Fitchburg State University

Joint Board of Trustees Finance & Administration Committee & Foundation Audit Committee

Amended on October 24, 2017 at 9:58 AM EDT

Date and Time
Thursday October 19, 2017 at 9:00 AM EDT

Location
President's Conference Room, Sanders Building, 300 Highland Avenue, Fitchburg, MA 01420

Agenda

	Purpose	Presenter	Duration
I. Opening Items			
A. Record Attendance and Guests			
B. Call the Meeting to Order			
C. Approve Minutes from April 25, 2017 Finance Committee - VOTE (04-17/18)	Approve Minutes		
II. Finance and Administration			
A. Presentation by the auditors	Discuss		
B. FY2017 Audit - VOTE (05-17/18)	Vote		
III. Closing Items			
A. Adjourn Meeting	Vote		

Cover Sheet

Approve Minutes from April 25, 2017 Finance Committee - VOTE (04-17/18)

Section: I. Opening Items
Item: C. Approve Minutes from April 25, 2017 Finance Committee - VOTE (04-17/18)
Purpose: Approve Minutes
Submitted by:
Related Material: DRAFT April 25 2017 Finance Minutes 1.docx

BACKGROUND:
It is requested that the Finance & Administration Committee approve the minutes from the meeting held on April 25, 2017.

RECOMMENDATION:
Motion to approve the minutes.

Board of Trustees Finance Committee Meeting
Tuesday, April 25, 2017
Fitchburg State University
Presidents' Hall, Mazzaferro Center
291 Highland Ave., Fitchburg, MA 01420

Board members present
Donald Irving, Michael Mahan, Anthony Mercadante, C. Deborah Phillips

Also present
Richard S. Lapidus, Jay Bry, Gail Doiron, Mary Beth McKenzie, Marilyn Siderwicz, Cathy Canney, Alberto Cardelle

1. Opening of Meeting
A. Call to Order

Chairman Mercadante called the meeting to order at 8:00 a.m.

2. Consideration of Minutes
A. Consideration of Minutes from the November 2, 2016 Board of Trustees Finance Committee meeting VOTE (21-16/17)

Motion: It is requested that the Board of Trustees Finance Committee approve the November 2, 2016 meeting minutes as presented.

Motion by Donald Irving; second by Michael Mahan
Final Resolution: Motion Carries

3. FY18 Budget Discussion
A. FY2018 Budget narrative

President Lapidus presented a budget narrative. He explained that the educational landscape is changing and that demographically there are less students graduating from high school. He talked about increased competition for student enrollment and that students are better informed. He also stated that there are underrepresented populations that continue to be underserved and that the University will need to be more aggressive in promoting the value of education to these groups. He also talked about the University more tightly aligning curriculum to the needs of the marketplace. There are plenty of high paying jobs, it is just those graduating do not always have the necessary skill sets to be competitive when seeking these opportunities. There will continued focus on academic reconfiguring. There was a discussion.

New student applications are strong and trending positively. To date applications are ahead of those at the same time last year. We could be on track for a very healthy incoming class.

Residence hall activity is also strong. The University purchased Simonds Hall; it is now sold-out for next semester.

The University invested heavily on recruiting side with the implementation of Customer Relationship Management software. Processes have been more fully automated helping to expedite information and build stronger relationships with students. It is too early to tell but the Admissions Office believes they are running smoother operationally. Our Student Orientation programs have also been improved. New software packages have also been implemented to track student performance. There was a discussion.

The University has a fully online MBA program. There was a discussion on the State Authorization Reciprocity Agreement (SARA). SARA is a voluntary agreement among member states and U.S. territories establishing comparable national standards for interstate delivery of postsecondary distance-education courses and programs.

The three bargaining units are beginning contract negotiations. There was a discussion on the early retirement program. The early retirement program gave the University the opportunity to rethink staffing needs.

We have been aggressively improving the campus infrastructure. Windows have been sealed and insulation improved in many buildings. The University is committed to continue working on energy efficiency. The chiller project, and work in residence halls is ongoing. The Theatre project will kick-off soon and the Landry Arena renovations will also begin.

B. Annual Operating Budgets FY16-FY18

The president sought approval from the Board for a level funded budget this year.

C. FY2018 Fund Change Summary.

Mr. Bry discussed the fund change summary. There was a discussion.

4. FY2018 Fees Discussion
A. Student Fee Increase – VOTE (22-16/17)

President Lapidus stated that the increase of 20 dollars is designed to assist in keeping technology up-to-date.

B. On-line RN to BSN program fee – VOTE (23-16/17)

President Lapidus stated that the fees are based in part on the recommendation from consultants from Academic Partnerships, to keep the program competitive relative to local and regional pricing. They are asking recommending a small reduction in fees. It positions the program slightly under a competitor, but not necessarily the low cost leader. The president explained Academic Partnerships (AP) is a group that provides backend services to universities. They have no role in curriculum related matters. They provide marketing, recruiting, and customer management systems functions. He stated that they will be using marketing techniques that are beyond campus capabilities. Aggressively marketing our online programs will increase our national visibility. The campus has been successful at attracting students from many other states which is a form of diversity. AP has been successful in other schools. There was a discussion.

C. On-line M.Ed. Curriculum and Teaching program fee – VOTE (24-16/17)
D. On-line M.Ed. Educational Leadership and Management program fee – VOTE (25-16/17)
E. Extended Campus Programs Fee Increases for the Wilson Language Training Program – VOTE (26-16/17)
F. Extended Campus Programs Fee Increase for Research for Better Teaching (RBT) – VOTE (27-16/17)

Motion: It is requested that the Board of Trustees Finance Committee approve by way of consensus vote, items A. through F. as presented.

Motion by Michael Mahan; second by Donald Irving
Final Resolution: Motion Carries

5. FY18 Budget VOTE
A. FY2018 Budget- VOTE (28-16/17)

Motion: It is requested that the Board of Trustees Finance Committee approve the FY2018 Budget as presented by the President.

Motion by Donald Irving; second by Michael Mahan
Final Resolution: Motion Carries

B. Roll forward of funds to FY2018 Budget – VOTE (29-16/17)

Motion: It is requested that the Fitchburg State University Board of Trustees Finance Committee vote to recommend that ongoing capital projects roll forward into the FY2018 University Budget.

Motion by Donald Irving; second by Michael Mahan
Final Resolution: Motion Carries

6. Deferred Maintenance VOTE
A. Deferred Maintenance – VOTE (30-16/17)

Mr. Bry presented the deferred maintenance vote. He asked to take one million dollars from reserves. There was a discussion.

Motion: It is requested that the Fitchburg State University Board of Trustees Finance Committee vote to recommend the president's recommendation to transfer $1,000,000 from reserves to the capital project fund (CPRO) as a match to Commonwealth deferred maintenance funds.

Motion by Michael Mahan; second by Donald Irving

Final Resolution: Motion Carries

7. Adjournment
A. Adjourn the Meeting

Mr. Irving stated that he was impressed with the budget presentation and the narrative.

With no further business before the committee, the meeting adjourned at 9:13 a.m.

Respectfully submitted,

____
Anthony Mercadante
Chair, Finance and Administration Committee

Cover Sheet

Presentation by the auditors

Section: II. Finance and Administration
Item: A. Presentation by the auditors
Purpose: Discuss
Submitted by:
Related Material:

Attachment A Fitchburg State University Financial Statements - DRAFT.pdf
Attachment B Fitchburg State University Foundation Inc. FS DRAFT as of 10.12.17.pdf
Attachment C Fitchburg State University Foundation Inc. FS DRAFT AU-C 260 Communicat.._.pdf
Attachment D FSU Foundation Supporting Organization Inc. FS DRAFT as of 10.12.17.pdf
Attachment E FSU Foundation Supporting Organization Inc. FS DRAFT AU-C 260 Communica.._.pdf
Attachment F Fitchburg State MOSFA Draft Report 10-7-17.pdf
Attachment G Summary_Schedule-of_Prior_Year_Findings.pdf
Attachment H Fitchburg State University AU-C Section 260 Letter - DRAFT.pdf
FSU Foundation FY2017 PowerPoint.pptx
Fitchburg State University FY2017 PowerPoint.2.pptx
Foundation and University Agenda 10.19. 2017.2.pdf

Attachment A

Fitchburg State University

Financial Statements – DRAFT

Fitchburg State University
(a department of the
Commonwealth of Massachusetts)

Financial Statements
(With Supplementary Information)
and Independent Auditor's Reports

June 30, 2017 and 2016

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Index

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Independent Auditor's Report

To the Board of Trustees
Fitchburg State University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 discretely presented component unit of Fitchburg State University as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Fitchburg State University and its discretely presented component unit are intended to present the respective financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Fitchburg State University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension benefit schedules on pages 5 to 16 and 87 to 88, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2017 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 89 to 90 are presented for purposes of additional analysis and are not a required part of the 2017 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2017 financial statements. The residence hall fund and residence hall damage fund activity information have been subjected to the auditing procedures applied in the audit of the 2017 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 financial statements or to the 2017 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the residence hall fund and residence hall damage fund activity information are fairly stated, in all material respects, in relation to the 2017 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated (Report Date) on our consideration of Fitchburg State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fitchburg State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fitchburg State University's internal control over financial reporting and compliance.

Boston, Massachusetts
(Report Date)

FITCHBURG STATE UNIVERSITY
(a department of the Commonwealth of Massachusetts)
Management's Discussion and Analysis
UNAUDITED

Introduction

The following discussion and analysis are intended to provide an overview of the financial position and results of operations of Fitchburg State University (the "University") for the fiscal years ended June 30, 2017, 2016 and 2015. This discussion is provided by the management of the University and should be read in conjunction with the financial statements and notes thereto. The purpose of this document is to give some background to the financial statements, and foster an understanding of how these statements relate to the mission and activities of the University.

The University, located in North Central Massachusetts, is one of the nine comprehensive public universities in the Commonwealth of Massachusetts (the "Commonwealth"). These institutions, along with the five-campus University of Massachusetts system and the fifteen community colleges comprise public higher education in Massachusetts. The University offers approximately 50 undergraduate degree programs in fifteen academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During Fall 2016, there were approximately 3,650 full-time students and thousands of part-time students enrolled. For fiscal 2017, there was a combined full-time equivalent annual enrollment of approximately 5,200. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education (DGCE). The University awarded approximately 1,178 graduate and undergraduate degrees in fiscal 2017. The University is accredited by the New England Association of Schools and Colleges (NEASC) and many of the University's programs are accredited by program-specific accrediting bodies.

Financial Highlights

The University experienced positive results from operations in fiscal 2017 resulting in an increase in net position of approximately 1.2%. The following are key financial highlights for the current period:

- General appropriations from the Commonwealth are approved by the legislature to help fund the day-to-day operations of the University. The University received appropriations of $29.4 million in fiscal 2017 as compared with $29.1 million in fiscal 2016 and $28.9 million in fiscal 2015. Included in the current year's figure are incentive funds appropriated by the Massachusetts legislature which provided an additional $2.5 million in funding to the state university system. Fitchburg State University received $291,000, a little more than half of what was received in the prior fiscal year. There were no funds received for the current collective bargaining agreements resulting in an overall increase in general appropriations of approximately 1.02%.

- The University increased mandatory fees by $100 per semester to subsidize unfunded state mandates, primarily collective bargaining obligations not funded by state appropriations. A three-tiered course fee structure was introduced to address the different level of courses, (eg. nursing and computer design which require more resources than many other courses). Also introduced were a housing student services supplemental fee of $250 per semester, a meal plan administrative fee of $30 per semester, an increase of $25 per credit hour in GCE student fees and an increase of $10 to the admissions application fee. Total mandatory per semester fees were $4,582, $4,482 and $4,145 in fiscal 2017, 2016 and 2015, respectively. Tuition, which is controlled by the Commonwealth, has not increased since the fall of 2001 and remains at $485 per semester for in-state students.

- The University expended $6.2 million from current funds for capital additions in fiscal 2017. An additional $1.1 million was spent on the University's behalf by the Massachusetts Division of Capital Asset Management (DCAM) for the Science Center modernization project and energy retrofit projects. Projects completed during the year included Phase II of the McKay C wing renovation,

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replacement of Conlon Elevators, the Sanders office upgrade and the campus wireless project. Projects in process at June 30, 2017 include the final renovations to Hammond Hall Phase V, Pearl Street Sidewalk Improvement Project, Percival Hall Phase I, Southside Chiller, 1st Floor Thompson Hall, Landry Arena and Theater Building Phase I.

- Total assets and deferred outflows of resources at the end of fiscal 2017 were $237 million and exceeded liabilities and deferred inflows of resources of $94 million by $143 million (i.e. net position). Unrestricted net position available to support short-term operations totaled $18.3 million, of which $13.1 million has been designated for specific purposes.

- Total operating, non-operating, and gift revenue for fiscal 2017 was $100.5 million, while expenses totaled $98.8 million, resulting in an increase to net position of $1.7 million. The increase in net position includes a 7.2% increase in student tuition and fee revenues.

- Governmental Accounting Standards Board (GASB) Statement No. 68 requires that an allocated portion of the Commonwealth's net pension liability be reported on the financial statements of the individual institutions of higher education. The allocation is based on the actual contributions paid by the institutions through assessed fringe benefit charges. The University's portion of the Commonwealth's net pension liability is calculated at $12.6 million at June 30, 2017. The financial statements and ratios have been adjusted accordingly.

Ratio analysis measures certain elements of an institution's overall financial health. The Massachusetts Department of Higher Education has instituted the use of certain core financial ratios as part of their performance measures for public universities and colleges in the Commonwealth. Analysis using these ratios, as well as other commonly accepted ratios, are incorporated throughout this document.

- **Current Ratio:** An excess of current assets over current liabilities (the current ratio) is a measure of liquidity and provides a buffer against future uncertainties. The University's current assets of $30.4 million are sufficient to cover current liabilities of $16.6 million. The University's current ratio at June 30 is 1.8 to 1 for 2017, 1.8 to 1 for 2016, and 1.6 to 1 for 2015.

- **Return on Net Position Ratio:** Net position represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Comparing the current change in total net position to total net position at the beginning of the period (return on net position) is an economic measure that determines if the University is financially better off than in previous years. The University's return on net position at June 30, 2017, 2016 and 2015 was 1.2%, 2.0% and 4.4%, respectively. The increase in 2015 return on net position ratio is primarily the result of capital funds received for the construction of the Antonucci Science Complex.

- **Primary Reserve Ratio:** This ratio indicates how long the University could function using its expendable reserves without relying on additional net position generated by operations. The University's primary reserve ratio at June 30, 2017, 2016 and 2015 was 26.7%, 27.3% and 27.5%, respectively.

- **Secondary Reserve Ratio:** This ratio measures the significance of non-expendable net position in relation to an institution's operating size. An improving trend shows an improved capital base and the higher the ratio value, the better the long term financial condition. The University's secondary reserve ratio at June 30, 2017, 2016 and 2015 was 118.0%, 125.9% and 128.45%, respectively.

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- **Composite Financial Index:** In order to assess and evaluate the total financial health of an institution, core financial ratios are weighted and combined into a single factor called the Composite Financial Index (CFI). When calculated, a strength factor of three indicates a relatively healthy institution that can sustain moderate growth with expendable net position exceeding debt levels. The University's CFI at June 30, 2017, 2016 and 2015 was 1.2, 1.4 and 1.6, respectively

Using the Financial Statements

Fitchburg State University reports its activity as a business type activity using the full accrual basis of accounting. The accrual basis of accounting ensures that all amounts owed to the University and all pending obligations of the University are accounted for in the appropriate period, thus giving a clear picture of the University's financial position. The University is a department of the Commonwealth of Massachusetts. A summary of the University's financial statements is incorporated in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

The University's financial statements include three major documents: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards.

Statement of Net Position
The statement of net position presents the financial position of the University at the end of the year and includes all assets, liabilities and deferred inflows and outflows of resources of the University, with the difference reported as net position. Assets, liabilities and deferred inflows and outflows are generally measured using current values, with a notable exception in capital assets, which are stated at historical cost less an allowance for depreciation. Net position is one indicator of the financial condition of the University, while the change in net position from one period to the next is an indicator of whether the financial condition has improved or worsened. The statements of net position (condensed, in thousands) at June 30, 2017, 2016 and 2015, are as follows:

	2017	2016	2015
Assets			
Current assets	$ 30,337	$ 26,712	$ 28,703
Capital assets, net	173,403	174,998	163,847
Other	28,149	24,170	35,402
Total assets	231,889	225,880	227,952
Deferred outflows of resources	4,901	3,999	607
Liabilities			
Current liabilities	16,609	15,163	17,393
Long-term liabilities	75,332	70,999	69,179
Total liabilities	91,941	86,162	86,572
Deferred inflows of resources	1,822	2,382	3,402
Net position			
Net investment in capital assets	116,097	115,713	113,647
Restricted			
Nonexpendable	506	467	480
Expendable	8,096	7,230	6,660
Unrestricted			
Designated	13,142	12,271	10,568
Undesignated	5,186	5,654	7,230
Total net position	$ 143,027	$ 141,335	$ 138,585

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Current assets consist primarily of cash and cash equivalents (92.4%). Other assets include non-current restricted cash and cash equivalents, investments in marketable securities and loans receivable. Capital assets are used to provide services to students, faculty and staff. These assets are not available for current or future spending. Current liabilities primarily include trade accounts and salaries payable, accounts payable - construction, the current portion of compensated absences and accrued faculty payroll. In the normal course of events and based on a consistent past history in this regard, it is anticipated that obligations due to employees will be funded by state appropriations. Deferred inflows and outflows of resources represent either the acquisition or use of net assets applicable to future periods and are distinct from assets and liabilities. The overall increase in net position over the last three fiscal years is primarily the result of an influx of capital appropriations and grants that funded the construction of the Antonucci Science Complex. Those individual elements of revenue and the corresponding increases in net position are illustrated in the following schedule.

Statement of Revenues, Expenses and Changes in Net Position
The following Statements of Revenues, Expenses and Changes in Net Position (condensed, in thousands) presents information showing the University's results of operations for the fiscal years ended June 30, 2017, 2016 and 2015. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. the accrual for compensated absences).

