractor notice of such termination. The State shall not be required to transfer funds from any other account to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

5. CONTRACT PRICE/PRICE LIMITATION/PAYMENT.
5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT B which is incorporated herein by reference.
5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.
5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

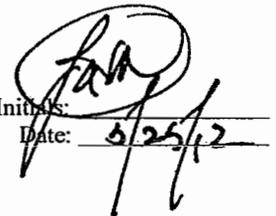
5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.

6.1 In connection with the performance of the Services, the Contractor shall comply with all statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal opportunity laws. In addition, the Contractor shall comply with all applicable copyright laws.
6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.
6.3 If this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all the provisions of Executive Order No. 11246 ("Equal Employment Opportunity"), as supplemented by the regulations of the United States Department of Labor (41 C.F.R. Part 60), and with any rules, regulations and guidelines as the State of New Hampshire or the United States issue to implement these regulations. The Contractor further agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

7. PERSONNEL.

7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.
7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.
7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

A handwritten signature in black ink is written over a horizontal line. Below the signature, the date "5/25/12" is handwritten in black ink over another horizontal line.

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

- 8.1.1 failure to perform the Services satisfactorily or on schedule;
- 8.1.2 failure to submit any report required hereunder; and/or
- 8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

- 8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;
- 8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;
- 8.2.3 set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or
- 8.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

9. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

9.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

9.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

9.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

10. TERMINATION. In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination

Report shall be identical to those of any Final Report described in the attached EXHIBIT A.

11. CONTRACTOR'S RELATION TO THE STATE. In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS. The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the N.H. Department of Administrative Services. None of the Services shall be subcontracted by the Contractor without the prior written consent of the State.

13. INDEMNIFICATION. The Contractor shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based or resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Contractor. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

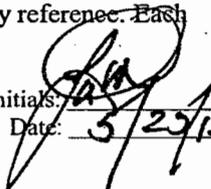
14.1 The Contractor shall, at its sole expense, obtain and maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$250,000 per claim and \$2,000,000 per occurrence; and

14.1.2 fire and extended coverage insurance covering all property subject to subparagraph 9.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than fifteen (15) days prior to the expiration date of each of the insurance policies. The certificate(s) of insurance and any renewals thereof shall be attached and are incorporated herein by reference. Each

Contractor Initials: 
Date: 3/25/12

certificate(s) of insurance shall contain a clause requiring the insurer to endeavor to provide the Contracting Officer identified in block 1.9, or his or her successor, no less than ten (10) days prior written notice of cancellation or modification of the policy.

15. WORKERS' COMPENSATION.

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("Workers' Compensation").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

16. WAIVER OF BREACH. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

17. NOTICE. Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

18. AMENDMENT. This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire.

19. CONSTRUCTION OF AGREEMENT AND TERMS. This Agreement shall be construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual intent, and no rule of construction shall be applied against or in favor of any party.

20. THIRD PARTIES. The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

21. HEADINGS. The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

22. SPECIAL PROVISIONS. Additional provisions set forth in the attached EXHIBIT C are incorporated herein by reference.

23. SEVERABILITY. In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

24. ENTIRE AGREEMENT. This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understanding between the parties, and supersedes all prior Agreements and understandings relating hereto.

NH Department of Health and Human Services

STANDARD EXHIBIT A

SCOPE OF SERVICESDATE: May 23, 2012CONTRACT PERIOD: 7/1/2012 to 06/30/2013

CONTRACTOR:

NAME: University of Massachusetts Medical SchoolADDRESS: 11 Midstate DriveAuburn, MA 01501TELEPHONE: (774) 455-8228FAX: (774) 455-8154EMAIL: Gus.Adams@umassmed.eduEXECUTIVE DIRECTOR: Gus Adams, Ph.D.

After the Disability Determination Unit (DDU) has received the application and prepared and developed the case, selected cases for APTD and MEAD, will be sent to the contractor for completion of the Medical Eligibility Review Summary (MERS)/5-Step Sequential Evaluation Process in compliance with Federal Rules 20 CFR Part 416.

The University of Massachusetts Medical School (UMass) Disability Evaluation Services (DES) will utilize Registered Nurses (RN Disability Reviewers) and Physician Advisors (both medical doctors and psychologists) to perform all five steps of the required sequential analysis. The contractor will perform the following tasks:

1. DES professional review staff will receive charts ready for completion of MERS/Sequential Evaluation. The NH DDU will log out cases and transport with a completed case log sheet in a secure manner via DES courier to site for processing.
2. DES' RN Disability Reviewer responsibilities will include the following:
 - Complete sequential evaluation with recommendation to approve or deny:
 - Fill in demographic information.

- Determine Substantial Gainful Activity (Step 1).

- List alleged impairments (per client report).
 - Determine and list evidentiary documentation for severe impairments (Step 2).
 - List confirmed diagnoses.
 - Use current SSI listings to complete listing sections and sub-sections for each impairment, including the date(s) of relevant medical evidence and the provider's name(s) (Step 3).
 - Document if the impairment(s) meet duration requirement (48 Months) (Step 3).
 - If the applicant does not meet or equal a listing(s), complete applicable Residual Functional Capacity Assessment(s) (RFC).
 - Document if applicant is able to perform "previous relevant work" (Step 4).
 - Document if applicant able to perform "any work" (Step 5).
 - Complete summary and recommendation.
3. Physician Reviewers and Psychiatrist/Psychologist Reviewers will:
- Review chart, medical records, MERS, perform RFCs as needed, and make final recommendation.
 - Summarize approval, determine and list re-review date.
 - Summarize denials, complete physician's part of RFC (physical and mental).
4. DES will provide a decision letter for each reviewed application. Denial letters will state what the alleged disability was and why it did not meet the criteria, and include information about a client's right to appeal and how to initiate an appeal, the right to represent oneself or have others, including an attorney, represent one, etc.
5. DES reviewers and Physician Advisors involved in making determinations for this project will be available to provide input to and advise appropriate NH DDU and/or Medicaid Legal Services Unit (MLSU) staff on the specific rationale or basis for determinations (denials) made for those files that are going to appeal.
6. DES and NH DDU will follow established procedures and forms required to reliably track and document the movement and location of all files transferred to DES as a part of this project.
7. DES and NH DDU will identify primary contacts who can be reached to discuss and resolve any questions DES reviewers or NH DDU staff may have about the appropriate course of action on a file or other procedural or continuity issues that might arise.

- NH DDU will provide DES with any training materials or other aids and documents used for training and/or citing operational standards for file reviews in order to support continuity of procedures and outcomes.

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- Regular communication will be held between the DES and NH DDU staff assigned to perform the review in order to discuss any issues or concerns and address any emerging operational issues.
- Volume projections assume that sufficient files ready for completion of MERS/Sequential Evaluation are available to DES staff within a timeframe that permits an even distribution of workload across the performance period, if possible.
- After disability determinations have been completed, all the applicable files and relevant review materials and supporting documentation will be returned in a secure manner by DES via courier with an accompanying log to NH DDU for ongoing storage. DES will retain no applicant files once the determination has been made and the required documentation steps completed. DES will retain a copy of the MERS for each completed application to aid in communications regarding that file with NH DDU staff. However, upon completion of this project DES will either destroy or return to NH DDU all such materials.
- DES will provide the NH DDU with consultation, training, and/or medical and psychological coverage upon request by NH DDU. Prior to any non-case review being performed, DES and the NH DDU will develop a written plan and cost for approval before delivery of any such services. The written work plan must identify scope of work, the person's name(s) that will perform the work, their certification/license, and hourly rate. The work plan must have sign off by the NH DDU administrator and DCBCS finance director.
- DES will provide a monthly report and invoice to NH DHHS, which will include details regarding number of cases processed, and any additional services provided that have been agreed to by the DDU administrator.
- At the end of the contract period, unless alternative arrangements have been contractually agreed upon between DES and NH DDU, DES will compile a final bill for services rendered under this agreement since the last billing, and make arrangements to return promptly all NH DDU applicant files in DES possession, including those for which file reviews are completed and those for which file reviews may not have been completed, together with a document indicating the status of the review on each file.

Performance Metrics

- Decisions on cases shall be completed by DES no later than 30 days from the date DES receives the files. Cases extending beyond 30 days must be communicated in writing to the NH DDU administrator and include the reason for the delay.
- Case decisions will be measured for accuracy and completeness based upon a random sample conducted by the NH DDU Review Team, which includes the NH DDU administrator, one Registered Nurse and one Physician Advisor, selected by the NH DDU administrator. Reviews will be performed on a quarterly basis and the sample will include no more than 10% of the cases filed during that quarterly period. It is expected

that 95% of case decisions reviewed will meet both accuracy and completeness standards. Criteria for the quality review will be developed and provided to DES on or before the effective date of this contract.

Contractor Initials: 

Date: 6/25/12

NH Department of Health and Human Services

Exhibit BMETHODS AND CONDITIONS OF PAYMENT

1. The Contract Price shall not exceed \$411,950. Payments shall be made during FY 2013 in accordance with the Budget attachment. Notwithstanding anything to the contrary herein, the Contractor agrees that funding under this agreement may be withheld, in whole or in part, in the event of non-compliance with any Federal or State law, rule or regulation applicable to the services provided, or if the said services or products have not been satisfactorily completed in accordance with the terms and conditions of this agreement.
2. Reimbursements for services provided shall be made by the State on a monthly basis after receipt and approval by the DDU Director of monthly expenditure reports submitted by the Contractor to the State. These reports, which are based on a budget approved by the State, shall be in a form satisfactory to the State and shall be submitted no later than 30 working days after the close of the month. In addition to the monthly expenditure reports required, not later than sixty (60) days after the end of the budget period, the Contractor shall submit a final expenditure report in a form satisfactory to the State.
3. The Contractor agrees to use and apply all payments made by the State for direct and indirect costs and expenses including, but not limited to, personnel costs and operating expenses related to the Services. Allowable costs and expenses shall be determined by the State in accordance with applicable State and Federal laws and regulations.
4. The Contractor and/or the State may amend the contract budget through line item increases, decreases or the creation of new line items provided these amendments do not exceed the Contract Price. Such amendments shall only be made upon written request to and written approval by the State with programmatic justification.
5. The monthly invoice from DES must detail any additional work performed outside of the case review. It must be labeled separately and identify the person's name, certification/license, nature of work and hourly rate. Use of such services by NH DDU, would decrease the number of case reviews processed under this contract, as the total cost of the contract cannot exceed the budgetary appropriation.
6. The New Hampshire Department of Health and Human Services, Division of Community Based Care Services, will pay the Contractor for a minimum of 100 completed cases monthly to enable adequate compensation for fixed costs incurred by the Contractor.
7. The contractor shall be paid \$275 per case reviewed.
8. Failure to Meet Deliverable and/or Performance Measures: DES shall comply with all contract requirements as detailed in Exhibit A. Upon determination that Contractor may not be meeting the required deliverables, NH DDU will provide written notification to DES. Within two (2) weeks of notification, DES will provide a written correction plan. NH DDU will monitor the corrective actions for 60 days. Failure to meet requirements of the corrective action plan within 60 days may result in withholding of any or all payments or termination of the contract.

NH Department of Health and Human Services

STANDARD EXHIBIT C

SPECIAL PROVISIONS

1. **Contractors Obligations:** The Contractor covenants and agrees that all funds received by the Contractor under the Contract shall be used only as payment to the Contractor for services provided to eligible individuals and, in the furtherance of the aforesaid covenants, the Contractor hereby covenants and agrees as follows:

2. **Compliance with Federal and State Laws:** If the Contractor is permitted to determine the eligibility of individuals such eligibility determination shall be made in accordance with applicable federal and state laws, regulations, orders, guidelines, policies and procedures.

3. **Time and Manner of Determination:** Eligibility determinations shall be made on forms provided by the Department for that purpose and shall be made and remade at such times as are prescribed by the Department.

4. **Documentation:** In addition to the determination forms required by the Department, the Contractor shall maintain a data file on each recipient of services hereunder, which file shall include all information necessary to support an eligibility determination and such other information as the Department requests. The Contractor shall furnish the Department with all forms and documentation regarding eligibility determinations that the Department may request or require.

5. **Fair Hearings:** The Contractor understands that all applicants for services hereunder, as well as individuals declared ineligible have a right to a fair hearing regarding that determination. The Contractor hereby covenants and agrees that all applicants for services shall be permitted to fill out an application form and that each applicant or re-applicant shall be informed of his/her right to a fair hearing in accordance with Department regulations.