	2017	2016	2015
Operating revenues			
Tuition and fees (net)	$ 39,020	$ 36,408	$ 33,815
Grants	8,243	8,426	8,500
Sales and service of educational department	1,316	1,274	1,139
Auxiliary	9,647	9,270	9,278
Other operating revenue	862	982	832
Total operating revenue	59,088	56,360	53,564
Operating expenses			
Instruction	36,052	33,729	32,049
Research and public service	515	481	396
Academic support	6,301	6,088	5,478
Student services	9,545	9,646	9,745
Scholarships	1,960	1,809	1,647
Institutional support	10,784	9,975	8,081
Operations and maintenance	11,961	11,223	12,116
Depreciation	10,126	9,088	8,525
Auxiliary	9,625	8,854	9,094
Total operating expenses	96,869	90,893	87,131
Net operating loss	(37,781)	(34,533)	(33,567)
Non-operating revenue and expenses			
State appropriations	38,873	37,159	36,198
Investment income	1,085	(3)	191
Interest expense and debt issue costs	(1,963)	(1,419)	(1,165)
State capital appropriations	74	73	908
Capital gifts and grants	1,404	1,473	3,841
Interagency transfers	-	-	(550)
Total non-operating revenue	39,473	37,283	39,423
Increase in net position	1,692	2,750	5,856
Net position, beginning of the year	141,335	138,585	132,729
Net position, end of the year	$ 143,027	$ 141,335	$ 138,585

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State appropriations are reported net of the amount of in state day school tuition collected by the University on behalf of the Commonwealth. The tuition collected (for in state supported courses taught by state employees) is then remitted to the Commonwealth as required by Massachusetts General Law. The following schedule details the Commonwealth appropriations received by the University. Included in appropriations are the fringe benefit costs for University employees, which are paid by the Commonwealth. The Commonwealth appropriates general funds to cover the cost of fringe benefits for state employees, but these funds are not appropriated directly to the University. Employees who are paid from local trust funds, grants or other sources receive the same fringe benefits. Generally, the University reimburses the Commonwealth for the benefit costs associated with these employees. In 2012 legislation was passed that allowed the state universities to retain out of state day tuition. The legislation further mandated that the Commonwealth would fund the fringe benefits for any employee paid from this funding source. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2017, 2016 and 2015 was 33.5%, 29.2% and 27.3%, respectively. The current fringe benefit rate includes group medical insurance (22.71%); retirement (9.95%) and terminal leave (.84%).

The following schedule (condensed, in thousands) details the Commonwealth appropriations received by the University:

	2017	2016	2015
Commonwealth general appropriations	$ 29,405	$ 29,109	$ 28,961
Appropriations to cover fringe benefits provided to employees of the Commonwealth	10,185	8,820	8,191
	39,590	37,929	37,152
Tuition remitted back to the Commonwealth	(717)	(770)	(954)
Net appropriations	38,873	37,159	36,198
Additional state capital appropriations	74	73	908
Total appropriations	$ 38,947	$ 37,232	$ 37,106

State appropriations are a significant source of funding for the University. According to the Governmental Accounting Standards Board, appropriations are considered non-operating revenue. As such, the University appears to experience a loss from operations. However, it should be noted that state appropriations are used to fund the operating activities of the University.

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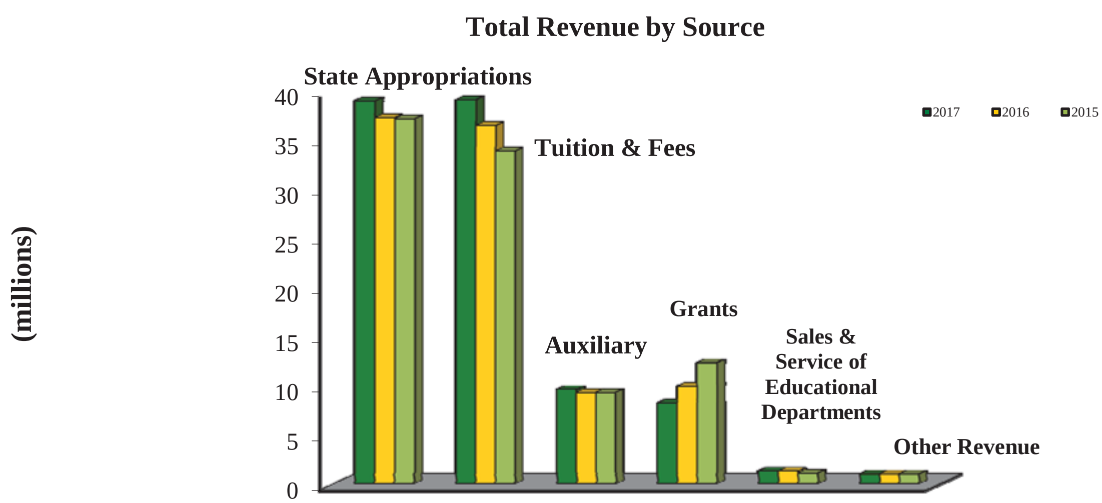
The following schedule (condensed, in thousands) illustrates the University's incurred losses from operations for the fiscal years ended June 30, 2017, 2016 and 2015:

	2017	2016	2015
Tuition and fees revenue, net	$ 39,020	$ 36,408	$ 33,815
Other operating revenue	20,068	19,952	19,749
Total operating revenue	59,088	56,360	53,564
Operating expenses	(96,869)	(90,893)	(87,131)
Operating loss	(37,781)	(34,533)	(33,567)
Total state appropriations	38,873	37,159	36,198
Other revenue (expense), net	600	124	3,225
Increase in net position	$ 1,692	$ 2,750	$ 5,856

Net Operating Revenues Ratio: This ratio indicates whether total operating activities resulted in a surplus or deficit. A positive ratio indicates that the institution experienced an operating surplus and is indicative of efficient and effective operations. For the fiscal years ended June 30, 2017, 2016 and 2015, the University’s net operating revenues ratio was 0.2%, 1.5% and 1.4%, respectively.

The following is a graphic illustration of total revenue (operating, non-operating and capital) by source. Total revenue for the fiscal years ended June 30, 2017, 2016 and 2015 was $100.5, $95.1 and $94.7 million, respectively.



For the fiscal year ended June 30, 2017, general appropriations essentially remained flat with 2016 funding levels but total appropriations increased slightly because of the increase in benefits. Collective bargaining costs were not funded in fiscal 2017 resulting in an increase in the amount of payroll funded from local trust funds and a corresponding increase in fringe benefit charges from the state. The lack of collective bargaining funding further exacerbates the continued reduction in state support and forces the University to

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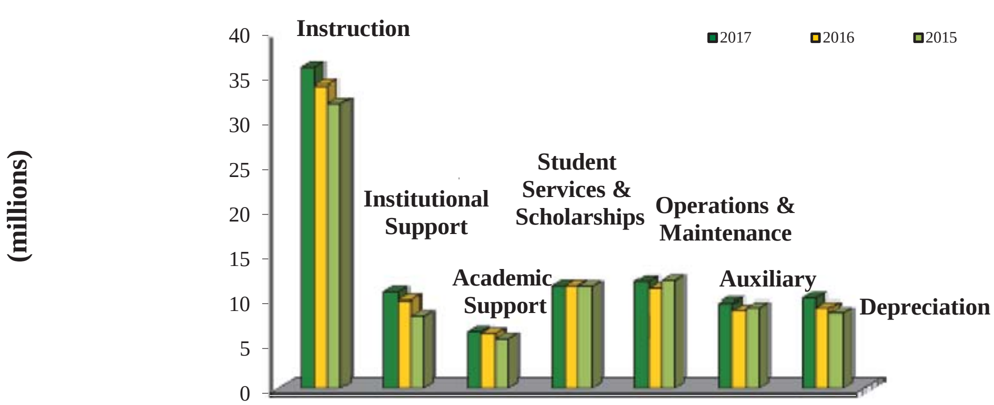
rely more heavily on student fees to support operations. Over the last fifteen years, general appropriations (including fringe benefits) that support the operating costs of the University have decreased to 39.33% from 61.5% in fiscal 2001. In addition to the increasing amount of local payroll, all other operating costs incurred by the University are funded from other non state revenue sources. Tuition and fees are reported net of tuition waivers, exemptions, and scholarship allowances. The amount of tuition charged per semester is controlled at the state level and remains unchanged. The University fee and targeted course fees were increased in fiscal 2017 resulting in an overall increase in total tuition and fee revenue of 7.2%. During fiscal year 2017, 2016 and 2015, in-state tuition, fees and room & board for full time resident students was $10,152, $9,532 and $9,100 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2017, 2016 and 2015 was $5,067, $4,967 and $4,630 per semester, respectively.

Auxiliary revenue represents revenue received from the operations of the University's residence halls. Auxiliary revenue does not include fees charged for the student housing facility owned and operated by the FSU Supporting Organization, Inc. (the "Supporting Organization"). The average residence hall occupancy rate for the year was 101% capacity.

Grant revenue is made up of federal, state and private grants. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs. Grant revenue also includes $1.15 million in capital grant funds used for construction and renovation of the science center and energy retrofit projects.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2017, 2016 and 2015 were $98.8, $92.3 and $88.8 million, respectively.

Total Expenditures by Function



Expenditures, exclusive of depreciation, increased by 6.6% in FY2017. This increase was primarily due to increases in payroll and benefits mandated by collective bargaining agreements and GASB68 and increases in resident halls debt payments to MSCBA. The most significant area of expense remains Instruction, which represents 36.5% of total operating expenses. Faculty payroll ($23.4 million) and related benefits ($7.3 million) represent approximately 85.3% of instructional expenditures. Institutional Support consists of the day-to-day operational support of the institution, excluding physical plant operations. Scholarships are funded from Title V entitlement programs such as PELL and SEOG, as well as, from institutional operating funds. Operations and Maintenance consists of expenditures related to physical plant. Expenditures in this functional area include general repair costs and deferred maintenance costs that are below the capitalization threshold of $50,000. The financial statements include $10.1, $9.1 and $8.5 million in depreciation expense for 2017, 2016 and 2015, respectively.

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Demand Ratios: Demand ratios measure the extent to which each type of expense consumes operating and non-operating revenues. The following table displays the amount of operating and non-operating revenue, exclusive of capital grants and appropriations, consumed by the various functional expense categories:

Expense	2017	2016	2015
Instruction	36.5%	36.0%	35.6%
Institutional Support	10.9%	10.6%	9.0%
Academic Support	6.4%	6.5%	6.1%
Student Services & Scholarships	11.7%	12.2%	12.6%
Operations & Maintenance	12.1%	12.0%	13.5%
Auxiliary	9.7%	9.4%	10.1%
Depreciation	10.2%	9.7%	9.5%

Note: The total sum of all Demand Ratios will be greater (less) than 100%, with the difference representing the surplus (deficit).

Statement of Cash Flows
The statement of cash flows provides pertinent information about the cash receipts and cash payments during a certain period of time. The statement provides an additional tool to assess the financial health of the institution. As required by GASB, the statement is reported using the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services).

The following are the University's statements of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2017, 2016 and 2015:

	2017	2016	2015
Cash received from operations	$ 59,413	$ 57,063	$ 52,990
Cash expended for operations	(74,760)	(74,289)	(70,666)
Net cash used by operations	(15,347)	(17,226)	(17,676)
Net cash provided by noncapital financing activities	28,692	28,510	28,007
Net cash used in capital and related financing activities	(7,128)	(23,918)	(9,069)
Net cash provided by investing activities	2,312	455	2,235
Net increase (decrease) in cash and equivalents	8,529	(12,179)	3,497
Cash and equivalents, beginning of the year	29,777	41,956	38,459
Cash and equivalents, end of the year	$ 38,306	$ 29,777	$ 41,956

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The University's cash and cash equivalents increased by approximately $8.5 million during fiscal 2017, resulting in the cash and cash equivalents balance of $38.3 million at fiscal year end. The increase is primarily due to a decrease in capital expenditures, interagency payable proceeds received and an increase in investment gains and income. Non-capital financing activities, as defined by GASB, include state appropriations. These appropriations fund the operating activities of the University. Investing activities include interest and dividends received from portfolio investments, as well as, interest earned on University funds held in various short-term money management vehicles.

Capital Assets
Capital assets consist of land, land improvements, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2017, net capital assets decreased to $173.4 million net of current depreciation expense of $10.1 million. During the current fiscal year there were $8.5 million in additions to capital assets. Major capital initiatives either continuing or undertaken during 2017 include:

- Final renovations to McKay C Wing, $2.7 million (to date)
- Campus Wireless Project, $1.3 million (to date)
- Sanders LL office upgrade, $.9 million (to date)
- Phase I Percival Hall, $.6 million (to date)

Additional information on Fitchburg State University's capital assets can be found in footnote 5 to the accompanying financial statements.

Physical Asset Renewal Ratio: The extent to which capital renewal is occurring as compared to physical usage (depreciation) can be measured by the physical asset renewal ratio. A ratio above 1:1 indicates increasing investment in plant facilities. The University's physical asset renewal ratio for fiscal years ended June 30, 2017, 2016 and 2015 was 0.9, 2.2 and 2.4, respectively.

Long-term Debt
The University has long term debt obligations issued for various capital projects. The debt was issued through several financing agreements with the Massachusetts Development Finance Agency (MDFA) (formerly the Massachusetts Health and Educational Facilities Authority (MHEFA)), the Massachusetts State College Building Authority (MSCBA) and a capital lease through J P Morgan. The interest rate on the MDFA debt is a floating rate set every thirty five days based on market conditions. The interest rate on the MSCBA debt is based on an increasing coupon rate ranging from 2.00% to 6.54 % over the term of the debt as set by MSCBA. The interest rate on the capital lease is fixed at 1.81%. The debt is being repaid by the University primarily through dedicated student fees (DSF). The following table summarizes the various debt vehicles, interest rates, debt service and debt outstanding at June 30, 2017 and is inclusive of any bond premiums or discounts.

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service Payments	Debt Outstanding	Maturity
MDFA	Recreation Center	1997	$6,000,000	DSF	2.11%	$305,256	$2,566,545	2023
MSCBA	Holmes Dining Hall Renovations	2005	$1,090,000	DSF	3.04%	$73,965	$545,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	$4,020,000	DSF	3.02%	$273,521	$1,985,000	2025

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Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service Payments	Debt Outstanding	Maturity
MSCBA	Holmes Dining Hall Renovations	2006	$2,060,000	DSF	3.75%	$135,250	$1,204,254	2026
MSCBA	Hammond Campus Center Renovations	2011	$15,935,656	DSF & operating funds	3.38%	$1,101,808	$11,820,252	2030
MSCBA	Hammond Campus Center Renovations	2012	$7,043,416	DSF & operating funds	4.95%	$507,550	$5,733,602	2031
MSCBA	Hammond Campus Center Renovations	2013	$11,300,906	DSF & operating funds	3.30%	$742,625	$9,576,012	2032
MSCBA	Parking Expansion	2013	$2,563,127	DSF & operating funds	3.04%	$169,787	$2,170,430	2032
MSCBA	Hammond Campus Center Renovations	2014	$12,235,614	DSF & operating funds	4.97%	$917,700	$10,994,757	2033
MSCBA	Hammond Campus Center Renovations	2015	$10,669,503	DSF & operating funds	4.86%	$761,750	$9,975,598	2034
MSCBA	Landry Arena Refurbishment	2017	$4,166,418	DSF & operating funds	3.28%	$0.00	$4,161,326	2037
JP Morgan	Campus wireless project	2017	$1,261,206	Operating funds	1.81%	$132,483	$1,140,137	2021
Total			$78,345,846			$5,121,695	$61,872,913	

For the fiscal years ended June 30, 2017, 2016 and 2015, the total debt (current and long term) attributable to interagency payments and bond premiums and the capital lease obligation amounted to $61.9, $59.7 and $62.6 million, respectively.

Additional information on Fitchburg State University's long-term debt activity can be found in footnotes 12 and 13 to the accompanying financial statements.

Viability Ratio: The availability of expendable net position to cover debt (the viability ratio) is a basic determinant of financial health. Expendable net position are those assets not required to be retained in perpetuity, i.e. those assets available for use for operations. A ratio of 1:1 or greater would indicate, as of the balance sheet date, an institution has sufficient expandable net position to satisfy debt obligations. However public institutions can operate effectively on a reduced ratio because of the benefit of state support which is not captured in the institution's expendable net position. The University's viability ratio, which has remained consistent over time, is .40 for the periods ended June 30, 2017, 2016 and 2015.

Debt Burden: The debt burden ratio measures an institution's dependence on borrowed funds by comparing the level of debt service to total expenditures. In order to effectively manage resources, including debt, industry standards sets the upper threshold for institutional debt burden at 7%. As of June 30, 2017, 2016 and 2015, the University's debt burden was 5.6%, 5.8% and 5.0%, respectively.

Looking Forward
The University launched the 2017-18 academic year in September 2017 with one of its largest and most diverse incoming freshman classes. Of the almost 1,100 first year and transfer students who will begin classes in fall 2017 are students from 60 high schools outside of Massachusetts and 60 international

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students representing 22 foreign countries. This is the second largest incoming class of the last 5 years (5th largest in the University's history) with 37% of the class representing traditionally underrepresented groups in higher education. Approximately 50%, i.e. 1,700 of the undergraduate day student body will be living on campus in fall 2017. The 2017-18 academic year also welcomes three new deans, a vice president for student affairs and an executive director of marketing and integrated communications.

Fitchburg State University's criminal justice 4+1 program which Municipal Police Training Committee Executive Director, Daniel Zivkovich, believes to be the first of its kind in the nation was formalized on Tuesday, April 4, 2017 when Fitchburg State University President Richard S. Lapidus and MPTC Executive Director Daniel Zivkovich signed the memorandum of agreement. This program will result in students earning a bachelor's and master's degree, and full police certification in five years.

Starting this fall, Fitchburg State University will no longer require standardized test scores as part of its admission process. In adopting the "test optional" model, the University joins other institutions in acknowledging that standardized tests are often not as accurate in predicting academic success as a student's prior academic record and grade point average. Eliminating the test score requirement is also expected to increase the university's accessibility to a larger number of students, which is in keeping with the school's mission and core values.