6. **Gratuities or Kickbacks:** The Contractor agrees that it is a breach of this Contract to accept or make a payment, gratuity or offer of employment on behalf of the Contractor, any Sub-Contractor or the State in order to influence the performance of the Scope of Work detailed in Exhibit A of this Contract. The State may terminate this Contract and any sub-contract or sub-agreement if it is determined that payments, gratuities or offers of employment of any kind were offered or received by any officials, officers, employees or agents of the Contractor or Sub-Contractor.

7. **Retroactive Payments:** Notwithstanding anything to the contrary contained in the Contract or in any other document, contract or understanding, it is expressly understood and agreed by the parties hereto, that no payments will be made hereunder to reimburse the Contractor for costs incurred for any purpose or for any services provided to any individual prior to the Effective Date of the Contract and no payments shall be made for expenses incurred by the Contractor for any services provided prior to the date on which the individual applies for services or (except as otherwise provided by the federal regulations) prior to a determination that the individual is eligible for such services.

8. **Conditions of Purchase:** Notwithstanding anything to the contrary contained in the Contract, nothing herein contained shall be deemed to obligate or require the Department to purchase services hereunder at a rate which reimburses the Contractor in excess of the Contractors costs, at a rate which exceeds the amounts reasonable and necessary to assure the quality of such service, or at a rate which exceeds the rate charged by the Contractor to ineligible individuals or other third party fundors for such service. If at any time during the term of this Contract or after receipt of the Final Expenditure Report hereunder, the Department shall determine that the Contractor has used payments hereunder to reimburse items of expense other than

such costs, or has received payment in excess of such costs or in excess of such rates charged by the Contractor to ineligible individuals or other third party funders, the Department may elect to:

8.1 Renegotiate the rates for payment hereunder, in which event new rates shall be established;

8.2 Deduct from any future payment to the Contractor the amount of any prior reimbursement in excess of costs;

8.3 Demand repayment of the excess payment by the Contractor in which event failure to make such repayment shall constitute an Event of Default hereunder. When the Contractor is permitted to determine the eligibility of individuals for services, the Contractor agrees to reimburse the Department for all funds paid by the Department to the Contractor for services provided to any individual who is found by the Department to be ineligible for such services at any time during the period of retention of records established herein.

RECORDS: MAINTENANCE, RETENTION, AUDIT, DISCLOSURE AND CONFIDENTIALITY:

9: Maintenance of Records: In addition to the eligibility records specified above, the Contractor covenants and agrees to maintain the following records during the Contract Period:

9.1 Fiscal Records: books, records, documents and other data evidencing and reflecting all costs and other expenses incurred by the Contractor in the performance of the Contract, and all income received or collected by the Contractor during the Contract Period, said records to be maintained in accordance with accounting procedures and practices which sufficiently and properly reflect all such costs and expenses, and which are acceptable to the Department, and to include, without limitation, all ledgers, books, records, and original evidence of costs such as purchase requisitions and orders, vouchers, requisitions for materials, inventories, valuations of in-kind contributions, labor time cards, payrolls, and other records requested or required by the Department.

9.2 Statistical Records: Statistical, enrollment, attendance or visit records for each recipient of services during the Contract Period, which records shall include all records of application and eligibility (including all forms required to determine eligibility for each such recipient), records regarding the provision of services and all invoices submitted to the Department to obtain payment for such services.

9.3 Medical Records: Where appropriate and as prescribed by the Department regulations, the Contractor shall retain medical records on each patient/recipient of services.

10. Audit: Contractor shall submit an annual audit to the Department within 60 days after the close of the agency fiscal year. It is recommended that the report be prepared in accordance with the provision of Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non Profit Organizations" and the provisions of Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the US General Accounting Office (GAO standards) as they pertain to financial compliance audits.

10.1 Audit and Review: During the term of this Contract and the period for retention hereunder, the Department, the United States Department of Health and Human Services, and any of their designated representatives shall have access to all reports and records maintained pursuant to the Contract for purposes of audit, examination, excerpts and transcripts.

10.2 Audit Liabilities: In addition to and not in any way in limitation of obligations of the Contract, it is understood and agreed by the Contractor that the Contractor shall be held liable for any state or federal audit exceptions and shall return to the Department, all payments made under the Contract to which exception has been taken or which have been disallowed because of such an exception.

11. Confidentiality of Records: All information, reports, and records maintained hereunder or collected in connection with the performance of the services and the Contract shall be confidential and shall not be

disclosed by the Contractor, provided however, that pursuant to state laws and the regulations of the Department regarding the use and disclosure of such information, disclosure may be made to public officials requiring such information in connection with their official duties and for purposes directly connected to the administration of the services and the Contract; and provided further, that the use or disclosure by any party of any information concerning a recipient for any purpose not directly connected with the administration of the Department or the Contractor's responsibilities with respect to purchased services hereunder is prohibited except on written consent of the recipient, his attorney or guardian.

Notwithstanding anything to the contrary contained herein the covenants and conditions contained in the Paragraph shall survive the termination of the Contract for any reason whatsoever.

12. Reports: Fiscal and Statistical: The Contractor agrees to submit the following reports at the following times if requested by the Department.

12.1 Interim Financial Reports: Written interim financial reports containing a detailed description of all costs and non-allowable expenses incurred by the Contractor to the date of the report and containing such other information as shall be deemed satisfactory by the Department to justify the rate of payment hereunder. Such Financial Reports shall be submitted on the form designated by the Department or deemed satisfactory by the Department.

12.2 Final Report: A final report shall be submitted within thirty (30) days after the end of the term of this Contract. The Final Report shall be in a form satisfactory to the Department and shall contain a summary statement of progress toward goals and objectives stated in the Proposal and other information required by the Department.

13. Completion of Services: Disallowance of Costs: Upon the purchase by the Department of the maximum number of units provided for in the Contract and upon payment of the price limitation hereunder, the Contract and all the obligations of the parties hereunder (except such obligations as, by the terms of the Contract are to be performed after the end of the term of this Contract and/or survive the termination of the Contract) shall terminate, provided however, that if, upon review of the Final Expenditure Report the Department shall disallow any expenses claimed by the Contractor as costs hereunder the Department shall retain the right, at its discretion, to deduct the amount of such expenses as are disallowed or to recover such sums from the Contractor.

14. Credits: All documents, notices, press releases, research reports and other materials prepared during or resulting from the performance of the services of the Contract shall include the following statement:

14.1 The preparation of this (report, document etc.) was financed under a Contract with the State of New Hampshire, Department of Health and Human Services, Division of Community Based Care Services, DDU, with funds provided in part by the State of New Hampshire and/or such other funding sources as were available or required, e.g., the United States Department of Health and Human Services.