The interim report submitted by Fitchburg State University to NEASC was accepted on March 3, 2017. NEASC commended the University for increasing its support of faculty, for increasing the diversity of its student body from 9.73% in 2009 to 22.69% in 2014, and for the completion of capital improvements notably that of the Antonucci Science Complex and the Hammond Campus Center Library. NEASC also commended the University for collecting and analyzing data to better understand student learning and achievement. Because of the information it received from this analysis, the University made revisions to academic programs and also used the analysis to develop the 2015-2020 Strategic Plan which "has student success at its core". Accordingly, the University implemented a number of initiatives to aid in student success including: developmental math revisions; freshmen pre-enrollment; Degree Works; Guided Pathway to Success in STEM; the Student Success Collaborative; creation of a Student Success Taskforce; and the Reimagining of the First Year project.

The University will soon begin a branding exercise to tighten its brand and supporting imagery. The branding exercise will begin by first researching the perceptions of FSU from those within its own community.

The University continues to invest in capital assets to support the academic programs and student life on campus. Formerly an ice rink, the Carmelita Landry Arena is in the midst of a $3 million dollar renovation to a state-of- the-art strength and conditioning center for students in Exercise and Sports Science program and in varsity Athletics. Beyond the strength and conditioning facility, Landry will have a multi-purpose, multi-season turf field which will be used for athletic practices and will also be opened to the public when not in use by the University and be home to the City of Fitchburg Parks and Recreation Department. Another noteworthy renovation in 2018 is that of the second floor of the Theater Block which will become the home of a game design intern studio and the Idealab.

The University is the largest employer in the City of Fitchburg. As such, the institution continues to partner with the city and regional leadership in projects aimed at improving the quality of life and economic foundation of the area. Economic development and urban renewal efforts have taken many forms and include support from faculty, students and administrative staff. The ReImagine North of Main project is a multi-agency effort to improve the quality of life in the area north of Main Street. As a collective group they are working on a number of key transformative projects, which include the B. F. Brown artist housing project, by New Vue, renovation of City Hall, renovation of the Fitchburg Theater along with several pending

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private investments. As a community resource, the institution continues to provide leadership and support for economic, environmental, and social and culture needs of Fitchburg, north central Massachusetts and the Commonwealth.

Requests for Information
This financial report is designed to provide a general overview of the finances of Fitchburg State University for anyone interested in this information. Questions concerning any of the data provided in this report or requests for additional financial information should be addressed to Dr. Richard S. Lapidus, President, Fitchburg State University, 160 Pearl Street, Fitchburg, Massachusetts, 01420.

Complete financial statements for Fitchburg State University Foundation, Inc., the University’s Component Unit, can be obtained from the office of the Vice President for Finance and Administration, Fitchburg State University, 160 Pearl Street, Fitchburg, Massachusetts, 01420.

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Statements of Net Position
June 30, 2017 and 2016

Assets

	2017	Component Unit Fitchburg State University Foundation, Inc. 2017	2016	Component Unit Fitchburg State University Foundation, Inc. 2016
Current assets				
Cash and equivalents	$ 21,453,223	$ 1,361,159	$ 19,028,998	$ 1,185,537
Restricted cash and cash equivalents	6,591,903	-	5,807,938	-
Investments	-	7,121,426	-	5,795,296
Accounts receivable, net	1,956,116	49,239	1,522,077	45,062
Contributions receivable, net	-	136,800	-	81,701
Loans receivable - current portion	100	-	117	-
Other current assets	335,835	60,429	352,411	68,921
Total current assets	30,337,177	8,729,053	26,711,541	7,176,517
Noncurrent assets				
Restricted cash and cash equivalents	10,260,675	-	4,939,860	-
Investments	14,927,981	-	16,185,963	-
Endowment investments	789,875	9,740,479	809,984	9,460,950
Accounts receivable, net of current portion	85,557	-	81,249	-
Contributions receivable, net	-	79,385	-	37,983
Loans receivable, net of current portion	1,927,398	-	1,996,583	-
Capital assets, net	173,403,328	6,773,344	174,997,882	6,249,546
Other noncurrent assets	157,098	85,266	157,159	87,916
Total noncurrent assets	201,551,912	16,678,474	199,168,680	15,836,395
Total assets	231,889,089	25,407,527	225,880,221	23,012,912
Deferred outflows of resources				
Deferred outflow for pensions	4,901,385	-	3,999,478	-
Total deferred outflows of resources	4,901,385	-	3,999,478	-

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Statements of Net Position
June 30, 2017 and 2016

Liabilities and Net Position

	2017	Component Unit Fitchburg State University Foundation, Inc. 2017	2016	Component Unit Fitchburg State University Foundation, Inc. 2016
Current liabilities				
Interagency payables - current portion	$ 3,334,367	$ -	$ 3,132,683	$ -
Long-term debt - current portion	-	188,765	-	175,937
Bank line of credit	-	250,000	-	250,000
Capital lease obligations - current portion	245,435	-	-	-
Accounts payable and accrued liabilities	2,695,063	258,580	2,649,234	57,505
Accounts payable - construction	1,447,903	-	1,526,988	-
Accrued workers' compensation - current portion	126,662	-	110,720	-
Compensated absences - current portion	3,195,296	-	3,447,051	-
Faculty payroll accrual	3,342,746	-	2,949,305	-
Revenue received in advance	1,854,294	17,200	1,047,856	69,770
Deposits	319,125	-	251,925	-
Other current liabilities	48,371	-	47,405	-
Total current liabilities	16,609,262	714,545	15,163,167	553,212
Noncurrent liabilities				
Interagency payables, net of current portion	57,398,409	-	56,581,841	-
Accrued workers' compensation, net of current portion	454,356	-	397,170	-
Compensated absences, net of current portion	1,965,950	-	2,007,442	-
Long-term debt, net of current portion	-	3,443,878	-	2,877,866
Capital lease obligations, net of current portion	894,702	-	-	-
Loan payable - federal financial assistance program	2,037,912	-	2,017,863	-
Net pension liability	12,580,841	-	9,995,092	-
Total noncurrent liabilities	75,332,170	3,443,878	70,999,408	2,877,866
Total liabilities	91,941,432	4,158,423	86,162,575	3,431,078
Deferred inflows of resources				
Service concession arrangement	1,770,425	-	2,023,343	-
Deferred inflow for pensions	51,499	-	358,503	-
Total deferred inflows of resources	1,821,924	-	2,381,846	-

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Statements of Net Position
June 30, 2017 and 2016

Net Position

	2017	Component Unit Fitchburg State University Foundation, Inc. 2017	2016	Component Unit Fitchburg State University Foundation, Inc. 2016
Net investment in capital assets	$ 116,097,369	$ 2,890,701	$ 115,713,366	$ 2,918,471
Restricted for:				
Nonexpendable				
Scholarships and fellowships	506,331	4,945,904	467,162	4,839,056
Cultural programs	-	3,175,098	-	3,063,206
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	62,830	-	10,000
Expendable				
Scholarships and fellowships	483,510	3,058,555	492,879	2,511,936
Cultural programs		2,467,546		1,946,688
Loans	276,568	-	273,806	-
Capital projects	1,574,634	-	1,455,397	-
Debt service	5,759,312	-	5,007,027	-
Other	930	593,093	930	304,332
Unrestricted	18,328,464	2,462,403	17,924,711	2,395,171
Total net position	$ 143,027,118	$ 21,249,104	$ 141,335,278	$ 19,581,834

See Notes to Financial Statements.

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	Component Unit Fitchburg State University Foundation, Inc. 2017	2016	Component Unit Fitchburg State University Foundation, Inc. 2016
Operating revenues				
Student tuition and fees	$ 40,930,851	$ -	$ 38,443,713	$ -
Student fees restricted for repayment of Interagency payables	5,800,350	-	5,692,277	-
Less: Scholarship allowances	(7,711,629)	-	(7,728,440)	-
Net student tuition and fees	39,019,572	-	36,407,550	-
Federal grants and contracts	7,739,969	-	7,850,337	-
State and local grants and contracts	244,862	392,700	393,374	25,005
Nongovernmental grants and contracts	258,594	-	182,630	-
Sales and services of educational departments	1,316,111	712,485	1,273,739	582,262
Gifts and contributions	-	607,418	-	544,843
Auxiliary enterprises:				
Residential life	9,616,860	523,798	9,237,481	478,962
Alcohol awareness and other programs	30,340	-	32,250	-
Other operating revenues	861,409	-	982,443	-
Total operating revenues	59,087,717	2,236,401	56,359,804	1,631,072
Operating expenses				
Educational and general				
Instruction	36,052,168	14,990	33,729,305	38,489
Research	10,635	-	2,445	-
Public service	504,007	76,831	479,045	118,062
Academic support	6,301,324	10,590	6,087,539	15,193
Student services	9,544,964	154,259	9,646,259	173,622
Institutional support	10,783,998	537,699	9,974,494	534,249
Operations and maintenance of plant	11,961,134	650,681	11,223,190	451,043
Depreciation and amortization	10,125,427	252,521	9,087,710	246,578
Scholarships and awards	1,960,021	561,831	1,809,254	449,585
Auxiliary enterprises				
Residential life	9,606,338	77,663	8,824,155	71,816
Alcohol awareness and other programs	18,767	-	29,770	-
Total operating expenses	96,868,783	2,337,065	90,893,166	2,098,637
Operating income (loss)	(37,781,066)	(100,664)	(34,533,362)	(467,565)

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	Component Unit Fitchburg State University Foundation, Inc. 2017	2016	Component Unit Fitchburg State University Foundation, Inc. 2016
Nonoperating revenues (expenses)				
State appropriations	$ 38,873,231	$ -	$ 37,159,087	$ -
Gifts	-	-	176,510	-
Investment income (loss), net of investment expense	990,265	448,194	(59,768)	(29,366)
Investment income (loss) on restricted assets, net of investment expense	95,123	1,224,612	57,157	(77,019)
Interest expense on Interagency payables and capital asset related debt	(1,900,661)	(150,622)	(1,418,683)	(144,372)
Debt issuance costs	(63,345)	-	-	-
Net nonoperating revenues (expenses) before capital and endowment additions	37,994,613	1,522,184	35,914,303	(250,757)
Income (loss) before capital and endowment additions	213,547	1,421,520	1,380,941	(718,322)
State capital appropriations	74,078	-	72,922	-
Capital grants	1,404,215	-	1,296,113	-
Transfers (to)/from state agencies	-	-	-	-
Private gifts for endowment purposes	-	245,750	-	159,498
Total capital and endowment additions	1,478,293	245,750	1,369,035	159,498
Increase (decrease) in net position	1,691,840	1,667,270	2,749,976	(558,824)
Net position - beginning of year	141,335,278	19,581,834	138,585,302	20,140,658
Net position - end of the year	$ 143,027,118	$ 21,249,104	$ 141,335,278	$ 19,581,834

See Notes to Financial Statements.

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Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Tuition and fees	$ 38,618,973	$ 36,581,234
Research grants and contracts	8,156,683	8,513,028
Payments to suppliers	(18,784,209)	(19,182,946)
Payments to utilities	(4,492,220)	(4,125,313)
Payments to employees	(46,008,199)	(46,171,052)
Payments for benefits	(3,337,866)	(2,735,385)
Payments for scholarships	(1,992,215)	(1,839,701)
Loans issued to students	(144,555)	(234,744)
Collection of loans to students	207,231	255,170
Auxiliary enterprise receipts		
Residential life	9,611,462	9,236,353
Alcohol awareness program	30,340	32,250
Receipts from sales and services of educational departments	1,916,788	1,398,044
Other receipts	871,174	1,047,084
Net cash provided by (used in) operating activities	(15,346,613)	(17,225,978)
Cash flows from noncapital financing activities		
State appropriations	29,404,821	29,108,794
Tuition remitted to State	(713,312)	(775,375)
Gifts from grants for other than capital purposes	-	176,510
Net cash provided by (used in) noncapital financing activities	28,691,509	28,509,929
Cash flows from capital and related financing activities		
State capital appropriations	74,078	72,922
Loan programs net funds received	22,813	32,484
Capital grants	-	193,468
Interagency payable proceeds received	4,166,418	-
Payments for capital assets	(6,206,855)	(19,247,076)
Principal paid on capital debt	(2,954,918)	(2,582,360)
Interest paid on capital debt	(2,166,777)	(2,386,885)
Debt issuance costs	(63,345)	-
Net cash provided by (used in) capital and related financing activities	(7,128,586)	(23,917,447)

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Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from investing activities		
Purchase of investments	$ (6,413,281)	$ (3,694,401)
Proceeds from sale of investments	8,375,271	3,758,792
Earnings on investments	350,705	390,358
Net cash provided by (used in) investing activities	2,312,695	454,749
Net increase (decrease) in cash and equivalents	8,529,005	(12,178,747)
Cash and equivalents, beginning of year	29,776,796	41,955,543
Cash and equivalents, end of year	$ 38,305,801	$ 29,776,796

Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (37,781,066)	$ (34,533,362)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Bad debt expense	349,431	94,997
Depreciation and amortization	10,125,427	9,087,710
Fringe benefits paid by the Commonwealth of Massachusetts	10,185,677	8,819,470
Change in net pension liability	1,376,838	756,150
Changes in assets and liabilities:		
Receivables	(733,587)	350,358
Other current and noncurrent assets	17,641	(63,692)
Accounts payable and accrued liabilities	2,424	(1,909,548)
Accrued workers' compensation	73,128	(77,106)
Compensated absences	(293,247)	175,086
Accrued faculty payroll	393,441	1,314
Revenue received in advance	806,438	66,328
Other current liabilities	966	4,515
Deposits	67,200	(18,625)
Loans to students	62,676	20,427
Net cash provided by (used in) operating activities	$ (15,346,613)	$ (17,225,978)

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Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Schedule of noncash investing and financing activities		
Acquisition of capital assets	$ 8,530,873	$ 20,238,132
Accounts payable thereon:		
Beginning of year	1,526,988	2,068,744
End of year	(1,447,903)	(1,526,988)
Capital lease obligation	(1,261,206)	-
Capital grants from DCAM	(1,146,989)	(1,036,663)
Net interest earned and incurred, capitalized in construction in progress	5,092	(496,149)
Payments for capital assets	$ 6,206,855	$ 19,247,076
Unrealized gain (loss) on investments	$ 322,341	$ (405,738)
Fringe benefits paid by the Commonwealth of Massachusetts	$ 10,185,677	$ 8,819,470
Capital grants - amortization of deferred inflows of resources - service concession arrangement	$ 252,918	$ 252,918
Reconciliation of cash and cash equivalent balances		
Current assets		
Cash and cash equivalents	$ 21,453,223	$ 19,028,998
Restricted cash and cash equivalents	6,591,903	5,807,938
Noncurrent assets		
Restricted cash and cash equivalents	10,260,675	4,939,860
Total cash and cash equivalents	$ 38,305,801	$ 29,776,796

See Notes to Financial Statements.

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Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of significant accounting policies

Organization

Fitchburg State University (the "University") is a public, State-supported comprehensive four-year University which offers a quality education leading to baccalaureate and master's degrees in many disciplines. With its campus located in Fitchburg, Massachusetts, the University provides instruction in a variety of liberal arts, allied health, and business fields of study. The University also offers, through the Division of Graduate and Continuing Education, credit and non-credit courses. The University is accredited by the New England Association of Schools and Colleges.

The University is a department of the Commonwealth of Massachusetts (the "State" or the "Commonwealth"). The accompanying financial statements reflect only the transactions of the University and its discretely presented component unit. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated independently of the State.

Fitchburg State University Foundation, Inc. (the "Foundation") is a component unit of Fitchburg State University. The Foundation is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University, to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the University; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the University as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the University; and to encourage other activities necessary for, or incidental to, any or all of the foregoing. The following programs are supported under the auspices of the Foundation: Center Stage, Alumni Association, Women in Today's Society, Amelia V. Gallucci - Cirio endowment and the University's Booster Clubs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

FSU Foundation Supporting Organization, Inc. (the "Foundation Supporting Organization") was organized on October 29, 1999 for the exclusive benefit of the Foundation and all of its educational and charitable activities. The Foundation Supporting Organization is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation Supporting Organization's sole program activity, as of June 30, 2017, has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and the University. The financial information of the Foundation Supporting Organization is consolidated into the financial statements of the Foundation. The Foundation and Foundation Supporting Organization are collectively referred to hereinafter as the FSU Foundation.

During 2017, FSU Foundation distributed scholarships and awards in the amount of $561,831 directly to students and faculty of the University, and incurred an additional $1,925,856 in support of its mission in other ways. Complete financial statements for FSU Foundation can be obtained from the Office of the Vice President for Finance and Administration, Fitchburg State University, 160 Pearl Street, Fitchburg, MA 01420.

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During 2016, FSU Foundation distributed scholarships and awards in the amount of $449,585 directly to students and faculty of the University, and incurred an additional $1,793,424 in support of its mission in other ways.

Basis of presentation

The University's financial statements have been prepared using the "economic resources measurement focus" and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

FSU Foundation, as a nonprofit organization, reports under Financial Accounting Standards Board ("FASB") guidance on financial reporting for Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Other than the reclassification of certain items, no modifications have been made to FSU Foundation's consolidated financial information in the University's financial reporting entity for these differences.

The University's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

When both restricted and unrestricted resources are available for use, it is the University's policy to use the restricted resources first, then unrestricted resources as they are needed.

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following three net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.

- **Restricted:**

  Nonexpendable - Component of net position whose net assets are subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

  Expendable - Component of net position whose use of net assets by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** All other categories of net position. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees.

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In accordance with the requirements of the Commonwealth of Massachusetts, the University's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Use of estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and cash equivalents and investments
The University's cash and cash equivalents are considered to be cash on hand, cash and cash equivalents held by the Commonwealth's Treasurer and Receiver-General, Massachusetts Development Finance Agency ("MDFA") and Massachusetts State College Building Authority ("MSCBA"), and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the University are reported at fair value. Any investments held with the Commonwealth's Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust ("MMDT") are also at fair value. This external investment pool, run by the Treasurer and Receiver-General, operates in accordance with appropriate laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments include marketable debt and equity securities which are carried at their readily determinable fair values. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets.

Dividends, interest and net gains or losses on investments are reported in the Statements of Revenues, Expenses and Changes in Net Position. Any net earnings not expended are included in net position categories as follows:

(i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;

(ii) as increases in restricted - expendable net position if the terms of the gift or the University's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The University has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should be classified as restricted - expendable; and

(iii) as increases in unrestricted net position in all other cases.