15. Operation of Facilities: Compliance with Laws and Regulations: In the operation of any facilities for providing services, the Contractor shall comply with all laws, orders and regulations of federal, state, county and municipal authorities and with any direction of any Public Officer or officers pursuant to laws which shall impose an order or duty upon the contractor with respect to the operation of the facility or the provision of the services at such facility. If any governmental license or permit shall be required for the operation of the said facility or the performance of the said services, the Contractor will procure said license or permit, and will at all times comply with the terms and conditions of each such license or permit. In connection with the foregoing requirements, the Contractor hereby covenants and agrees that, during the term of this Contract the facilities shall comply with all rules, orders, regulations, and requirements of the State Office of the Fire Marshal and the local fire protection agency, and shall be in conformance with local building and zoning codes, by-laws and regulations.

SPECIAL PROVISIONS – DEFINITIONS

As used in the Contract, the following terms shall have the following meanings:

COSTS: Shall mean those direct and indirect items of expense determined by the Department to be allowable and reimbursable in accordance with cost and accounting principles established in accordance with state and federal laws, regulations, rules and orders.

DEPARTMENT: NH Department of Health and Human Services.

FINANCIAL MANAGEMENT GUIDELINES: Shall mean that section of the Contractor Manual which is entitled "Financial Management Guidelines" and which contains the regulations governing the financial activities of contractor agencies which have contracted with the State of NH to receive funds.

PROPOSAL: If applicable, shall mean the document submitted by the Contractor on a form or forms required by the Department and containing a description of the Services to be provided to eligible individuals by the Contractor in accordance with the terms and conditions of the Contract and setting forth the total cost and sources of revenue for each service to be provided under the Contract.

UNIT: For each service that the Contractor is to provide to eligible individuals hereunder, shall mean that period of time or that specified activity determined by the Department and specified in Exhibit B of the Contract.

FEDERAL/STATE LAW: Wherever federal or state laws, regulations, rules, orders, and policies, etc. are referred to in the Contract, the said reference shall be deemed to mean all such laws, regulations, etc. as they may be amended or revised from the time to time.

CONTRACTOR MANUAL: Shall mean that document prepared by the NH Department of Administrative Services containing a compilation of all regulations promulgated pursuant to the New Hampshire Administrative Procedures Act, NH RSA Ch 541-A, for the purpose of implementing State of NH and federal regulations promulgated thereunder.

SUPPLANTING OTHER FEDERAL FUNDS: The Contractor guarantees that funds provided under this Contract will not supplant any existing federal funds available for these services.

NH Department of Health and Human Services

STANDARD EXHIBIT C-1

ADDITIONAL SPECIAL PROVISIONS

Subparagraph 4 of the General Provisions of this contract, Conditional Nature of Agreement, is amended as follows:

Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including without limitation, the continuance of payments hereunder, in whole or in part, are contingent upon the availability and continued appropriation of funds, including any subsequent changes to the appropriation or availability of funds affected by any legislative or executive action that decreases, eliminates, or otherwise alters the appropriation or availability of funding for the specific purposes of this contract, as provided for in Exhibit A, Scope of Services, in whole or in part. In no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated or available funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate or reduce services under this Agreement immediately upon giving the Contractor notice of such termination or reduction. The State shall not be required to transfer funds from any other account to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

Subparagraph 10 of the General Provisions of this contract, Termination, is amended by adding the following language;

10.1 The State may terminate the Agreement at any time for any reason, at the sole discretion of the State, 30 days after giving the Contractor written notice that the State is exercising its option to terminate the Agreement.

10.2 In the event of early termination, the Contractor shall, within 15 days of notice of early termination, develop and submit to the State a Transition Plan for services under the Agreement, including but not limited to, identifying the present and future needs of clients receiving services under the Agreement and establishes a process to meet those needs.

10.3 The Contractor shall fully cooperate with the State and shall promptly provide detailed information to support the Transition Plan including, but not limited to, any information or data requested by the State related to the termination of the Agreement and Transition Plan and shall provide ongoing communication and revisions of the Transition Plan to the State as requested.

10.4 In the event that services under the Agreement, including but not limited to clients receiving services under the Agreement are transitioned to having services delivered by another entity including contracted providers or the State, the Contractor shall provide a process for uninterrupted delivery of services in the Transition Plan.

10.5 The Contractor shall establish a method of notifying clients and other affected individuals about the transition. The Contractor shall include the proposed communications in its Transition Plan submitted to the State as described above.

Subparagraph 13 of the General Provisions of this Agreement is hereby amended to read:

Contractor shall comply with any and all requirements of this Agreement; in the event that the Contractor fails to comply with any such requirements, including, but not limited, to disclosure of any PHI in violation of this Agreement, the Covered Entity may pursue all available remedies, at law and in equity, including without limitation any damages or losses it suffers from Contractor's breach of this Agreement. The respective rights and obligations of Contractor under this Agreement shall survive termination of this Agreement.

This Agreement is in accordance with certain provisions of the Social Security Act, as follows:

Section 1903(a) of the Social Security Act provides for variable Federal matching rates to States for administrative functions under Medicaid;

Section 1903(a)(2) of the Act provides for Federal matching at 75 percent for compensation and training of SPMP {*Skilled Professional Medical Personnel*} and their directly supporting staff;

Section 1903(a)(2) also provides for 75 percent FFP {Federal Financial Participation} for SPMP and their directly supporting staff of other public agencies with which the Medicaid agency contracts for administration of the medical phases of the Medicaid program, and includes;

1. "Directly supporting staff" is defined by CMS as secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services that directly support the responsibilities of skilled professional medical personnel, who are directly supervised by the skilled professional medical personnel, and who are in an employer-employee relationship with the Medicaid agency;

2. "Skilled professional medical personnel" is defined by CMS as physicians, dentists, nurses, and other specialized personnel who have professional education and training in the field of medical care or appropriate medical practice and who are in an employer-employee relationship with the Medicaid agency;

3. "Staff of other public agencies" is defined by CMS as skilled professional medical personnel and directly supporting staff who are employed in State and local agencies other than the Medicaid agency who perform duties that directly relate to the administration of the Medicaid program;

The New Hampshire Department of Health and Human Services (acting as the Medicaid agency) and the University of Massachusetts Medical School (acting as the other public agency) acknowledge that portions of this Agreement meet said criteria and enable the rate of 75 percent FFP for SPMP and directly supporting staff.

NH Department of Health and Human Services

STANDARD EXHIBIT D

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Sections 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701 et seq.), and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

ALTERNATIVE I - FOR GRANTEES OTHER THAN INDIVIDUALS

US DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTRACTORS
US DEPARTMENT OF EDUCATION - CONTRACTORS
US DEPARTMENT OF AGRICULTURE - CONTRACTORS

This certification is required by the regulations implementing Sections 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701 et seq.). The January 31, 1989 regulations were amended and published as Part II of the May 25, 1990 Federal Register (pages 21681-21691), and require certification by grantees (and by inference, sub-grantees and sub-contractors), prior to award, that they will maintain a drug-free workplace. Section 3017.630(c) of the regulation provides that a grantee (and by inference, sub-grantees and sub-contractors) that is a State may elect to make one certification to the Department in each federal fiscal year in lieu of certificates for each grant during the federal fiscal year covered by the certification. The certificate set out below is a material representation of fact upon which reliance is placed when the agency awards the grant. False certification or violation of the certification shall be grounds for suspension of payments, suspension or termination of grants, or government wide suspension or debarment. Contractors using this form should send it to:

Commissioner
NH Department of Health and Human Services
129 Pleasant Street,
Concord, NH 03301-6505

- (A) The grantee certifies that it will or will continue to provide a drug-free workplace by:
- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
 - (b) Establishing an ongoing drug-free awareness program to inform employees about—
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

- (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will—
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
- (e) Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
- (f) Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d)(2), with respect to any employee who is so convicted—
 - (1) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e), and (f).

(B) The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant.

Place of Performance (street address, city, county, state, zip code) (list each location)

333 South Street, Shrewsbury, MA 01545
11 Midstate Drive, Auburn, MA 01501

Check if there are workplaces on file that are not identified here.

University of Massachusetts Medical School

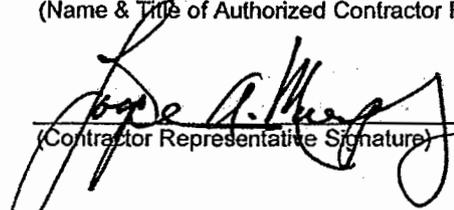
From: 7/1/2012 To: 6/30/2013

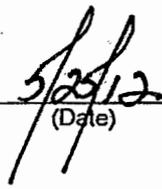
(Contractor Name)

(Period Covered by this Certification)

Joyce A. Murphy, Executive Vice Chancellor

(Name & Title of Authorized Contractor Representative)


(Contractor Representative Signature)


(Date)

Contractor Initials 

Date: 

NH Department of Health and Human Services

STANDARD EXHIBIT E

CERTIFICATION REGARDING LOBBYING

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Section 319 of Public Law 101-121, Government wide Guidance for New Restrictions on Lobbying, and 31 U.S.C. 1352, and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

US DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTRACTORS
US DEPARTMENT OF EDUCATION - CONTRACTORS
US DEPARTMENT OF AGRICULTURE - CONTRACTORS

- Programs (indicate applicable program covered):
*Temporary Assistance to Needy Families under Title IV-A
*Child Support Enforcement Program under Title IV-D
*Social Services Block Grant Program under Title XX
*Medicaid Program under Title XIX
*Community Services Block Grant under Title VI
*Child Care Development Block Grant under Title IV

Contract Period: 07/01/12 through 06/30/13

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement (and by specific mention sub-grantee or sub-contractor).
(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement (and by specific mention sub-grantee or sub-contractor), the undersigned shall complete and submit Standard Form LLL, (Disclosure Form to Report Lobbying, in accordance with its instructions, attached and identified as Standard Exhibit E-I.)
(3) The undersigned shall require that the language of this certification be included in the award document for sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Handwritten signature of Joyce A. Murphy

Joyce A. Murphy, Executive Vice Chancellor
(Authorized Contractor Representative Name & Title)

University of Massachusetts Medical School
(Contractor Name)

(Date)

Contractor Initials: [Signature]
Date: 6/25/12

NH Department of Health and Human Services

STANDARD EXHIBIT F

CERTIFICATION REGARDING DEBARMENT, SUSPENSION
AND OTHER RESPONSIBILITY MATTERS

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Executive Office of the President, Executive Order 12549 and 45 CFR Part 76 regarding Debarment, Suspension, and Other Responsibility Matters, and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

INSTRUCTIONS FOR CERTIFICATION

1. By signing and submitting this proposal (contract), the prospective primary participant is providing the certification set out below.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. If necessary, the prospective participant shall submit an explanation of why it cannot provide the certification. The certification or explanation will be considered in connection with the NH Department of Health and Human Services' (DHHS) determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when DHHS determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, DHHS may terminate this transaction for cause or default.
4. The prospective primary participant shall provide immediate written notice to the DHHS agency to whom this proposal (contract) is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549: 45 CFR Part 76. See the attached definitions.
6. The prospective primary participant agrees by submitting this proposal (contract) that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by DHHS.

7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," provided by DHHS, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or involuntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List (of excluded parties).
9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal government, DHHS may terminate this transaction for cause or default.

PRIMARY COVERED TRANSACTIONS

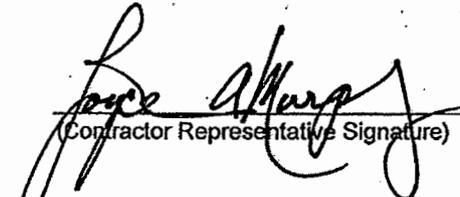
- (1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
 - (a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
 - (b) have not within a three-year period preceding this proposal (contract) been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or a contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) are not presently indicted for otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - (d) have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
- (2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal (contract).

LOWER TIER COVERED TRANSACTIONS

By signing and submitting this lower tier proposal (contract), the prospective lower tier participant, as defined in 45 CFR Part 76, certifies to the best of its knowledge and belief that it and its principals:

- (a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency.
- (b) where the prospective lower tier participant is unable to certify to any of the above, such prospective participant shall attach an explanation to this proposal (contract).

The prospective lower tier participant further agrees by submitting this proposal (contract) that it will include this clause entitled "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Covered Transactions," without modification in all lower tier covered transactions and in all solicitations for lower tier covered transactions.