At June 30, 2017 and 2016, the University had $339,750 and $376,316, respectively, in endowment income available for authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

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Massachusetts General Law, Chapter 15 grants authority to the University Board of Trustees to administer the general business of the University. Inherent in this authority is the authority to invest funds of the University. Chapter 15 further grants the Trustees the authority to delegate, to the President, any said powers or responsibilities. The Board of Trustees of Fitchburg State University has delegated the authority to make specific investment decisions to the President of the University and the Finance Committee of the Board of Trustees. The University's endowment investments consist of debt, marketable equity securities, mutual funds, and other investments which are carried at their fair values. The primary cash equivalent funds are within the MMDT, the external investment pool for political subdivisions of the Commonwealth.

The University's authorized spending rule provides that all earnings on endowment investments may be expended pursuant to the stipulations placed on these endowments. If a donor has not provided specific instructions, Massachusetts General Law permits the University's Board of Trustees to authorize for expense the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

FSU Foundation's investments consist of debt, marketable equity securities, mutual funds and other investments which are carried at their fair values. Unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net position, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold. Investment income is recognized when earned. Dividends are recorded on the ex-dividend date.

FSU Foundation maintains cash and equivalents and an investment pool that is available for use by all funds. Each fund's portion is reflected in the financial statements under cash and equivalents and investments. Earnings on cash and investments of the unrestricted net position and temporarily restricted (expendable) net position are reflected in the fund in which the assets are recorded.

FSU Foundation's endowments consist of approximately 100 and 90 individual funds at June 30, 2017 and 2016, respectively, that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. No funds have been designated by FSU Foundation's Board of Directors to function as endowments as of June 30, 2017. In accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by FSU Foundation's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

FSU Foundation's Board of Directors has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FSU Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by FSU Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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In accordance with UPMIFA, FSU Foundation considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of FSU Foundation and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of FSU Foundation, and (vii) the investment policies of FSU Foundation.

FSU Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FSU Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds, if any. Under this policy, as approved by FSU Foundation's Board of Directors, the endowment assets are invested in a variety of investments that aim to preserve principal, generate income and provide the opportunity for conservative growth.

FSU Foundation's performance goals are to provide an average annual total rate of return, net of fees, that equals or exceeds its spending rate plus inflation ("CPI") over a rolling five-year period. Additionally, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the average return of appropriate capital market indices weighted by FSU Foundation's asset allocation target percentages over a rolling five-year period. FSU Foundation's performance goals are also intended to produce results that equal or exceed the average return of a universe of similarly managed funds. FSU Foundation's performance goals are based upon a long-term investment horizon. Accordingly, actual returns in any given year may vary from these amounts.

To satisfy its long-term rate-of-return objectives, FSU Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FSU Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

FSU Foundation has a spending policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the preceding three years. The amount to be appropriated for distribution shall not exceed 5%. In establishing this policy, FSU Foundation considered the long-term expected return on its endowment fund assets. Accordingly, over the long-term, FSU Foundation expects the current spending policy to be consistent with the FSU Foundation's objective of seeking to maintain the purchasing power of the endowment fund assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires FSU Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2017 and 2016, there were no deficiencies of this nature.

The University's and FSU Foundation's investment income are presented net of investment expense in the statements of revenues, expenses and changes in net position. The University's investment expense amounted to $96,668 and $103,535 for the years ended June 30, 2017 and 2016, respectively. FSU Foundation's investment expense amounted to $96,801 and $100,290 for the years ended June 30, 2017 and 2016, respectively.

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Accounts receivable

Accounts receivable are stated at the amount the University expects to collect from outstanding balances. The University provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the University has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Accounts receivable also include a receivable from the operator of the University's food services operation in connection with a service concession arrangement between the University and the operator. The receivable has been recorded at the net present value of the installments to be received from the operator using a discount rate determined by management of the University.

Loans receivable and payable

Loans receivable consist, primarily, of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Student Loan Program ("NSL"). The federal government provides the majority of the funds to support these programs. Loan payments received from students made under the Perkins and NSL programs may be re-loaned after collection. The portion of the Perkins and NSL Loan Programs provided by the federal government is refundable to the federal government upon the ending (liquidation) of the University's participation in the programs. The amount due to the federal government upon liquidation by the University is $1,619,081 and $1,606,367 for Perkins and $418,831 and $411,496 for NSL at June 30, 2017 and 2016, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

The prescribed practices for the Perkins and NSL programs do not provide for accrual of interest on student loans receivable or for the provision of an allowance for doubtful loans. Accordingly, interest on loans is recorded as received and loan balances are reduced subsequent to the determination of their uncollectability and have been accepted (assigned) by the Department of Education and the Department of Health and Human Services. Management closely monitors outstanding balances and assigns loans to the Department of Education based upon such factors as student payment history, current status of applicable students, and the results of collection efforts.

Capital assets

Capital assets are controlled but not owned by the University. The University is not able to sell or otherwise pledge its assets, since the assets are all owned by the Commonwealth of Massachusetts. Capital assets, which include land, land improvements, buildings, building improvements, equipment and other assets are reported in the statements of net position at cost or fair market value, if donated. Capital assets are defined by the University as assets with an initial, individual cost of more than $50,000 in accordance with the Commonwealth's capitalization policy. The University does not hold collections of historical treasures, works of art, or other items not requiring capitalization or depreciation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets, with the exception of land, are depreciated using the straight-line method over estimated useful lives of 40 years for buildings, 20 years for building and land improvements, 5 years for furniture and 3 to 10 years for equipment.

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Library materials acquired for the most recent five-year period are capitalized. The cost of library materials purchased in the current year is added and the cost of purchases made in the earliest year of the five-year period is deducted from the net position balance.

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth of Massachusetts at a yearly cost of one dollar. The leases are long-term leases which can be extended at the end of their terms for additional 10-year periods.

The University, in accordance with a management and services agreement between the MSCBA and Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The revenue assessment amounts for the years ended June 30, 2017 and 2016 were $6,175,634 and $5,231,200, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

FSU Foundation's capital assets are recorded at cost, if purchased or constructed and, if donated, at fair value at the date of donation. Capital assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives of the assets of 40 years for buildings, 20 years for building and land improvements, 7 and 10 years for furniture and fixtures, 5 years for equipment and 3 years for computer software and equipment. FSU Foundation generally capitalizes all additions and improvements with an individual cost or, if donated, fair value in excess of $5,000.

Contributions and bequests
FSU Foundation recognizes contributions revenue when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of FSU Foundation. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions in the form of property and equipment and other assets are recorded at the fair value on the date the donation is received. All contributions are considered to be available for unrestricted use by FSU Foundation unless specifically restricted by the donor. FSU Foundation provides for probable uncollectible amounts of unconditional promises to give through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual account balances.

Compensated absences
Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30 each year. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20% of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance (see also Note 8).

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

Revenue received in advance
Deposits and advance payments received for tuition and fees related to the University's summer programs and tuition billed for the following fiscal year are recorded as revenues received in advance. Funds received in advance from various grants and contracts are also included in revenues received in advance.

Agency funds
Agency funds consist of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to asset and liability accounts. There were no material balances at June 30, 2017 and 2016.

Bond premiums
Bond premiums are being amortized on a straight-line basis over the terms of the related debt agreements.

Interest expense and capitalization
The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2017 and 2016, total interest costs incurred were accounted for as follows:

	2017	2016
Total interest costs incurred	$ 2,216,234	$ 2,225,292
Less: Interest income on unused funds from tax exempt borrowings	(6,050)	(937)
Bond premium amortization	(314,615)	(309,523)
	1,895,569	1,914,832
Less: Capitalized portion of net interest earned and incurred	5,092	(496,149)
Interest expense	$ 1,900,661	$ 1,418,683

Pension plan
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System ("MSERS") and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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Fringe benefits

The University participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension and workers' compensation benefits. Workers' compensation coverage is provided by the Commonwealth on a self-insured basis. Health insurance and pension costs are billed through a fringe benefit rate charged to the University. Workers' compensation and unemployment insurance costs are assessed separately based on the University's actual experience.

Tax status

The University is a department of the Commonwealth of Massachusetts and is therefore exempt from federal and state income taxes.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Recently adopted accounting pronouncements

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB Statement No. 82 is to address issues associated with certain aspects of measurement and presentation of pension related information in the financial statements and schedule of required supplementary information. The impact of implementing GASB Statement No. 82 on the University's financial statements in fiscal 2017 is to require, in the schedule of required supplementary information, the presentation of covered payroll, defined as the payroll on which contributions to the pension plan are based, and ratios that use that measure. Prior to the implementation of GASB Statement No. 82, covered-employee payroll, defined as the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, were required to be presented in the schedule of required supplementary information. The schedule of required pension supplementary information has been restated for all years presented for the implementation of GASB Statement No. 82.

Note 2 - Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2017:

	2017		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts	$ 12,356,254	$ 5,288,931	$ 1,950,069
Cash equivalents held by MDFA *	-	276,740	293,261
Cash equivalents held by MSCBA ***	-	304,586	7,894,943
Massachusetts Municipal Depository Trust	5,857,201	-	122,402
Massachusetts State Treasurer **	3,238,798	721,646	-
Petty cash	970	-	-
	$ 21,453,223	$ 6,591,903	$ 10,260,675

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Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2016:

	2016		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts	$ 14,278,260	$ 4,829,913	$ 945,656
Cash equivalents held by MDFA *	-	261,076	307,647
Cash equivalents held by MSCBA ***	-	612,595	3,565,261
Massachusetts Municipal Depository Trust	3,113,025	-	121,296
Massachusetts State Treasurer **	1,636,643	104,354	-
Petty cash	1,070	-	-
	$ 19,028,998	$ 5,807,938	$ 4,939,860

* This amount consists of cash equivalents which are restricted by the Massachusetts Development Finance Agency ("MDFA") for the funding of payments to retire the bonds (see Note 12). The University does not have access to these funds except by the authorization of MDFA.

** The University has recorded cash held for the benefit of the University by the State Treasurer in the amount of $3,238,798 and $1,636,643 at June 30, 2017 and 2016, respectively, for University funds and $721,646 and $104,354 at June 30, 2017 and 2016, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year-end.

*** This amount consists of cash and cash equivalents which are restricted by the Massachusetts State College Building Authority ("MSCBA") for the funding of certain construction projects at the University and payments to retire bonds (see Note 12). The University does not have access to these funds except by authorization of MSCBA. Interest earned on debt service reserve funds is used on a current basis to offset annual debt service payments.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $63,402 at June 30, 2017. The Goldman Sachs Financial Square Government Fund invests in U.S. Government securities and repurchase agreements. The fund seeks to maximum current income consistent with the preservation of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2017, the fund's investment securities had a weighted average maturity of 24 days. The fund had an average credit quality rating of AAAm at June 30, 2017.

Money market funds include the Schwab Advisor Cash Reserves Premier Sweep Shares in the aggregate amount of $78,860 at June 30, 2016. The Schwab Advisor Cash Reserves Premier Sweep Shares invests in high-quality short-term money market investments issued by U.S. and foreign issuers, such as commercial paper, including asset-backed commercial paper; promissory notes; certificates of deposit and time deposits; variable and floating-rate debt services; bank notes and bankers' acceptances; repurchase agreements; obligations that are issued by the U.S. government, its agencies or instrumentalities. The fund seeks the highest current income consistent with stability of capital and liquidity. At June 30, 2016, the fund's investment securities had a weighted average maturity of 33 days. The fund was not rated for average credit quality at June 30, 2016.

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Money market funds include the Northern Institutional Government Assets Portfolio (formerly known as the Northern Institutional Diversified Assets Portfolio) in the aggregate amount of $231,979 and $337,241 at June 30, 2017 and 2016, respectively. The Northern Institutional Government Assets Portfolio invests primarily in marketable securities issued or guaranteed as to principal and interest by the U.S. Government, or any of its agencies or instrumentalities, and repurchase agreements backed by such securities. The fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. At June 30, 2017 and 2016, the fund's investment securities had a weighted average maturity of 25 days and 28 days, respectively. The fund had an average credit quality rating of Aa at June 30, 2017 and Aaa-mf at June 30, 2016.

Money market funds also include the RWM Cash Management money market account with a balance of $62,187 and $328,685 at June 30, 2017 and 2016, respectively.

The Massachusetts Municipal Depository Trust ("MMDT") is not subject to FDIC insurance. According to the MMDT, the Massachusetts Municipal Depository Trust is an investment pool for political subdivisions in the Commonwealth which was designed as a legal means to safely invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high quality debt instruments. The MMDT is not a bank, savings institution, or financial institution. The MMDT is an instrumentality of the State Treasurer.

The University maintains a cash and investment pool that is available for use by all trust funds. Each fund type's portion of this pool is reflected in the financial statements under the caption, cash and cash equivalents and investments. The method of allocating interest earned on pooled cash and investments is to record all interest to the appropriate fund based on that fund's average monthly balance. Interest earnings attributable to each trust fund are included under investment income.

Custodial credit risk
Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. At June 30, 2017 and 2016, the University had uninsured cash balances totaling approximately $5,963,600 and $5,843,300, respectively.

The University does not have a formal policy with respect to the custodial credit risk. Custodial credit risk is that, in the event of the failure of the counterparty, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to $500,000, including $250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds. Certain cash balances are covered by the National Credit Union Administration's Share Insurance Fund up to $250,000.

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The following University investments at June 30, 2017 are held by the counterparty's trust department or agent but not in the University's name and, therefore, are subject to custodial credit risk as follows:

U.S. Treasury Notes and Government Securities	$ 1,293,367
Corporate Debt Securities	1,944,881
Equity Securities	6,273,275
Mutual Funds	6,206,333
Total	15,717,856
Less insured amounts	1,500,000
Amount subject to Custodial Credit Risk	$ 14,217,856

Credit risk

The University is required to comply with the Commonwealth of Massachusetts' deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. State Statutes permit investment in obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements secured by any of these obligations. The University has also adopted its own formal investment policy, the objectives of which are: safety of principal; liquidity for operating needs; return on investment; and diversification of risk. The University's investment policy generally limits the maturities of investments to not more than one year. However, the University may invest in securities with maturities in excess of one year if it is determined to be in the best interest of the University as described in the University's investment policy. The University may also appoint a professional fund manager and invest in equity and bond funds. Eligible investments shall be consistent with those permitted by State Statutes.

As of June 30, 2017 and 2016, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were $5,979,603 and $3,234,321, respectively. At June 30, 2017, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 59% at 30 days or less; 25% at 31-90 days; 13% at 91-180 days; and 3% at 181 days or more. At June 30, 2017, approximately 100% of the MMDT's cash portfolio had a credit quality rating of P1.

The University's funds held at MDFA are invested in the Short-Term Asset Reserve ("STAR") Fund and had a fair value of $570,001 and $568,723 at June 30, 2017 and 2016, respectively. The STAR Fund invests primarily in U.S. Treasury bills, notes, and other obligations guaranteed by the U.S. government or its agencies or instrumentalities. Additionally, the fund invests in repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper, notes, and both corporate floating rate and corporate fixed-rate securities. The STAR Fund maintains a net asset value of $1 per share and had a fund credit quality rating of AAAm as of both June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the fund's investment securities maintain a weighted average maturity of 41 and 46 days, respectively.

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At June 30, 2017, certain of the University's funds are held at MSCBA. Of the total, $5,937,112 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $2,262,417 is invested in various funds as listed below:

Investment type	Fair value	Investment maturities (in years): Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
Federal Home Loan Bank Discount Notes	$ 144,841	$ 144,841	$ -	$ -	$ -	N/A
Federal Farm Credit	667,799	-	667,799	-	-	AA+
Massachusetts ST Bonds	1,449,777	-	485,614	-	964,163	AAA
Total	$ 2,262,417	$ 144,841	$ 1,153,413	$ -	$ 964,163	

At June 30, 2016, certain of the University's funds are held at MSCBA. Of the total, $1,915,439 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $2,262,417 is invested in various funds as listed below:

Investment type	Fair value	Investment maturities (in years): Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
Federal Home Loan Bank Discount Notes	$ 144,841	$ 144,841	$ -	$ -	$ -	N/A
Federal Farm Credit	667,799	-	667,799	-	-	AA+
Massachusetts ST Bonds	1,449,777	-	485,614	-	964,163	AAA
Total	$ 2,262,417	$ 144,841	$ 1,153,413	$ -	$ 964,163	

The University's investments in marketable securities are represented by the following at June 30:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Noncurrent:				
U.S. Treasury Notes and Government Securities	$ 1,346,929	$ 1,293,367	$ 1,443,562	$ 1,425,817
Corporate Debt Securities	1,935,769	1,944,881	1,849,460	1,900,196
Equity Securities	5,011,045	6,273,275	5,929,478	6,872,936
Mutual Funds	6,140,651	6,206,333	6,812,326	6,796,998
	$ 14,434,394	$ 15,717,856	$ 16,034,826	$ 16,995,947

The University's investments at fair value are presented in the accompanying statements of net position as follows:

	2017	2016
Investments	$ 14,927,981	$ 16,185,963
Endowment investments	789,875	809,984
	$ 15,717,856	$ 16,995,947

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At June 30, 2017, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment type	Fair value	Investment maturities (in years) Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
U.S. Treasury Notes and Government Securities 1.625% to 3.500%	$ 1,293,367	$ 212,642	$ 769,878	$ 310,847	$ -	AA+
Corporate Debt Securities 1.875% to 5.625%	497,053	121,218	375,835	-	-	A
Corporate Debt Securities 3.100% to 6.000%	355,362	61,348	51,753	242,261	-	A-
Corporate Debt Securities 2.800% to 3.300%	183,960	-	62,739	121,221	-	A+
Corporate Debt Securities 3.400% to 3.625%	178,576	-	126,314	52,262	-	AA
Corporate Debt Securities 1.750% to 3.625%	303,356	-	116,245	187,111	-	AA-
Corporate Debt Securities 3.200% to 4.650%	111,579	-	-	111,579	-	AA+
Corporate Debt Securities 3.125%	51,017	-	-	51,017	-	AAA
Corporate Debt Securities 1.400% to 5.000%	263,978	59,950	127,228	76,800	-	BBB+
Total	$ 3,238,248	$ 455,158	$ 1,629,992	$ 1,153,098	$ -	

At June 30, 2016, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment type	Fair value	Investment maturities (in years) Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
U.S. Treasury Notes and Government Securities 1.625% to 3.500%	$ 1,425,817	$ 137,236	$ 1,098,264	$ 190,317	$ -	AA+
Corporate Debt Securities 1.875% to 5.625%	633,314	120,219	449,385	63,710	-	A
Corporate Debt Securities 3.100% to 6.300%	314,030	-	64,168	249,862	-	A-
Corporate Debt Securities 2.800% to 4.300%	128,009	-	-	128,009	-	A+
Corporate Debt Securities 3.400% to 3.625%	185,084	-	65,615	119,469	-	AA
Corporate Debt Securities 1.750% to 3.625%	193,452	60,469	-	132,983	-	AA-
Corporate Debt Securities 3.200% to 4.650%	121,721	-	-	121,721	-	AA+
Corporate Debt Securities 3.125%	53,552	-	-	53,552	-	AAA
Corporate Debt Securities 1.400% to 5.000%	271,034	-	192,706	78,328	-	BBB+
Total	$ 3,326,013	$ 317,924	$ 1,870,138	$ 1,137,951	$ -	

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FSU Foundation's cash and cash equivalents consist of the following at June 30, 2017 and 2016:

	2017	2016
Cash and other demand deposits	$ 708,072	$ 600,755
Money Market Funds	653,087	584,782
	$ 1,361,159	$ 1,185,537

Money market funds include the SSgA US Government Money Market Fund, the Goldman Sachs Financial Square Government Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market accounts in the amounts of $51,013, $68,472, $91,288 and $442,314 at June 30, 2017.