(Contractor Representative Signature)

University of Massachusetts Medical School

(Contractor Name)

Joyce A. Murphy, Executive Vice Chancellor

(Authorized Contractor Representative Name & Title)

5/25/12

(Date)

Contractor Initials: 

Date: 5/25/12

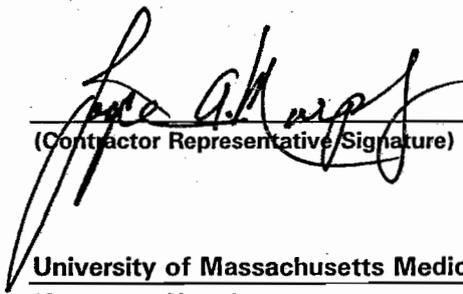
NH Department of Health and Human Services

STANDARD EXHIBIT G

CERTIFICATION REGARDING
THE AMERICANS WITH DISABILITIES ACT COMPLIANCE

The Contractor identified in Section 1.3 of the General Provisions agrees by signature of the Contractor's representative as identified in Sections 1.11 and 1.12 of the General Provisions, to execute the following certification:

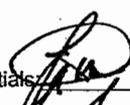
1. By signing and submitting this proposal (contract) the Contractor agrees to make reasonable efforts to comply with all applicable provisions of the Americans with Disabilities Act of 1990.


(Contractor Representative Signature)

Joyce A. Murphy, Executive Vice Chancellor
(Authorized Contractor Representative Name & Title)

University of Massachusetts Medical School
(Contractor Name)

5/25/12
(Date)

Contractor Initials: 
Date: 5/25/12

NH Department of Health and Human Services

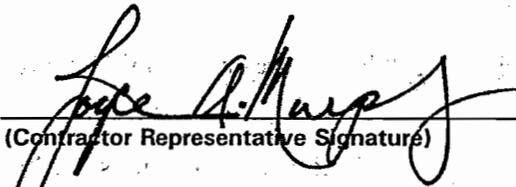
STANDARD EXHIBIT H

CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Public Law 103-227, Part C - Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan, or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1000 per day and/or the imposition of an administrative compliance order on the responsible entity.

The Contractor identified in Section 1.3 of the General Provisions agrees, by signature of the Contractor's representative as identified in Section 1.11 and 1.12 of the General Provisions, to execute the following certification:

- 1. By signing and submitting this contract, the Contractor agrees to make reasonable efforts to comply with all applicable provisions of Public Law 103-227, Part C, known as the Pro-Children Act of 1994.


(Contractor Representative Signature)

Joyce A. Murphy, Executive Vice Chancellor
(Authorized Contractor Representative Name & Title)

University of Massachusetts Medical School
(Contractor Name)

5/25/12
(Date)

Contractor Initials: 
Date: 5/25/12

NH Department of Health and Human Services

STANDARD EXHIBIT I
HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT
BUSINESS ASSOCIATE AGREEMENT

The Contractor identified in Section 1.3 of the General Provisions of the Agreement agrees to comply with the Health Insurance Portability and Accountability Act, Public Law 104-191 and with the Standards for Privacy and Security of Individually Identifiable Health Information, 45 CFR Parts 160 and 164 and those parts of the HITECH Act applicable to business associates. As defined herein, "Business Associate" shall mean the Contractor and subcontractors and agents of the Contractor that receive, use or have access to protected health information under this Agreement and "Covered Entity" shall mean the State of New Hampshire, Department of Health and Human Services.

BUSINESS ASSOCIATE AGREEMENT

(1) Definitions.

- a. "**Breach**" shall have the same meaning as the term "Breach" in Title XXX, Subtitle D. Sec. 13400.
- b. "**Business Associate**" has the meaning given such term in section 160.103 of Title 45, Code of Federal Regulations.
- c. "**Covered Entity**" has the meaning given such term in section 160.103 of Title 45, Code of Federal Regulations.
- d. "**Designated Record Set**" shall have the same meaning as the term "designated record set" in 45 CFR Section 164.501.
- e. "**Data Aggregation**" shall have the same meaning as the term "data aggregation" in 45 CFR Section 164.501.
- f. "**Health Care Operations**" shall have the same meaning as the term "health care operations" in 45 CFR Section 164.501.
- g. "**HITECH Act**" means the Health Information Technology for Economic and Clinical Health Act, Title XIII, Subtitle D, Part 1 & 2 of the American Recovery and Reinvestment Act of 2009.
- h. "**HIPAA**" means the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 and the Standards for Privacy and Security of Individually Identifiable Health Information, 45 CFR Parts 160, 162 and 164.
- i. "**Individual**" shall have the same meaning as the term "individual" in 45 CFR Section 164.501 and shall include a person who qualifies as a personal representative in accordance with 45 CFR Section 164.501(g).
- j. "**Privacy Rule**" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Parts 160 and 164, promulgated under HIPAA by the United States Department of Health and Human Services.

- k. "Protected Health Information" shall have the same meaning as the term "protected health information" in 45 CFR Section 164.501, limited to the information created or received by Business Associate from or on behalf of Covered Entity.
- l. "Required by Law" shall have the same meaning as the term "required by law" in 45 CFR Section 164.501.
- m. "Secretary" shall mean the Secretary of the Department of Health and Human Services or his/her designee.
- n. "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Part 164, Subpart C, and amendments thereto.
- o. "Unsecured Protected Health Information" means protected health information that is not secured by a technology standard that renders protected health information unusable, unreasonable, or indecipherable to unauthorized individuals and is developed or endorsed by a standards developing organization that is accredited by the American National Standards Institute.
- p. Other Definitions - All terms not otherwise defined herein shall have the meaning established under 45 C.F.R. Parts 160, 162 and 164, as amended from time to time, and the HITECH Act.

(2) Use and Disclosure of Protected Health Information.

- a. Business Associate shall not use, disclose, maintain or transmit Protected Health Information (PHI) except as reasonably necessary to provide the services outlined under Exhibit A of the Agreement. Further, the Business Associate shall not, and shall ensure that its directors, officers, employees and agents, do not use, disclose, maintain or transmit PHI in any manner that would constitute a violation of the Privacy and Security Rule.
- b. Business Associate may use or disclose PHI:
 - I. For the proper management and administration of the Business Associate;
 - II. As required by law, pursuant to the terms set forth in paragraph d. below; or
 - III. For data aggregation purposes for the health care operations of Covered Entity.
- c. To the extent Business Associate is permitted under the Agreement to disclose PHI to a third party, Business Associate must obtain, prior to making any such disclosure, (i) reasonable assurances from the third party that such PHI will be held confidentially and used or further disclosed only as required by law or for the purpose for which it was disclosed to the third party; and (ii) an agreement from such third party to notify Business Associate, in accordance with the HITECH Act, Subtitle D, Part 1, Sec. 13402 of any breaches of the confidentiality of the PHI, to the extent it has obtained knowledge of such breach.
- d. The Business Associate shall not, unless such disclosure is reasonably necessary to provide services under Exhibit A of the Agreement, disclose any PHI in response to a request for disclosure on the basis that it is required by law, without first notifying Covered Entity so that Covered Entity has an opportunity to object to the disclosure and to seek appropriate relief. If Covered Entity objects to such disclosure, the Business Associate shall refrain from disclosing the PHI until Covered Entity has exhausted all remedies.