Money market funds include the SSgA US Government Money Market Fund, the Schwab Advisor Cash Reserves Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market accounts in the amounts of $208,180, $79,744, $155,349 and $141,509 at June 30, 2016.

The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2017 and 2016, FSU Foundation's uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Goldman Sachs Financial Square Government Fund, Schwab Advisor Cash Reserves Fund, RWM Cash Management and Fidelity Bank LifeDesign Business Cash Management Money Market accounts, amounted to approximately $706,700 and $430,200, respectively.

FSU Foundation's investment policy consists of an asset allocation range of 50% to 70% equity securities, 30% to 50% fixed income securities and up to 10% in cash and cash equivalents.

FSU Foundation's investments are represented by the following at June 30:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,735,924	$ 8,765,351	$ 5,839,660	$ 8,109,970
Preferred stocks	95,092	97,245	107,779	112,925
Mutual funds	4,100,943	4,480,726	3,665,172	3,676,250
Corporate bonds	1,570,558	1,579,007	1,586,976	1,630,038
U.S. government securities	1,954,323	1,939,576	1,693,568	1,727,063
	$ 13,456,840	$ 16,861,905	$ 12,893,155	$ 15,256,246

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FSU Foundation's investments at fair value are presented in the accompanying statements of net position as follows:

	2017	2016
Current assets		
Investments	$ 7,121,426	$ 5,795,296
Noncurrent assets		
Endowment investments	9,740,479	9,460,950
	$ 16,861,905	$ 15,256,246

At June 30, 2017, net unrealized gains in FSU Foundation's investment portfolio amounted to $3,405,065. At June 30, 2016, net unrealized gains in FSU Foundation's investment portfolio amounted to $2,363,091.

At June 30, 2017 and 2016, equities include securities in the consumer goods sector which represent 17% and 21%, respectively, in each year of the fair value of FSU Foundation's investment portfolio.

At June 30, 2017 and 2016, 8% of the fair value of FSU Foundation's investment portfolio in each year, respectively, represents foreign investments.

Investments held by FSU Foundation with an equivalent fair value of $10,204,500 at June 30, 2017 collateralize certain debt agreements (see Notes 14 and 15).

At June 30, 2017, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total
Corporate bonds	$ 261,280	$ 853,493	$ 464,234	$ -	$ 1,579,007
U.S. government securities	400,388	1,187,142	352,046	-	1,939,576
	$ 661,668	$ 2,040,635	$ 816,280	$ -	$ 3,518,583

At June 30, 2016, the fair value of FSU Foundation's Investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total
Corporate bonds	$ 234,795	$ 1,024,782	$ 370,461	$ -	$ 1,630,038
U.S. government securities	101,115	1,273,593	352,355	-	1,727,063
	$ 335,910	$ 2,298,375	$ 722,816	$ -	$ 3,357,101

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The University investments are measured at fair value on a recurring basis and have been categorized based upon the fair value hierarchy in accordance with GASB 72 below. Similarly, the FSU Foundation follows similar guidance in accordance with Financial Accounting Standards Codification ASC 820-10, which prioritizes the inputs to valuation techniques used to measure fair value of investment assets into three levels also.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the University can access at measurement date.

Level 2 - Inputs other than quote prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for an asset or liability.

The University's investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 1,293,367	$ -	$ 1,293,367	$ -
Corporate Debt Securities	1,944,881	-	1,944,881	-
Equity Securities	6,273,275	6,273,275	-	-
Mutual Funds	6,206,333	6,206,333	-	-
	$ 15,717,856	$ 12,479,608	$ 3,238,248	$ -

The University's investments' fair value measurements are as follows at June 30, 2016:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 1,425,817	$ -	$ 1,425,817	$ -
Corporate Debt Securities	1,900,196	-	1,900,196	-
Equity Securities	7,770,711	7,770,711	-	-
Mutual Funds	5,899,223	5,899,223	-	-
	$ 16,995,947	$ 13,669,934	$ 3,326,013	$ -

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FSU Foundation's investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 1,939,576	$ -	$ 1,939,576	$ -
Preferred Stocks	97,245	-	97,245	-
Corporate Bonds	1,579,007	-	1,579,007	-
Equity Securities	8,765,351	8,765,351	-	-
Mutual Funds	4,480,726	4,480,726	-	-
	$ 16,861,905	$ 13,246,077	$ 3,615,828	$ -

FSU Foundation's investments' fair value measurements are as follows at June 30, 2016:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 1,727,063	$ -	$ 1,727,063	$ -
Preferred Stocks	112,925	-	112,925	-
Corporate Bonds	1,630,038	-	1,630,038	-
Equity Securities	8,109,970	8,109,970	-	-
Mutual Funds	3,676,250	3,676,250	-	-
	$ 15,256,246	$ 11,786,220	$ 3,470,026	$ -

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

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Changes in FSU Foundation's donor-restricted endowment net assets by type of fund for the year ended June 30, 2017 are as follows:

	Temporarily restricted (Expendable)	Permanently restricted (Nonexpendable)	Total
Endowment net assets, beginning of year	$ 4,130,783	$ 9,505,236	$ 13,636,019
Investment return			
Investment income	231,627	-	231,627
Appreciation (depreciation), realized and unrealized	1,060,615	-	1,060,615
Total investment return	1,292,242	-	1,292,242
Contributions	12,140	245,750	257,890
Appropriation of endowment assets for expenditure	(284,794)	-	(284,794)
Investment management fees	(70,933)	-	(70,933)
Reclassification of net assets	(13,794)	25,820	12,026
Endowment net assets, end of year	$ 5,065,644	$ 9,776,806	$ 14,842,450

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Changes in FSU Foundation's donor-restricted endowment net assets by type of fund for the year ended June 30, 2016 are as follows:

	Temporarily restricted (Expendable)	Permanently restricted (Nonexpendable)	Total
Endowment net assets, beginning of year	$ 4,460,118	$ 9,262,680	$ 13,722,798
Investment return			
Investment income	226,789	-	226,789
Appreciation (depreciation), realized and unrealized	(232,406)	-	(232,406)
Total investment return	(5,617)	-	(5,617)
Contributions	10,957	159,498	170,455
Other income	14,480	-	14,480
Appropriation of endowment assets for expenditure	(241,969)	-	(241,969)
Investment management fees	(71,352)	-	(71,352)
Reclassification of net assets	(35,834)	83,058	47,224
Endowment net assets, end of year	$ 4,130,783	$ 9,505,236	$ 13,636,019

Note 3 - Accounts and contributions receivable

The University's accounts receivable include the following at June 30, 2017 and 2016:

	2017	2016
Student accounts receivable	$ 1,793,529	$ 1,491,446
Parking and other fines receivable	89,796	84,621
Commissions receivable	67,631	73,879
Grants receivable	220,567	221,718
Compass receivable, including accrued interest of $7,540 and $3,231 (see Note 11)	85,557	81,249
FSU Foundation receivable	229,878	18,456
Miscellaneous other receivables	28,509	19,625
	2,515,467	1,990,994
Less allowance for doubtful accounts	(473,794)	(387,668)
	$ 2,041,673	$ 1,603,326

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FSU Foundation's contributions receivable consist of the following at June 30, 2017 and 2016:

	2017	2016
Receivable in less than one year	$ 136,800	$ 81,701
Receivable in one to five years	80,600	40,000
	217,400	121,701
Discount on pledges	(1,215)	(2,017)
	$ 216,185	$ 119,684

Contributions which are to be received in more than one year are reflected net of a discount determined at the time of contribution ranging from 1% to 2%.

Note 4 - Loans receivable

Loans receivable include the following at June 30, 2017 and 2016:

	2017	2016
Perkins loans receivable	$ 1,601,156	$ 1,642,805
Nursing loans receivable	326,342	353,895
Emergency student loans receivable	3,018	3,018
	1,930,516	1,999,718
Less allowance for doubtful accounts	(3,018)	(3,018)
	$ 1,927,498	$ 1,996,700

The federal law authorizing the disbursing of Perkins loans expired on September 30, 2017. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to undergraduate students. As of October 1, 2016, the University is prohibited from issuing new Perkins loans to graduate students who received them prior to October 1, 2015. As of the date of these financial statements, the Perkins loan program will end any further new loans being issued after September 30, 2017. The University may remit all federal proceeds and loans at any time thereafter to the Department of Education or continue to maintain them for five additional years.

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Note 5 - Capital assets

Capital assets activity of the University for the year ended June 30, 2017 is as follows:

Capital assets:	Totals June 30, 2016	Additions	Reclassifications* and reductions	Totals June 30, 2017
Non-depreciable capital assets				
Land	$ 5,478,125	$ -	$ -	$ 5,478,125
Construction in progress	3,483,129	3,921,005	(1,219,695)	6,184,439
Total non-depreciable assets	8,961,254	3,921,005	(1,219,695)	11,662,564
Depreciable capital assets				
Land improvements	16,777,625	-	-	16,777,625
Buildings	80,591,909	-	-	80,591,909
Building improvements	142,152,855	3,179,856	1,027,585	146,360,296
Equipment	15,888,447	1,319,718	192,110	17,400,275
Furniture	597,676	-	-	597,676
Library materials	489,364	110,294	(106,212)	493,446
Total depreciable assets	256,497,876	4,609,868	1,113,483	262,221,227
Total capital assets	265,459,130	8,530,873	(106,212)	273,883,791
Less: Accumulated depreciation				
Land improvements	5,285,393	838,340	-	6,123,733
Buildings	41,049,115	1,217,455	-	42,266,570
Building improvements	29,274,488	7,143,156	-	36,417,644
Equipment	14,254,576	820,264	-	15,074,840
Furniture	597,676	-	-	597,676
Library materials	-	106,212	(106,212)	-
Total accumulated depreciation	90,461,248	10,125,427	(106,212)	100,480,463
Capital assets, net	$ 174,997,882	$ (1,594,554)	$ -	$ 173,403,328

As of June 30, 2017, capital assets of the University with a cost of approximately $52,804,000 were fully depreciated and still in service.

* Construction costs incurred for various capital projects were included in construction in progress and subsequently transferred to capital asset additions upon completion during the fiscal year ended June 30, 2017.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately $4,646,000 and $1,553,000 at June 30, 2017 and 2016, respectively.

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Capital assets activity of the University for the year ended June 30, 2016 is as follows:

Capital assets:	Totals June 30, 2015	Additions	Reclassifications* and reductions	Totals June 30, 2016
Non-depreciable capital assets				
Land	$ 5,327,079	$ 74,731	$ 76,315	$ 5,478,125
Construction in progress	16,371,909	3,216,178	(16,104,958)	3,483,129
Total non-depreciable assets	21,698,988	3,290,909	(16,028,643)	8,961,254
Depreciable capital assets				
Land improvements	14,699,632	1,212,157	865,836	16,777,625
Buildings	80,591,909	-	-	80,591,909
Building improvements	111,653,501	15,336,547	15,162,807	142,152,855
Equipment	15,606,531	281,916	-	15,888,447
Furniture	597,676	-	-	597,676
Library materials	427,351	116,603	(54,590)	489,364
Total depreciable assets	223,576,600	16,947,223	15,974,053	256,497,876
Total capital assets	245,275,588	20,238,132	(54,590)	265,459,130
Less: Accumulated depreciation				
Land improvements	4,492,258	793,135	-	5,285,393
Buildings	39,831,662	1,217,453	-	41,049,115
Building improvements	23,116,834	6,157,654	-	29,274,488
Equipment	13,389,698	864,878	-	14,254,576
Furniture	597,676	-	-	597,676
Library materials	-	54,590	(54,590)	-
Total accumulated depreciation	81,428,128	9,087,710	(54,590)	90,461,248
Capital assets, net	$ 163,847,460	$ 11,150,422	$ -	$ 174,997,882

As of June 30, 2016, capital assets of the University with a cost of approximately $45,276,000 were fully depreciated and still in service.

* Construction costs incurred for various capital projects were included in construction in progress and subsequently transferred to capital asset additions upon completion during the fiscal year ended June 30, 2016.

The University has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the University's financial statements for the years ended June 30, 2017 and 2016, respectively.

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Capital assets activity of FSU Foundation for the year ended June 30, 2017 is as follows:

Capital assets:	Totals June 30, 2016	Additions	Reclassifications and reductions	Totals June 30, 2017
Real estate under lease to the University:				
Land	$ 402,663	$ -	$ -	$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	2,060,839	-	-	2,060,839
Real estate used for student housing:				
Land	253,555	-	-	253,555
Buildings	434,225	-	-	434,225
Building improvements	28,600	-	-	28,600
	716,380	-	-	716,380
Other:				
Land	1,913,847	419,171	-	2,333,018
Land improvements	158,127	-	-	158,127
Buildings	893,022	641,946	(285,897)	1,249,071
Building improvements	1,109,006	-	-	1,109,006
Equipment	758,208	1,099	-	759,307
Furniture and fixtures	60,773	-	-	60,773
Library materials	6,570	-	-	6,570
	4,899,553	1,062,216	(285,897)	5,675,872
Total capital assets	7,676,772	1,062,216	(285,897)	8,453,091
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	382,941	38,942	-	421,883
Building improvements	46,040	5,023	-	51,063
	428,981	43,965	-	472,946
Real estate used for student housing:				
Buildings	98,605	10,856	-	109,461
Building improvements	9,772	1,430	-	11,202
	108,377	12,286	-	120,663
Other:				
Land improvements	61,410	13,840	-	75,250
Buildings	132,540	22,326	-	154,866
Building improvements	102,384	55,452	-	157,836
Equipment	558,167	99,071	-	657,238
Furniture and fixtures	28,797	5,581	-	34,378
Library materials	6,570	-	-	6,570
	889,868	196,270	-	1,086,138
Total accumulated depreciation	1,427,226	252,521	-	1,679,747
Capital assets, net	$ 6,249,546	$ 809,695	$ (285,897)	$ 6,773,344

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Non-depreciable capital assets of FSU Foundation total $2,989,236 at June 30, 2017, which is comprised of land.

At June 30, 2017, capital assets of FSU Foundation with a cost of approximately $507,000 were fully depreciated and still in service.

In fiscal 2017, the Foundation Supporting Organization acquired three properties in close proximity to the Fitchburg State University campus consistent with its mission and the University's strategic plan which includes campus expansion. The properties, which each included land and a building, were acquired for an aggregate cost of $359,467. The Foundation Supporting Organization either razed or intends to raze the buildings on the properties to create green space. As a result of its decision to raze the buildings, management determined, in accordance with the requirements of accounting guidance, that the properties were impaired and they were written down to their aggregate fair value of $73,570 resulting in an impairment charge to operations in the amount of $285,897. The impairment charges (noncash accounting charges) to operations on the three properties are included in operations and maintenance of plant in FSU Foundation's accompanying 2017 statement of revenues, expenses, and changes in net position and had no impact on FSU Foundation's fiscal 2017 cash flow or its ability to generate cash flow in the future. The fair values of the properties were measured using significant unobservable inputs (Level 3) pursuant to the accounting guidance on fair value measurements. The fair values of the properties were determined based upon the properties' assessment values at the purchase dates.

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Capital assets activity of FSU Foundation for the year ended June 30, 2016 is as follows:

Capital assets:	Totals June 30, 2015	Additions	Reclassifications and reductions	Totals June 30, 2016
Real estate under lease to the University:				
Land	$ 402,663	$ -	$ -	$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	2,060,839	-	-	2,060,839
Real estate used for student housing:				
Land	253,555	-	-	253,555
Buildings	434,225	-	-	434,225
Building improvements	28,600	-	-	28,600
	716,380	-	-	716,380
Other:				
Land	1,892,490	21,357	-	1,913,847
Land improvements	131,506	26,621	-	158,127
Buildings	893,022	98,446	(98,446)	893,022
Building improvements	1,031,261	77,745	-	1,109,006
Equipment	758,208	-	-	758,208
Furniture and fixtures	58,650	2,123	-	60,773
Library materials	6,570	-	-	6,570
	4,771,707	226,292	(98,446)	4,899,553
Total capital assets	7,548,926	226,292	(98,446)	7,676,772
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	343,997	38,944	-	382,941
Building improvements	41,018	5,022	-	46,040
	385,015	43,966	-	428,981
Real estate used for student housing:				
Buildings	87,750	10,855	-	98,605
Building improvements	8,342	1,430	-	9,772
	96,092	12,285	-	108,377
Other:				
Land improvements	53,935	7,475	-	61,410
Buildings	110,215	22,325	-	132,540
Building improvements	49,124	53,260	-	102,384
Equipment	458,327	99,840	-	558,167
Furniture and fixtures	21,370	7,427	-	28,797
Library materials	6,570	-	-	6,570
	699,541	190,327	-	889,868
Total accumulated depreciation	1,180,648	246,578	-	1,427,226
Capital assets, net	$ 6,368,278	$ (20,286)	$ (98,446)	$ 6,249,546

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Non-depreciable capital assets of FSU Foundation totaled $2,570,065 at June 30, 2016, which is comprised of land.

At June 30, 2016, capital assets of FSU Foundation with a cost of approximately $464,000 were fully depreciated and still in service.

In fiscal 2016, the Foundation Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which included land and a building, was acquired for a cost of $119,803. The Foundation Supporting Organization razed the building and created green space. As a result of its decision to raze the building, management determined, in accordance with accounting guidance, that the property was impaired and it was written down to its fair value of $21,357 resulting in an impairment charge to operations of $98,446. The impairment charge (noncash accounting charge) to operations on this property is included in operations and maintenance of plant in FSU Foundation's accompanying 2016 statement of revenues, expenses, and changes in net position and had no impact on FSU Foundation's fiscal 2016 cash flow or its ability to generate cash flow in the future. The fair value of the property was measured using significant unobservable inputs (Level 3) pursuant to the accounting guidance on fair value measurements. The fair value of the property was determined based upon the property's assessment value at the purchase date.

Note 6 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2017 and 2016:

	2017	2016
Accounts payable - trade	$ 777,936	$ 706,708
Salaries and fringe benefits payable	1,022,131	1,134,762
Accrued interest payable	355,647	312,241
Tuition due State	75,766	71,810
Other	463,583	423,713
	$ 2,695,063	$ 2,649,234

Note 7 - Accrued workers' compensation

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured workers' compensation program were conducted as of June 30, 2017 and 2016. Based upon the Commonwealth's analyses, $581,018 and $507,890 of accrued workers' compensation has been recorded as a liability at June 30, 2017 and 2016, respectively.

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Note 8 - Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2017 and 2016:

	2017	2016
Vacation time payable	$ 2,430,615	$ 2,608,874
Sick time payable	2,730,631	2,845,619
Total	$ 5,161,246	$ 5,454,493
Amount representing obligations due to employees funded through sources other than State appropriations	$ 224,486	$ 292,981
Amount representing obligations due to employees compensated through State appropriations	4,936,760	5,161,512
Total	$ 5,161,246	$ 5,454,493

It is anticipated that the obligation due to employees funded through State appropriations will be discharged through future State appropriations and the balance is expected to be liquidated through trust funds. Had these amounts not been reflected as obligations of the University, the University's unrestricted net position balances would be $23,265,224 and $23,086,223 at June 30, 2017 and 2016, respectively (see Note 1, Compensated absences).

Note 9 - Faculty payroll accrual

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Fitchburg State University pay all faculty over the 12-month period from September through August. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's State appropriation. The total amount due at June 30, 2017 of $3,342,746 will be paid from the University's fiscal 2018 State appropriations. The total amount due at June 30, 2016 of $2,949,305 was paid from the University's fiscal 2017 State appropriations.

Note 10 - Revenue received in advance

Revenue received in advance includes tuition received in advance from students for summer courses commencing after June 30 and grant funds received in advance.

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Revenue received in advance includes the following at June 30, 2017 and 2016:

	2017	2016
Tuition, fees and professional development	$ 1,036,336	$ 869,621
Grants	787,961	147,260
Other	29,997	30,975
	$ 1,854,294	$ 1,047,856

Note 11 - Deferred inflows of resources from service concession arrangement

Deferred inflows of resources from service concession arrangement at June 30, 2017 and 2016 in the amounts of $1,770,425 and $2,023,343, respectively, consist of the unamortized balances of a service concession arrangement with Compass Group USA, Inc. ("Compass") to manage and operate the University's food services operation at the University's dining services locations as more fully described in the arrangement. The service concession arrangement commenced on July 1, 1999 for a term of 10 years through June 30, 2009 and has been amended several times thereafter to modify its terms, provide for additional payments to the University for investment in improvements in or at the University as mutually agreed upon by the parties, and extend the term of the arrangement until June 30, 2024. The last such amendment to the service concession arrangement was effective May 1, 2014 and provides for the extension of the arrangement to June 30, 2024 and payments to the University totaling $2,500,000. These payments shall be made to the University by Compass in seven installments as follows: $300,000 in fiscal 2011; $1,200,000 in fiscal 2012; $200,000 in fiscal 2014; $500,000 in fiscal 2015; $200,000 in fiscal 2016; $50,000 in fiscal 2020; and $50,000 in fiscal 2022. As of June 30, 2017, the University has received the first five installments from Compass. In addition, Compass has agreed to pay the University specified percentages of 4%, 4 ½% or 12% of specified sales receipts from the food services operation as more fully described in the arrangement. All improvements and equipment purchased with the payments received from Compass shall remain the property of the University. The arrangement may be terminated by either party at any time, without cause, by giving not less than 60 days prior written notice to the other party. The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of any payments made to the University by Compass. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by Compass. The amortization schedules assume that all funds will be received from Compass. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

The University has recorded the service concession arrangement as a deferred inflow of resources at its present value using a 5% discount rate determined by management of the University. In fiscal 2011, the University recorded an accounts receivable from Compass at the present value of the future payments to be received from Compass, using a 5% discount rate determined by management of the University. The University received $200,000 from Compass in fiscal 2016 which was applied as follows: interest income - $26,405; and a reduction of the accounts receivable - $173,595. At June 30, 2017, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $85,557, which includes accrued interest receivable $7,540 (see Note 3). At June 30, 2016, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $81,249, which includes accrued interest receivable of $3,231 (see Note 3). The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amounts of $252,918 has been recognized in capital grants revenue in the accompanying statements of revenues, expenses and changes in net position for each of the years ended June 30, 2017 and 2016.

Note 12 - Interagency payables

MDFA

On November 22, 1996, the University signed a financing agreement to receive $6,000,000 from a Massachusetts Development Finance Agency ("MDFA") (formerly Massachusetts Health and Educational Facilities Authority ("MHEFA") bond issuance, to be used for the construction of the University's athletic facility. This obligation is being repaid solely by the University through an increase in student fees. Construction of the athletic facility was completed in August 2000. MDFA retained $502,899 of the bond proceeds for a debt service retirement fund.

In addition, the Commonwealth appropriated an additional $6,000,000 on behalf of the University for its share of the cost of the athletic facility.

The University is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2017 of $276,740 was made as scheduled. These payments are made to a restricted cash account held in escrow in the University's name and recorded on the books of the University. These amounts, along with the remaining balance of the initial deposit, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the University elects to release the funds in the debt service reserve to redeem portions of the debt obligation. Earnings on this balance are transferred and used by the University to offset the administrative costs associated with this debt. In a prior year, the University elected to release the annual funding payments from the reserve to redeem portions of the debt obligation. Accordingly, each year the funding payments are now being released from the debt service reserve to redeem portions of the outstanding debt obligation. As of June 30, 2017 and 2016, debt service reserve funds amounted to $187,980 and $213,311, respectively. The outstanding principal balance of this Interagency payable at June 30, 2017 and 2016 was $2,566,545 and $2,838,013, respectively.

Interest on the debt is paid every 35 days at a floating rate of interest subject to market conditions. The interest rate is determined by MDFA conducting a true auction of their debt issuance every 35 days, in which the University's obligation is pooled with other higher education institutions within the Commonwealth who have debt funded through MDFA. The most recent auctioned interest rate in effect at June 30, 2017 and 2016 was 1.737% and 0.958%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.900% (2017) and 0.882% (2016) of the outstanding principal balance, calculated and payable every 35 days when the rate is auctioned. The effective interest rate (including annual program expenses) for 2017 and 2016 amounted to 2.11% and 1.91%, respectively.

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Principal funding payments and estimated interest, due to maturity, consist of the following:

For the year ending June 30,	Principal	Estimated Interest (1)	Total
2018	$ 276,740	$ 41,611	$ 318,351
2019	293,345	36,516	329,861
2020	310,945	31,115	342,060
2021	329,602	25,389	354,991
2022	349,378	19,321	368,699
2023 - 2024	762,902	18,957	781,859
	2,322,912	172,909	2,495,821
Balance of restricted cash held for debt principal	243,633	-	243,633
Total	$ 2,566,545	$ 172,909	$ 2,739,454

(1) The interest rate in effect at June 30, 2017 of 1.737% was used to calculate the estimated interest on the debt obligation of $2,566,545. The estimated interest also reflects the reduction of the outstanding debt obligation each year by the annual funding payments.

MDFA is responsible to determine, subject to certain criteria, if income earned on unexpended bond proceeds exceeds the interest cost to the bondholders. Any excess income earned is held in a rebate fund by an appointed trustee. Such amounts are held until every fifth year, whereby payment is to be made as indicated by the bond indenture agreement.

MSCBA

During March 2005, the University signed a financing agreement to receive $5,110,000 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds were used for renovations of the athletic fields and dining hall (the "Projects") at the University. This obligation will be repaid solely by the University through dedicated student fees.

In prior years, the MSCBA had certain bond refunding transactions. The University expects to benefit from interest savings on the bond refundings and to have a net interest credit in fiscal year 2025 as a result of the interest savings.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2025. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2017 and 2016, the effective interest rate on this debt was 3.03% and 2.37%, respectively. The effective interest rate at June 30, 2017 and 2016, respectively, reflects interest savings as a result of the bond refundings. The outstanding balance of this Interagency payable was $2,530,000 and $2,790,000 at June 30, 2017 and 2016, respectively.

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Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 275,000	$ 96,879	$ 371,879
2019	285,000	91,244	376,244
2020	295,000	78,796	373,796
2021	305,000	68,091	373,091
2022	320,000	53,051	373,051
2023 - 2025	1,050,000	77,223	1,127,223
Total	$ 2,530,000	$ 465,284	$ 2,995,284

During March 2006, the University signed a financing agreement to receive $2,060,000 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds were used for renovations of the dining hall (the "Project") at the University. This obligation will be repaid solely by the University through dedicated student fees.

As of June 30, 2017 and 2016, amounts held by MSCBA related to the debt issue and the Project are debt service reserve funds of $144,841 for both years which are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.5% to 5% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2017 and 2016, the effective interest rate on this debt was 3.75% and 4.59%, respectively. The outstanding balance of this Interagency payable was $1,204,254 and $1,309,937 at June 30, 2017 and 2016, respectively, including unamortized premium.

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 105,000	$ 46,118	$ 151,118
2019	110,000	47,035	157,035
2020	115,000	41,303	156,303
2021	120,000	36,216	156,216
2022	125,000	29,444	154,444
2023 - 2026	580,000	57,577	637,577
	1,155,000	257,693	1,412,693
Plus: Unamortized premiums	49,254	-	49,254
Total	$ 1,204,254	$ 257,693	$ 1,461,947

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During December 2010, the University signed a financing agreement to receive $15,935,656 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, were used for renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

As of June 30, 2017 and 2016, amounts held by MSCBA related to the debt issue and the Project debt service reserve funds of $1,449,777 for both years are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2030. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.0% to 6.54% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2017 and 2016, the effective interest rate on this debt was 3.38% and 3.42%, respectively. The outstanding balance of this Interagency payable was $11,820,252 and $12,559,798 at June 30, 2017 and 2016, respectively, including unamortized premium.

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 717,403	$ 389,102	$ 1,106,505
2019	752,721	374,041	1,126,762
2020	777,002	350,125	1,127,127
2021	801,284	325,438	1,126,722
2022	829,980	295,292	1,125,272
2023 - 2027	4,653,185	979,649	5,632,834
2028 - 2030	3,264,735	148,217	3,412,952
	11,796,310	2,861,864	14,658,174
Plus: Unamortized premiums	23,942	-	23,942
Total	$ 11,820,252	$ 2,861,864	$ 14,682,116

During December 2011, the University signed a financing agreement to receive $7,043,416 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs, were used for renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2031. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.0% to 5.0% over the term of the debt to maturity. For the years ended June 30, 2017 and 2016, the effective interest rate on this debt was 4.95% for both years. The outstanding balance of this Interagency payable was $5,733,602 and $6,029,022 at June 30, 2017 and 2016, respectively, including unamortized premium.

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Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 265,000	$ 245,050	$ 510,050
2019	280,000	231,800	511,800
2020	290,000	220,600	510,600
2021	300,000	209,000	509,000
2022	315,000	197,000	512,000
2023 - 2027	1,815,000	733,500	2,548,500
2028 - 2031	1,810,000	231,750	2,041,750
	5,075,000	2,068,700	7,143,700
Plus: Unamortized premiums	658,602	-	658,602
Total	$ 5,733,602	$ 2,068,700	$ 7,802,302

During December 2012, the University signed a financing agreement to receive $13,864,033 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, were used for Phase III of renovations to the Hammond Campus Center and parking expansion. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

As of June 30, 2017 and 2016, amounts held by MSCBA related to the debt issue and the Project are debt service reserve funds of $214,164 for both years which are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2032. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 2.0% to 5.0% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2017 and 2016, the effective interest rate on this debt was 3.25% and 3.28%, respectively. The outstanding balance of this Interagency payable was $11,746,442 and $12,337,645 at June 30, 2017 and 2016, respectively, including unamortized premium.

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Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 560,000	$ 356,012	$ 916,012
2019	580,000	333,613	913,613
2020	610,000	304,612	914,612
2021	630,000	280,213	910,213
2022	665,000	248,713	913,713
2023 - 2027	3,650,000	917,100	4,567,100
2028 - 2032	4,185,000	384,150	4,569,150
	10,880,000	2,824,413	13,704,413
Plus: Unamortized premiums	866,442	-	866,442
Total	$ 11,746,442	$ 2,824,413	$ 14,570,855

During January 2014, the University signed a financing agreement to receive $12,235,614 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, were used for Phase IV of renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

As of June 30, 2017 and 2016, amounts held by MSCBA related to the debt issue and the Project are debt service reserve funds of $667,799 for both years which are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2033. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 2.00% to 5.0% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2017 and 2016, the effective interest rate on this debt was 4.97% and 4.90%, respectively. The outstanding balance of this Interagency payable was $10,994,757 and $11,464,287 at June 30, 2017 and 2016, respectively, including unamortized premium.

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Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 420,000	$ 496,500	$ 916,500
2019	440,000	475,500	915,500
2020	465,000	453,500	918,500
2021	485,000	430,250	915,250
2022	510,000	406,000	916,000
2023 - 2027	2,955,000	1,621,500	4,576,500
2028 - 2032	3,780,000	803,750	4,583,750
2033	875,000	43,750	918,750
	9,930,000	4,730,750	14,660,750
Plus: Unamortized premiums	1,064,757	-	1,064,757
Total	$ 10,994,757	$ 4,730,750	$ 15,725,507

During December 2014, the University signed a financing agreement to receive $10,669,503 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for Phase V of renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

As of June 30, 2017 and 2016, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2017	2016
Unexpended debt proceeds	$ 7,533	$ 41,291
Debt service reserve fund	596,968	596,968
	$ 604,501	$ 638,259

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2017 and 2016:

	2017	2016
Restricted cash and cash equivalents:		
Current	$ 7,533	$ 41,291
Noncurrent	596,968	596,968
	$ 604,501	$ 638,259

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During fiscal 2017, unexpended MSCBA bond proceeds from prior issuances in the amount of $972,628 were transferred to Phase V for renovations of the Hammond Campus Center Project. From this amount, unexpended proceeds amounted to $7,533 at June 30, 2017, which are included in the accompanying 2017 statement of net position as current restricted cash and cash equivalents.

During fiscal 2016, unexpended MSCBA bond proceeds from prior issuances in the amount of $1,643,614 were transferred to Phase V for renovations of the Hammond Campus Center project. From this amount, unexpended proceeds amounted to $41,291 at June 30, 2016, which are included in the accompanying 2016 statement of net position as current restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2016. The final principal payment is due May 1, 2034. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the years ended June 30, 2017 and 2016, the effective interest rate on this debt was 4.86% and 4.07%, respectively. The outstanding balance of the Interagency payable was $9,975,598 and $10,385,822 at June 30, 2017 and 2016, respectively, including unamortized premium.

Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 340,000	$ 421,850	$ 761,850
2019	350,000	408,250	758,250
2020	365,000	394,250	759,250
2021	385,000	376,000	761,000
2022	405,000	356,750	761,750
2023 - 2027	2,335,000	1,460,750	3,795,750
2028 - 2032	2,980,000	815,250	3,795,250
2033 - 2034	1,415,000	107,000	1,522,000
	8,575,000	4,340,100	12,915,100
Plus: Unamortized premiums	1,400,598	-	1,400,598
Total	$ 9,975,598	$ 4,340,100	$ 14,315,698

During January 2017, the University signed a financing agreement to receive $4,166,418 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for renovations to the Landry Arena. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

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The net proceeds of the borrowing deposited by MSCBA on behalf of the University were as follows:

	2017
Debt issue	$ 3,922,000
Amount held by MSCBA for debt service retirement fund (included in restricted cash and cash equivalents - noncurrent)	(103,073)
Debt issuance premium	244,418
Debt issuance cost	(63,345)
Net proceeds	$ 4,000,000

As of June 30, 2017, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2017
Unexpended debt proceeds	$ 3,740,460
Debt service reserve fund	103,073
	$ 3,843,533

The amounts held by MSCBA are included in the accompanying statement of net position at June 30, 2017:

	2017
Restricted cash and cash equivalents	
Current	$ -
Noncurrent	3,843,533
	$ 3,843,533

The University is required to make annual principal payments on this debt each June 30 commencing in fiscal 2018. The final principal payment is due June 30, 2037. Interest on the debt is payable June 30 and December 30 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. For the year ended June 30, 2017, the effective interest rate on this debt was 3.28%. The outstanding balance of the Interagency payable was $4,161,326 at June 30, 2017, including unamortized premium.

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Principal and interest payments due to maturity consist of the following:

For the year ending June 30,	Principal	Interest	Total
2018	$ 87,000	$ 194,701	$ 281,701
2019	132,000	149,361	281,361
2020	139,000	142,761	281,761
2021	146,000	135,811	281,811
2022	153,000	128,511	281,511
2023 - 2027	889,000	519,706	1,408,706
2028 - 2032	1,095,000	313,836	1,408,836
2033 - 2037	1,281,000	128,213	1,409,213
	3,922,000	1,712,900	5,634,900
Plus: Unamortized premiums	239,326	-	239,326
Total	$ 4,161,326	$ 1,712,900	$ 5,874,226

The oversight of various capital projects on campus is provided by MSCBA. To fund these projects, the University provides equity contributions, by advancing funds to the MSCBA, which are then held by MSCBA until used for the payment of the capital project costs. During 2017 and 2016, the University provided equity contributions of $800,000 and $200,000, respectively, toward the Southside Chiller Project. During 2017, the University provided the remaining equity contribution of $972,628 to fund their portion of the renovation costs of Phase V of the Hammond Campus Center Project, of which $350,000 of these funds was subsequently transferred to the Landry Arena account at MSCBA for the Landry renovations project. As of June 30, 2017, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled $98,323 related to the Hammond Campus Center Project, $832,283 related to the Southside Chiller Project, and $344,308 related to the Landry Arena Project, of which $297,053 is included in current restricted cash and cash equivalents and $977,861 is included in noncurrent restricted cash and cash equivalents in the accompanying 2017 statement of net position. As of June 30, 2016, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled $883,311 related to the Hammond Campus Center Project and $179,705 related to the Southside Chiller Project, of which $571,304 is included in current restricted cash and cash equivalents and $491,712 is included in noncurrent restricted cash and cash equivalents in the accompanying 2016 statement of net position.