Contractor Initials: 
Date: 5/15/12

- e. If the Covered Entity notifies the Business Associate that Covered Entity has agreed to be bound by additional restrictions over and above those uses or disclosures or security safeguards of PHI pursuant to the Privacy and Security Rule, the Business Associate shall be bound by such additional restrictions and shall not disclose PHI in violation of such additional restrictions and shall abide by any additional security safeguards.

(3) Obligations and Activities of Business Associate.

- a. Business Associate shall report to the designated Privacy Officer of Covered Entity, in writing, any use or disclosure of PHI in violation of the Agreement, including any security incident involving Covered Entity data, in accordance with the HITECH Act, Subtitle D, Part 1, Sec. 13402.
- b. The Business Associate shall comply with all sections of the Privacy and Security Rule as set forth in, the HITECH Act, Subtitle D, Part 1, Sec. 13401 and Sec.13404.
- c. Business Associate shall make available all of its internal policies and procedures, books and records relating to the use and disclosure of PHI received from, or created or received by the Business Associate on behalf of Covered Entity to the Secretary for purposes of determining Covered Entity's compliance with HIPAA and the Privacy and Security Rule.
- d. Business Associate shall require all of its business associates that receive, use or have access to PHI under the Agreement, to agree in writing to adhere to the same restrictions and conditions on the use and disclosure of PHI contained herein, including the duty to return or destroy the PHI as provided under Section (3)b and (3)k herein. The Covered Entity shall be considered a direct third party beneficiary of the Contractor's business associate agreements with Contractor's intended business associates, who will be receiving PHI pursuant to this Agreement, with rights of enforcement and indemnification from such business associates who shall be governed by standard provision #13 of this Agreement for the purpose of use and disclosure of protected health information.
- e. Within five (5) business days of receipt of a written request from Covered Entity, Business Associate shall make available during normal business hours at its offices all records, books, agreements, policies and procedures relating to the use and disclosure of PHI to the Covered Entity, for purposes of enabling Covered Entity to determine Business Associate's compliance with the terms of the Agreement.
- f. Within ten (10) business days of receiving a written request from Covered Entity, Business Associate shall provide access to PHI in a Designated Record Set to the Covered Entity, or as directed by Covered Entity, to an individual in order to meet the requirements under 45 CFR Section 164.524.
- g. Within ten (10) business days of receiving a written request from Covered Entity for an amendment of PHI or a record about an individual contained in a Designated Record Set, the Business Associate shall make such PHI available to Covered Entity for amendment and incorporate any such amendment to enable Covered Entity to fulfill its obligations under 45 CFR Section 164.526.

Contractor Initials: 
Date: 09/25/12

- h. Business Associate shall document such disclosures of PHI and information related to such disclosures as would be required for Covered Entity to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR Section 164.528.
- i. Within ten (10) business days of receiving a written request from Covered Entity for a request for an accounting of disclosures of PHI, Business Associate shall make available to Covered Entity such information as Covered Entity may require to fulfill its obligations to provide an accounting of disclosures with respect to PHI in accordance with 45 CFR Section 164.528.
- j. In the event any individual requests access to, amendment of, or accounting of PHI directly from the Business Associate, the Business Associate shall within two (2) business days forward such request to Covered Entity. Covered Entity shall have the responsibility of responding to forwarded requests. However, if forwarding the individual's request to Covered Entity would cause Covered Entity or the Business Associate to violate HIPAA and the Privacy and Security Rule, the Business Associate shall instead respond to the individual's request as required by such law and notify Covered Entity of such response as soon as practicable.
- k. Within ten (10) business days of termination of the Agreement, for any reason, the Business Associate shall return or destroy, as specified by Covered Entity, all PHI received from, or created or received by the Business Associate in connection with the Agreement, and shall not retain any copies or back-up tapes of such PHI. If return or destruction is not feasible, or the disposition of the PHI has been otherwise agreed to in the Agreement, Business Associate shall continue to extend the protections of the Agreement, to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI. If Covered Entity, in its sole discretion, requires that the Business Associate destroy any or all PHI, the Business Associate shall certify to Covered Entity that the PHI has been destroyed.

(4) Obligations of Covered Entity

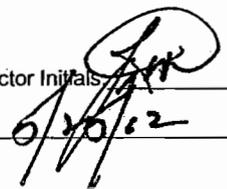
- a. Covered Entity shall notify Business Associate of any changes or limitation(s) in its Notice of Privacy Practices provided to individuals in accordance with 45 CFR Section 164.520, to the extent that such change or limitation may affect Business Associate's use or disclosure of PHI.
- b. Covered Entity shall promptly notify Business Associate of any changes in, or revocation of permission provided to Covered Entity by individuals whose PHI may be used or disclosed by Business Associate under this Agreement, pursuant to 45 CFR Section 164.506 or 45 CFR Section 164.508.
- c. Covered entity shall promptly notify Business Associate of any restrictions on the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 CFR 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

(5) Termination for Cause

In addition to standard provision #10 of this Agreement the Covered Entity may immediately terminate the Agreement upon Covered Entity's knowledge of a breach by Business Associate of the Business Associate Agreement set forth herein as Exhibit I. The Covered Entity may either immediately terminate the Agreement or provide an opportunity for Business Associate to cure the alleged breach within a timeframe specified by Covered Entity. If Covered Entity determines that neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.