Note 13 - Capital lease obligation

During fiscal year 2017, the University entered into a noncancellable capital lease agreement with a financial institution in the amount of $1,261,206 for an upgrade to its wireless network equipment. The lease has a term of five years and requires semi-annual payments of $132,483, which commenced on March 23, 2017 and continues through September 23, 2021. The assets and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 1.81% which was determined to be applicable at the inception of the lease. The capital lease obligation is secured by the related assets.

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The University's wireless network equipment held under capital lease totaled $1,261,206 as of June 30, 2017. The assets under the capital lease are being depreciated over their estimated useful lives and the depreciation of these assets is included in depreciation expense. The accumulated depreciation on the leased assets amounted to $189,181 at June 30, 2017. Depreciation expense totaled $189,181 for the year ended June 30, 2017.

Interest expense incurred on the capital lease totaled $11,414 in 2017.

The following is a schedule of future minimum lease payments under this capital lease at June 30, 2017:

Year ending June 30,	Amount
2018	$ 264,966
2019	264,966
2020	264,966
2021	264,966
2022	132,483
Total minimum lease payments	1,192,347
Less amount representing interest	(52,210)
Present value of future minimum lease payments	1,140,137
Less current portion	245,435
Present value of long-term portion	$ 894,702

Note 14 - FSU Foundation long-term debt

FSU Foundation's long-term debt consists of the following at June 30, 2017 and 2016:

	2017	2016
First mortgage notes payable	$ 3,123,323	$ 2,527,993
Notes payable - bank	533,121	553,081
	3,656,444	3,081,074
Less net debt issuance costs	(23,801)	(27,271)
	3,632,643	3,053,803
Less current portion	(188,765)	(175,937)
	$ 3,443,878	$ 2,877,866

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The Foundation has a mortgage note payable in the original amount of $550,000, dated April 16, 2008, with Fidelity Cooperative Bank. The proceeds of the note were used to acquire certain real estate properties on the Fitchburg State University campus. The note is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Furthermore, any and all deposits held by the lender serve as additional collateral for the loan.

The loan agreement has a term of 20 years and provided for a fixed rate of interest of 5.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate was to be fixed at the Federal Home Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final 10 years of the term of the loan plus 118 basis points. The interest rate was adjusted to 4.27% per annum for the remainder of the loan term pursuant to the provisions of a change in terms agreement dated October 19, 2016. The loan required monthly installments of principal and interest of $3,862 through October 16, 2016. Thereafter, the loan requires monthly installments of principal and interest of $2,454 commencing on November 16, 2016 with a final principal payment due in the amount of $210,752 at the loan's maturity date of April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2017 and 2016, the outstanding principal balance of this mortgage note payable amounted to $385,211 and $401,297, respectively.

In August 2006, the Foundation Supporting Organization acquired land and a building consisting of 4,179 square feet of office space and 53,429 square feet of warehouse space located in Fitchburg, Massachusetts near the University campus. The entire property has been leased to DCAM on behalf of the University (see Note 23). The University is currently using the property for its print services, maintenance, and shipping and receiving and financial services.

The acquisition and related costs were funded with the proceeds of an offering of tax-exempt revenue bonds, Massachusetts Development Finance Agency Revenue Bonds, FSC Foundation Supporting Organization Issue, Series 2006 (the "bonds"), dated August 1, 2006, in the amount of $1,900,000, issued by the Massachusetts Development Finance Agency ("MDFA"), pursuant to a Loan and Trust Agreement. People's United Bank, as successor in interest to Chittenden Trust Company, is the bond Trustee. MDFA assigned all of its rights, title, and interest in and to the loan and related loan documents to the bond Trustee as security for repayment of the bonds. The loan is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of 20 years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $13,154 through August 16, 2011 and $12,306 until August 16, 2016. The interest rate was adjusted to 3.5% per annum on August 16, 2016 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $11,739 until the next five-year interval adjustment date of August 16, 2021. The loan matures on August 16, 2026. The loan agreement requires the Foundation Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

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The mortgage note was issued pursuant to the Loan and Trust Agreement and related loan documents and is subject to and governed by the terms and conditions of those agreements. The loan may be prepaid in accordance with the terms of the Loan and Trust Agreement for prepayment of the bonds as more fully described in the Loan and Trust Agreement.

The loan documents contain cross default provisions with the DCAM lease.

As of June 30, 2017, the outstanding principal balance of the loan of $1,100,877, less net debt issuance costs of $23,801, amounted to $1,077,076.

As of June 30, 2016, the outstanding principal balance of the mortgage note payable of $1,199,159, less net debt issuance costs of $27,271, amounted to $1,171,888.

Workers' Credit Union ("WCU") provided financing to the Foundation Supporting Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The note is secured by a first mortgage interest in certain real estate owned by the Foundation Supporting Organization and an assignment of certain leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2017 and 2016, the Foundation Supporting Organization has total cash balances of $6,308 and $5,660, respectively, held by the lender which serve as additional collateral for the loan.

The mortgage note has a term of 10 years, expiring on February 27, 2019, and provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of $4,714, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are $4,422, based on a 20-year principal amortization with a final principal payment due in the amount of $561,619 at the loan's maturity date of February 27, 2019.

At June 30, 2017 and 2016, the outstanding principal balance of this first mortgage loan amounted to $599,769 and $622,287, respectively.

Rollstone Bank & Trust provided financing to the Foundation Supporting Organization in the form of a note, dated December 22, 2014 in the amount of $240,000. The note is secured by a first mortgage interest in the real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note has a term of 20 years, maturing on December 22, 2034, and provides for a fixed rate of interest of 3.25% per annum. The loan requires monthly installments of principal and interest of $1,367 based on a 20-year principal amortization. The loan agreement requires the Foundation Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

At June 30, 2017 and 2016, the outstanding principal balance of the mortgage note payable amounted to $217,912 and $226,969, respectively.

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Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a note, dated June 26, 2013, in the amount of $83,200. The note is secured by a first mortgage interest in the real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property.

The mortgage note has a term of 20 years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five-Year Rate plus 2.75% per annum. The loan requires monthly installments of principal and interest of $376 until the next five-year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

At June 30, 2017 and 2016, the outstanding principal balance of the mortgage note payable amounted to $76,518 and $78,281, respectively.

In October 2016, Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a promissory note, dated October 19, 2016, in the amount of $118,000. The note is secured by a Negative Pledge Agreement on the real estate property located at 198 Pearl Street in Fitchburg, Massachusetts.

The promissory note has a term of 10 years, maturing on October 21, 2026, and provides for a fixed rate of interest of 4.11% per annum. Commencing on November 21, 2016, the loan requires monthly installments of principal and interest of $726 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance of $71,599 and any accrued interest thereon is due and payable. The note provides for the prepayment of all or a portion of the amount owed without penalty. The business loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the business loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $115,273.

In January 2017, Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a promissory note, dated January 13, 2017, in the amount of $220,000. The note is secured by a Negative Pledge Agreement on the properties located at 9 Clinton Street and 85-87 Pearl Street in Fitchburg, Massachusetts.

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The promissory note has a term of 10 years, maturing on January 13, 2027, and provides for a fixed rate of interest of 4.76% per annum. Commencing on February 13, 2017, the loan requires monthly installments of principal and interest of $1,431 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance of $136,868 and any accrued interest thereon is due and payable. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $216,683.

In November 2016, Hometown Bank provided financing to the Foundation Supporting Organization in the form of a commercial note, dated November 8, 2016, in the amount of $135,000. The note is secured by a first mortgage interest and collateral assignment of rents and leases on the real estate property located at 132 Highland Avenue in Fitchburg, Massachusetts.

The commercial note has a term of 25 years, maturing on November 8, 2041, and provides for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan requires monthly installments of principal and interest of $779 based on a 25 year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity. The loan agreement requires the Foundation Supporting Organization to maintain a minimum earnings before interest, taxes, depreciation, amortization and rent to related entities and after distributions of not less than 1.25 times annual principal and interest payments plus dividends to be tested annually.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $133,364.

In November 2016, Enterprise Bank and Trust Company provided financing to the Foundation Supporting Organization in the form of a promissory note, dated November 4, 2016, in the amount of $280,000. The note is secured by a first mortgage interest in the property and an assignment of rents on the property located at 689-717 Main Street in Fitchburg, Massachusetts.

The promissory note has a term of 10 years, maturing on November 4, 2026, and thereafter is payable on demand. The note provides for a fixed rate of interest of 4.33% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at ten-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Ten Year Regular Rate plus 1.95% per annum. Commencing on January 1, 2017, the loan requires monthly installments of principal and interest of $1,401 based on a 30 year principal amortization schedule. If the note is prepaid in whole or in part during the first 117 months of each fixed rate period for the purpose of refinancing the note with another financial institution, the note provides for a prepayment penalty equal to 3% of any principal reduction. Except for the forgoing, the note may be prepaid in whole or in part without penalty. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $277,716.

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The Foundation Supporting Organization has a note payable in the original amount of $680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investments with an equivalent fair value of approximately $2,116,000 at June 30, 2017. In addition, payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The promissory note has a term of 30 years, expiring on May 5, 2037, and provides for a fixed rate of interest of 6% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (April 26, 2012, 2017, 2022, 2027 and 2032) to the Federal Home Loan Bank Boston Classic Advance Five-Year Rate plus 1.15% per annum. The rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $4,122 through May 7, 2012 and $2,875 until April 26, 2017. The interest rate was adjusted to 3.49% per annum on April 26, 2017 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $3,115 until the next five-year interval adjustment date of April 26, 2022. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2017 and 2016, the outstanding principal balance of this note payable amounted to $533,121 and $553,081, respectively.

Principal funding payments and estimated interest, due to maturity, consist of the following:

For the year ending June 30,	Principal	Interest (1)	Total
2018	$ 188,765	$ 144,706	$ 333,471
2019	747,261	128,304	875,565
2020	177,441	103,209	280,650
2021	184,335	96,316	280,651
2022	191,303	89,347	280,650
2023 - 2027	1,149,808	329,607	1,479,415
2028 - 2032	519,265	136,627	655,892
2033 - 2037	330,948	65,943	396,891
2038 - 2042	98,992	26,371	125,363
2043 - 2047	68,326	7,075	75,401
Total	$ 3,656,444	$ 1,127,505	$ 4,783,949

(1) The interest rates in effect at June 30, 2017 on the first mortgage notes payable and the note payable - bank were used to calculate the estimated interest on these debt obligations.

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Note 15 - FSU Foundation lines of credit

On April 2, 2015, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permitted the Foundation to borrow up to $250,000. The line of credit agreement expired on March 17, 2017. At June 30, 2016, $250,000 was outstanding on the line of credit. The line of credit provided for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At June 30, 2017 and 2016, the effective interest rate was 6% per annum. For the years ended June 30, 2017 and 2016, interest expense incurred on borrowings under this line of credit amounted to $9,576 and $4,078, respectively. There were no new borrowings under the line during 2017.The borrowings under the line, during 2016, were advanced to the Foundation Supporting Organization. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Foundation Supporting Organization.

On August 23, 2017, the Foundation renewed, under substantially the same terms, its demand revolving working capital line of credit agreement which expired on March 17, 2017. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% of the pledged investment collateral unless otherwise approved by the lender. The line of credit provides for interest at 5.25% through September 1, 2017 and, thereafter, at the Wall Street Journal Prime Rate (currently 4.25%) plus 1%. The interest rate charged to the Foundation may not exceed a rate of 18%. Borrowings under the line are secured by investments with an equivalent fair value of approximately $8,088,500 at June 30, 2017. The line is also collateralized by all funds held by the lender. At June 30, 2017, the Foundation has total cash balances of $58,329 held by the lender. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part without premium or penalty. The line of credit agreement expires on March 25, 2022.

On August 18, 2016, the Foundation Supporting Organization entered into a demand unsecured revolving line of credit agreement with Rollstone Bank and Trust which permits the Foundation Supporting Organization to borrow up to $250,000. The line of credit provides for interest at the Wall Street Journal Prime Rate less .25% (effective rate of 4% at June 30, 2017). For the year ended June 30, 2017, interest expense incurred on borrowings under this line of credit amounted to $2,470. The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, under the same terms and conditions of the previous agreement. On November 30, 2017, the line of credit will be up for renewal. The Foundation Supporting Organization may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty. The line of credit agreement contains, among other covenants, the maintenance of a debt service coverage rate, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. As of June 30, 2017, the Foundation Supporting Organization has made payments of $110,000 and borrowings of $360,000 under the line of credit agreement. The balance outstanding as of June 30, 2017 is $250,000.

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Note 16 - Long-term liabilities

Long-term liability activity of the University for the year ended June 30, 2017 included the following:

	Totals June 30, 2016	Additions	Reductions	Totals June 30, 2017 Ending balance	Totals June 30, 2017 Current portion
Interagency payables	$ 59,714,524	$ 4,166,418	$ 3,148,166	$ 60,732,776	$ 3,334,367
Total	59,714,524	4,166,418	3,148,166	60,732,776	3,334,367
Other liabilities:					
Capital lease obligation	-	1,261,206	121,069	1,140,137	245,435
Workers' compensation	507,890	183,848	110,720	581,018	126,662
Compensated absences	5,454,493	3,153,804	3,447,051	5,161,246	3,195,296
Loan payable - federal financial assistance	2,017,863	35,442	15,393	2,037,912	-
Net pension liability	9,995,092	2,585,749	-	12,580,841	-
Total other liabilities	17,975,338	7,220,049	3,694,233	21,501,154	3,567,393
Long-term obligations	$ 77,689,862	$ 11,386,467	$ 6,842,399	$ 82,233,930	$ 6,901,760

Long-term liability activity of the University for the year ended June 30, 2016 included the following:

	Totals June 30, 2015	Additions	Reductions	Totals June 30, 2016 Ending balance	Totals June 30, 2016 Current portion
Interagency payables	$ 62,606,680	$ -	$ 2,892,156	$ 59,714,524	$ 3,132,683
Total	62,606,680	-	2,892,156	59,714,524	3,132,683
Other liabilities:					
Workers' compensation	584,996	50,423	127,529	507,890	110,720
Compensated absences	5,279,407	3,541,261	3,366,175	5,454,493	3,447,051
Loan payable - federal financial assistance	1,989,199	40,252	11,588	2,017,863	-
Net pension liability	5,078,817	4,916,275	-	9,995,092	-
Total other liabilities	12,932,419	8,548,211	3,505,292	17,975,338	3,557,771
Long-term obligations	$ 75,539,099	$ 8,548,211	$ 6,397,448	$ 77,689,862	$ 6,690,454

Long-term liability activity of FSU Foundation for the year ended June 30, 2017 included the following:

	Totals June 30, 2016	Additions	Reductions	Totals June 30, 2017 Ending balance	Totals June 30, 2017 Current portion
First mortgage notes payable	$ 2,500,722	$ 753,000	$ 154,200	$ 3,099,522	$ 169,798
Notes payable - bank	553,081	-	19,960	533,121	18,967
Long-term obligations	$ 3,053,803	$ 753,000	$ 174,160	$ 3,632,643	$ 188,765

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Long-term liability activity of FSU Foundation for the year ended June 30, 2016 included the following:

	Totals June 30, 2015	Additions	Reductions	Totals June 30, 2016 Ending balance	Totals June 30, 2016 Current portion
First mortgage notes payable	$ 2,641,717	$ -	$ 140,995	$ 2,500,722	$ 155,893
Notes payable - bank	572,464	-	19,383	553,081	20,044
Long-term obligations	$ 3,214,181	$ -	$ 160,378	$ 3,053,803	$ 175,937

Note 17 - Net position

Unrestricted net position is comprised of net position that is not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net position is internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Designated unrestricted net position was $13,142,215 and $12,270,991 at June 30, 2017 and 2016, respectively. Undesignated unrestricted net position was $5,186,249 and $5,653,720 at June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, the net investment in capital assets amount of $116,097,369 and $115,713,366, respectively, includes the effect of deferring the recognition of revenue from the installment payments associated with the dining facilities service concession arrangement. At June 30, 2017 and 2016, $1,725,044 and $1,971,471, respectively, of the balance of the deferred inflow of resources has been included, as a reduction, in the calculation of net investment in capital assets. This amount will be recognized as revenue and increase the net investment in capital assets net position over the remaining term of the arrangement.

Note 18 - Net position restricted by enabling legislation

Fitchburg State University Foundation, Inc.'s consolidated statements of net position as of June 30, 2017 and 2016 reflect a restricted net position of $15,896,000 and $14,268,192, respectively. Of these amounts, $2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

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Note 19 - Operating expenses

The University's operating expenses for the years ended June 30, 2017 and 2016, on a natural classification basis, are comprised of the following:

	2017	2016
Salaries		
Faculty	$ 23,376,057	$ 22,119,459
Exempt wages	3,291,824	3,464,132
Non-exempt wages	19,382,008	19,376,358
Benefits	14,919,383	12,476,766
Scholarships	1,992,215	1,839,701
Utilities	4,402,055	4,045,190
Supplies and other services	19,379,814	18,483,850
Depreciation	10,125,427	9,087,710
Total operating expenses	$ 96,868,783	$ 90,893,166

Note 20 - State controlled accounts

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled, and reported by the Commonwealth through non-University line items in the Commonwealth's budget. Under generally accepted accounting principles, such transactions must be recorded in the financial statements of the University. These transactions include payments by the Commonwealth for the employer's share of funding the Massachusetts State Employees' Retirement System and for the employer's share of health care premiums.