(6) Miscellaneous

- a. Definitions and Regulatory References. All terms used, but not otherwise defined herein, shall have the same meaning as those terms in the Privacy and Security Rule, and the HITECH Act as amended from time to time. A reference in the Agreement, as amended to include this Exhibit I, to a Section in the Privacy and Security Rule means the Section as in effect or as amended.
- b. Amendment. Covered Entity and Business Associate agree to take such action as is necessary to amend the Agreement, from time to time as is necessary for Covered Entity to comply with the changes in the requirements of HIPAA, the Privacy and Security Rule, and applicable federal and state law.
- c. Data Ownership. The Business Associate acknowledges that it has no ownership rights with respect to the PHI provided by or created on behalf of Covered Entity.
- d. Interpretation. The parties agree that any ambiguity in the Agreement shall be resolved to permit Covered Entity to comply with HIPAA, the Privacy and Security Rule and the HITECH Act.
- e. Segregation. If any term or condition of this Exhibit I or the application thereof to any person(s) or circumstance is held invalid, such invalidity shall not affect other terms or conditions which can be given effect without the invalid term or condition; to this end the terms and conditions of this Exhibit I are declared severable.
- f. Survival. Provisions in this Exhibit I regarding the use and disclosure of PHI, return or destruction of PHI, extensions of the protections of the Agreement in section 3 k, the defense and indemnification provisions of section 3 d and standard contract provision #13, shall survive the termination of the Agreement.

The signature is written in black ink and appears to be 'L. K.' with a large flourish. The date is written as '6/20/12'.

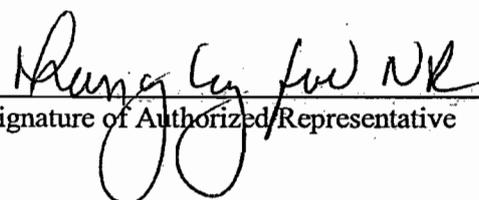
IN WITNESS WHEREOF, the parties hereto have duly executed this Exhibit I.

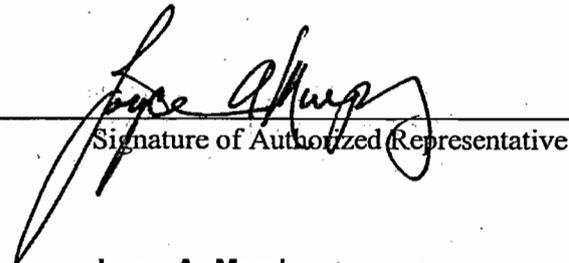
Div Comm Based Care Services

Univ of Massachusetts Medical School

The State Agency Name

Name of the Contractor


Signature of Authorized Representative


Signature of Authorized Representative

Nancy L. Rollins

Joyce A. Murphy

Name of Authorized Representative

Name of Authorized Representative

Associate Commissioner

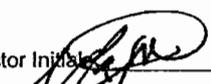
Executive Vice Chancellor

Title of Authorized Representative

Title of Authorized Representative

Date

Date

Contractor Initials: 
Date: 5/25/12

STANDARD EXHIBIT J

CERTIFICATION REGARDING THE FEDERAL FUNDING ACCOUNTABILITY AND
TRANSPARENCY ACT (FFATA) COMPLIANCE

The Federal Funding Accountability and Transparency Act (FFATA) requires prime awardees of individual Federal grants equal to or greater than \$25,000 and awarded on or after October 1, 2010, to report on data related to executive compensation and associated first-tier sub-grants of \$25,000 or more. If the initial award is below \$25,000 but subsequent grant modifications result in a total award equal to or over \$25,000, the award is subject to the FFATA reporting requirements, as of the date of the award.

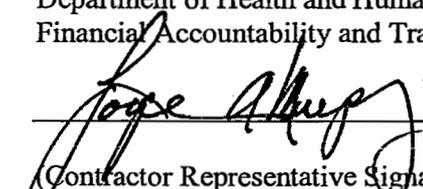
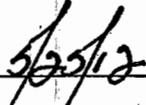
In accordance with 2 CFR Part 170 (*Reporting Subaward and Executive Compensation Information*), the Department of Health and Human Services (DHHS) must report the following information for any subaward or contract award subject to the FFATA reporting requirements:

- 1) Name of entity
- 2) Amount of award
- 3) Funding agency
- 4) NAICS code for contracts / CFDA program number for grants
- 5) Program source
- 6) Award title descriptive of the purpose of the funding action
- 7) Location of the entity
- 8) Principle place of performance
- 9) Unique identifier of the entity (DUNS #)
- 10) Total compensation and names of the top five executives if:
 - a. More than 80% of annual gross revenues are from the Federal government, and those revenues are greater than \$25M annually and
 - b. Compensation information is not already available through reporting to the SEC.

Prime grant recipients must submit FFATA required data by the end of the month, plus 30 days, in which the award or award amendment is made.

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of The Federal Funding Accountability and Transparency Act, Public Law 109-282 and Public Law 110-252, and 2 CFR Part 170 (*Reporting Subaward and Executive Compensation Information*), and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

The below named Contractor agrees to provide needed information as outlined above to the NH Department of Health and Human Services and to comply with all applicable provisions of the Federal Financial Accountability and Transparency Act.

	Joyce A. Murphy, Executive Vice Chancellor
(Contractor Representative Signature)	(Authorized Contractor Representative Name & Title)
University of Massachusetts Medical School	
(Contractor Name)	(Date)

Contractor initials: 
 Date: 5/25/12
 Page # 29 of Page # 32

NH Department of Health and Human Services

STANDARD EXHIBIT J

FORM A

As the Contractor identified in Section 1.3 of the General Provisions, I certify that the responses to the below listed questions are true and accurate.

1. The DUNS number for your entity is: 603847393

2. In your business or organization's preceding completed fiscal year, did your business or organization receive (1) 80 percent or more of your annual gross revenue in U.S. federal contracts, subcontracts, loans, grants, sub-grants, and/or cooperative agreements; and (2) \$25,000,000 or more in annual gross revenues from U.S. federal contracts, subcontracts, loans, grants, subgrants, and/or cooperative agreements?

NO YES

If the answer to #2 above is NO, stop here

If the answer to #2 above is YES, please answer the following:

3. Does the public have access to information about the compensation of the executives in your business or organization through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986?

NO YES

If the answer to #3 above is YES, stop here

If the answer to #3 above is NO, please answer the following:

4. The names and compensation of the five most highly compensated officers in your business or organization are as follows:

Name: _____	Amount: _____

Contractor initials: [Signature]
Date: 5/26/12
Page # 30 of Page # 32

NH Department of Health and Human Services

BUDGET

Contractor: University of Massachusetts Medical School
Services: Disability Determination Services

Cost per Case: \$275
Total Number of Cases: 1,498

Total Cost for Case Review: \$411,950

Case Cost shall be all inclusive. The contractor is responsible for all costs associated with case reviews including personnel, communication charges, transporting records, supplies and postage.