The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2017, 2016, and 2015 were as follows (see State appropriations under Note 24):

	2017	2016	2015
Commonwealth's retirement system contributions	$ 3,280,700	$ 3,144,412	$ 3,396,962
Employers share of health care premium	$ 6,904,977	$ 5,675,058	$ 4,793,591

Note 21 - Retirement plan

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of

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operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable 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. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

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

Hire date	% of compensation
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to June 30, 1996	8% of regular compensation
July 1, 1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of $30,000

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate established by the State. The total amount of current funding by the State related to the University's employees during 2017, 2016 and 2015 was $3,280,700, $3,144,412 and $3,396,962, respectively. The total amount of funding by the University related to the University's employees compensated from a trust fund or other source during 2017, 2016, and 2015 was $696,825, $655,160, and $549,728, respectively. Annual covered payroll was approximately 81%, 83%, and 83% of annual total payroll for the University in 2017, 2016 and 2015, respectively.

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At June 30, 2017 and 2016, the University reported a liability of $12,580,841 and $9,995,092, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and 2015, respectively, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2017, the University's proportion was 0.0912% which was an increase of 0.0034% from its proportion measured as of June 30, 2016. At June 30, 2016, the University's proportion was 0.0878%, which was an increase of 0.0194% from its proportion measured as of June 30, 2015.

For the years ended June 30, 2017 and 2016, the University recognized pension expense of $3,722,123 and $3,512,341, respectively.

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 1,395,131	$ -
Net difference between projected and actual earnings on pension plan investments	844,528	-
Difference between expected and actual experience	597,556	-
Changes in proportion due to internal allocation	1,339,317	45,438
Changes in proportion from Commonwealth	28,028	6,061
University contributions subsequent to the measurement date	696,825	-
Total	$ 4,901,385	$ 51,499

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$696,825 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2018	$ 924,901
2019	924,901
2020	1,266,656
2021	852,856
2022	183,747
Total	$ 4,153,061

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 1,730,945	$ -
Net difference between projected and actual earnings on pension plan investments	-	287,217
Difference between expected and actual experience	197,569	-
Changes in proportion due to internal allocation	1,415,804	63,613
Changes in proportion from Commonwealth	-	7,673
University contributions subsequent to the measurement date	655,160	-
Total	$ 3,999,478	$ 358,503

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

1. 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% (3.5% to 9.0% for the year ended June 30, 2015) depending on group and length of service.

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3. Chapter 176 of the Acts of 2011 created a one time election for eligible members of the Optional Retirement Plan ("ORP") to transfer to the Massachusetts State Employee's Retirement System ("MSERS") and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately $400 million as of June 30, 2016.

4. Mortality rates were as follows:

   (i) Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).

   (ii) Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

   (iii) Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct).

5. Experience studies were performed as follows:

   (i) Dated February 27, 2014 and encompass the period January 1, 2006 to December 31, 2011.

Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

		Long-term expected real rate of return	
Asset class	Target allocation	2016	2015
Global equity	40.00%	6.90%	6.90%
Core fixed income	13.00%	1.60%	2.40%
Private equity	10.00%	8.70%	8.50%
Real estate	10.00%	4.60%	6.50%
Value added fixed income	10.00%	4.80%	5.80%
Portfolio completion strategies	4.00%	3.60%	5.50%
Hedge funds	9.00%	4.00%	5.80%
Timber/natural resources	4.00%	5.40%	6.60%
Total	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2016 and 2015 was 7.5% for both years. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the University's contributions will be made at rates equal to the difference between actuarially determined

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contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.5%, for both the measurement years ended June 30, 2016 and 2015, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2015	$ 13,586,495	$ 9,995,092	$ 6,897,300
June 30, 2016	16,522,497	12,580,841	9,421,198

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth's financial statements.

Note 22 - 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.

On-behalf payments of fringe benefits for benefited employees on the Commonwealth's payroll are recognized as revenues and expenses in the University's financial statements in each of the fiscal years presented.

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

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

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The GIC administers a plan included within the State Retire 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 does not issue separately audited financial statements. The financial position and results of operations of the plan are incorporated in the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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 ended on June 30, 2017 and 2016, 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).

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2017, 2016 and 2015 were $14,961,048, $11,720,616, and $10,426,669, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Note 23 - Lease and license agreements

As disclosed in Note 14, the Foundation Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006 and expired on August 16, 2016. The lease provided for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University was also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease continued in effect, after its expiration, under the same terms and conditions until March 9, 2017 when the Foundation Supporting Organization signed a new 10 year lease with the same terms and conditions as the previous agreement. The new lease agreement became effective as of August 16, 2016. For the years ended June 30, 2017 and 2016, rental income amounted to $165,000 in each year. The rental income is reflected in revenue from sales and services of educational departments in the accompanying statements of revenues, expenses and changes in net position. The corresponding rent expense of the University is reflected in operations and maintenance of plant.

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The following is a schedule of future minimum rental income under the new operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 165,000
2019	165,000
2020	165,000
2021	165,000
2022	165,000
Later years	680,625
	$ 1,505,625

On August 6, 2008, the Foundation Supporting Organization entered into a 10-year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and shall expire on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provided for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease there will be a 7.5% increase at the commencement of each three-year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to $18,947 for the next three-year period of the lease term payable in monthly installments of $1,579. On July 1, 2014, the Foundation Supporting Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above mentioned office space and extending the lease term through June 30, 2019. The amended lease provides for a base annual rent of $28,495 for each of the first three years of the lease term, payable biannually in installments of $14,247. On July 1, 2017, the annual rent on the lease shall increase by 7.5% to $30,632. The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time with the payment of two months' base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2017 and 2016, rent expense amounted to $28,495 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 30,632
2019	30,632
	$ 61,264

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On February 1, 2013, the Foundation Supporting Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time after February 1, 2014 with the payment of two months' base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2017 and 2016, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 5,696
2019	5,696
2020	5,696
2021	5,696
2022	5,696
2023	3,323
	$ 31,803

On June 25, 2015, the Foundation Supporting Organization entered into an operating lease agreement with an unrelated third party for a building containing residential suites designed for use as a dormitory for college students. The lease commenced on August 1, 2015 and expired on May 31, 2016. The lease provided for annual rent of $220,000 to be paid in two installments of $110,000 each on August 1, 2015 and January 1, 2016. In July 2016, the Foundation Supporting Organization extended the initial term of the lease under the same terms and conditions for the period August 1, 2016 through May 31, 2017. Subject to availability, the Foundation Supporting Organization may extend the term of the lease, under the same terms and conditions for the periods June 1, 2017 through July 31, 2017 and August 1, 2017 through May 31, 2018. The Foundation Supporting Organization did not renew the lease for an additional term after the expiration on May 31, 2017. Instead, the building was purchased by the Massachusetts State College Building Authority ("MSCBA") and is being used by and billed directly to Fitchburg State University by MSCBA as a part of its semi-annual residence hall revenue assessments. For the years ended June 30, 2017 and June 30, 2016, rent expense amounted to $220,000 in each year.

The Foundation Supporting Organization and the University are parties to License Agreements whereby the Foundation Supporting Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Foundation Supporting Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in four equal quarterly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreements may

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be terminated by either party upon the expiration of the initial term of the agreements and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreements at any time with the giving of proper notice. For the years ended June 30, 2017 and 2016, license fee income for the Foundation Supporting Organization amounted to $252,849 and $108,167, respectively. The license fee income is reflected in revenue from sales and services of educational departments in the accompanying statements of revenue, expenses and changes in net position. The corresponding license fee expense of the University is reflected in operations and maintenance of plant.

Note 24 - Management Accounting and Reporting System

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System ("MMARS") on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

State appropriations

The University's State appropriations are comprised of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Gross State appropriations	$ 29,478,899	$ 29,181,716
Add: Fringe benefits for benefited employees on the Commonwealth payroll	10,185,677	8,819,470
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(717,267)	(769,177)
Net State appropriations	$ 38,947,309	$ 37,232,009

$38,873,231 and $37,159,087 represent appropriations for maintenance and payroll and other noncapital appropriations during 2017 and 2016, respectively, and $74,078 and $72,922 represent appropriations for capital improvements for 2017 and 2016, respectively. These amounts are presented separately in the accompanying statements of revenues, expenses and changes in net position.

Day school tuition receipts and transfers have been recorded in an agency fund during the year and had no material balance outstanding at June 30, 2017 and 2016.

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Note 25 - Risk management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commonwealth is self-insured. In addition, the University maintains commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The separate insurance policies maintained by the University consist of Director and Officer's liability, automobile liability, and a foreign package policy. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded policy coverage in any of the past three years.

The University also participates in the Commonwealth's self-insured programs for employee workers' compensation, health care and other insurance. The Commonwealth assesses the costs of workers' compensation and unemployment insurance to the University based on the University's actual experience (see Note 7). The Commonwealth manages workers' compensation as part of its general operations. No separate fund for workers' compensation is provided for in Massachusetts General, Laws. The Commonwealth assesses the costs of health care insurance to the University through a fringe benefit rate and the liability for such coverage is borne by the Commonwealth. The Commonwealth's Group Insurance Commission manages health insurance and other benefits for the Commonwealth's active and retired employees (see Note 22).

Massachusetts General Laws limit the risk assumed by the Commonwealth for claims of personal injury or property damages to $100,000 per occurrence, in most circumstances.

Note 26 - Commitments and contingencies

Pending or threatened lawsuits against governmental agencies arise in the ordinary course of operations. In the opinion of the University's administration, the ultimate resolution of any legal actions at this date will not result in a material loss to the University since most of any obligation is expected to be paid from state appropriated funds.

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

The University participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase, increased by changes in the Consumer Price Index plus 2%. The University is obligated to accept as payment of tuition the amount determined by this program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the University. The effect of this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the University.

The University can perform capital projects that are funded and controlled by another State agency. These projects would be paid from funds appropriated and under the control of DCAM. The Projects generally consist of renovations and improvements and have been recorded in the respective accounts.

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As of June 30, 2017, the collective bargaining agreements between the Board of Higher Education and three Employee Unions which impact the University have expired. New agreements have not yet been negotiated by the parties. Once the parties reach new agreements, the agreements are subject to approval by the Massachusetts Legislature and ratification by the Governor of the Commonwealth of Massachusetts. Accordingly, management cannot determine at this time, the impact, if any, that the results of the negotiations will have on the University's financial statements.

Note 27 - McKay Agreement

The University has an agreement with the City of Fitchburg, whereby the City can use the McKay building to provide elementary education to local residents on a year to year basis. The University receives quarterly payments from the City to reimburse the University for its share of payroll and related operating expenses (the "McKay School expenditures"). Reimbursements received for the years ended June 30, 2017 and 2016 were $819,487 each year. These reimbursements are included in the Sales and Services of Educational Departments revenue amount and the McKay School expenditures are included in the appropriate categories under Operating Expenses in the accompanying statements of revenues, expenses and changes in net position.

Note 28 - Civic Center

In August 2006, the University and the City of Fitchburg entered into a Memorandum of Understanding in which the University would assume responsibility for the operations, management and maintenance of the George R. Wallace, Jr. Civic Center and the Alice G. Wallace Planetarium (collectively, the "Civic Center"). The Civic Center includes two skating rinks and the adjoining planetarium. The Commonwealth of Massachusetts acting by and through DCAM on behalf of the University entered into a lease agreement for the Civic Center with the City of Fitchburg and the Board of Trustees of the Civic Center. The lease commenced on October 1, 2007 and is for a term of 99 years. The lease provided for an initial nominal rent payment and is otherwise a net lease. Pursuant to the terms of the lease, the University has complete authority, at its sole discretion, to do all such acts and deeds as it deems reasonably necessary to manage, maintain and operate the Civic Center for the permitted uses specified in the lease agreement. The University is responsible for payment, from net revenues generated by its operation of the Civic Center, of all costs associated with the maintenance and operation of the Civic Center, and certain other payments as specified in the lease agreement. DCAM, at the instruction of the University and with 60 days prior written notice, may terminate the lease in the event that the University, in its sole discretion, determines that continuation of the lease is not in the interest of the University.

During fiscal 2007, the University commenced initial management, maintenance and operations activities at the Civic Center in anticipation of the lease agreement being executed. The Commonwealth of Massachusetts Legislature appropriated an aggregate amount of $2,500,000 for repairs and upgrades to the Civic Center. During fiscal 2008, the University made repairs and upgrades to the Civic Center for an aggregate cost of $2,477,381. The University engaged the services of a professional management company, Facilities Management Corporation ("FMC"), to assist with management, maintenance and operations activities of the ice-skating rink program at the Civic Center. The initial management contract expired on December 31, 2008.

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June 30, 2017 and 2016

On February 1, 2009, the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance on behalf of the University entered into a sublease agreement with FMC for a term of 25 years commencing on the date of the agreement. The sublease agreement is a net lease and, accordingly, FMC is responsible for all costs associated with the operations, management, and maintenance of the sublease premises as well as repairs and required capital improvements. The sublease premises consist of the facilities and related equipment associated with the operation of a public ice-skating rink program. The planetarium is not part of the sublease premises and it is not currently operational. FMC is also responsible for certain other payments for and on behalf of the University related to obligations in existence at the date the University initially assumed management of the Civic Center. During the term of the sublease agreement, FMC is required to pay the University monthly percentage rent based upon the actual gross revenues from its operations, as defined. During each of the first 10 years of the sublease term, no percentage rent is required.

Thereafter, for each of the years 11 through 25, percentage rent at the rate of 1% of actual gross revenues shall be due and payable on a monthly basis. However, in no event shall the aggregate amount of percentage rent paid by FMC during the sublease term be less than $107,155.

The University, officials of the City of Fitchburg, and the Board of Trustees of the Civic Center believe that their collective efforts will return the Civic Center to a vibrant place where the citizenries of the City of Fitchburg and its surrounding cities and towns can enjoy athletic, educational and cultural activities.

Supplementary Information

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of the University's Proportionate Share of the Net Pension Liability and Schedule of University Contributions
June 30, 2017

	2017	2016	2015	2014
University's proportion of the net pension liability (asset)	0.0912%	0.0878%	0.0684%	0.0695%
University's proportionate share of the net pension liability (asset)	$ 12,580,841	$ 9,995,092	$ 5,078,817	$ 6,192,668
University's covered payroll	$ 37,408,274	$ 37,167,634	$ 35,389,121	$ 33,794,553
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.63%	26.89%	14.35%	18.32%
Plan fiduciary net position as a percentage of the total pension liability	63.48%	67.87%	76.32%	70.31%

* The amounts presented for each fiscal year were determined as of 6/30.

	2017	2016	2015	2014
Contractually required contribution	$ 3,977,525	$ 3,799,572	$ 3,946,690	$ 2,912,032
Contributions in relation to the contractually required contribution	$ (3,977,525)	$ (3,799,572)	$ (3,946,690)	$ (2,912,032)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 37,408,274	$ 37,167,634	$ 35,389,121	$ 33,794,553
Contributions as a percentage of covered payroll	10.63%	10.22%	11.15%	8.62%

Notes: (1) This schedule is intended to present 10 years of data. Additional years will be presented when available.

(2) Beginning in 2017, the University began reporting covered payroll and the ratios that use that measure instead of covered-employee payroll and the ratios that used that measure in conformity with GASB Statement No. 82. All years presented prior to 2017 have been restated to reflect the implementation of GASB Statement No. 82.

See Independent Auditor's Report on Page 2 and Notes to Required Supplementary Information.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Notes to Required Supplementary Information
Year Ended June 30, 2017

Note 1 - Changes in benefit terms and assumptions

FY2016 Changes in Actuarial Assumptions

Changes in benefit terms

Chapter 176 of the Acts of 2011 created a one time election for eligible members of the Optional Retirement Plan ("ORP") to transfer to the Massachusetts State Employee's Retirement System ("MSERS") and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately $400 million as of June 30, 2016.

FY2015 Changes in Actuarial Assumptions

Changes in benefit terms

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

Changes in assumptions

The investment rate of return changed to 7.5% from 8%.

The mortality assumptions changed as follows:

- Pre-retirement - was changed to reflect the RP - 2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Employees table projected 20 years with Scale AA (gender distinct).
- Post-retirement - was changed to reflect the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct).
- Disability - was changed to the mortality rate assumed to be accordance with the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from the mortality rate assumed to be in accordance with the RP - 2000 Healthy Annuitant table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

The discount rate used to measure the total pension liability changed to 7.5% from 8%.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2017

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2017 are as follows:

Statements of Net Position

	Residence Hall Fund	Residence Hall Damage Fund
Assets:		
Cash	$ 1,445,141	$ 121,802
Cash held by State Treasurer	28,849	-
Investments	962,575	79,518
Prepaid expenses	5,038	-
Accounts receivable, net	108,569	24,481
Total assets	2,550,172	225,801
Liabilities:		
Accounts payable	78,686	-
Deposits	319,125	-
Salaries payable	31,107	-
Compensated absences	83,143	-
Total liabilities	512,061	-
Net position	$ 2,038,111	$ 225,801

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2017

The University's Residence Hall Fund and Residence Hall Damage Fund Statements of Revenues, Expenses and Changes in Net Position (presented in accordance with the Commonwealth of Massachusetts' Expenditure Classification plan) for the year ended June 30, 2017 are as follows:

	Residence Hall Fund	Residence Hall Damage Fund
Revenues		
Student fees	$ 9,361,998	$ -
Interest	28,107	1,393
Investment income (loss)	44,476	2,205
Commissions	46,522	-
Rentals	67,899	-
Room damage assessments	-	32,113
Miscellaneous	32,147	-
Total revenues	9,581,149	35,711
Expenses		
Regular employee compensation	1,175,623	-
Regular employee related expenses	11,610	-
Special employee/contract services	89,412	-
Pension and insurance	393,035	-
Facility operating supplies and related expenses	57,366	-
Administrative expenses	13,628	-
Energy and space rental	1,089,174	-
Consultant services	2,500	-
Operational services	15,301	-
Equipment purchases	35,130	13,176
Equipment lease - purchase, lease, rent, repair	22,909	-
Purchased client services & programs	105	-
Construction and improvements	437,561	-
Benefit program	32,194	-
Loans and special payments	6,175,634	-
Other - bad debt expense (recovery)	26,304	(768)
Information technology expenses	16,444	-
Total expenses	9,593,930	12,408
Transfers (in)/out		
Interdepartmental rental income	(67,974)	-
Printing	2,116	-
Total transfers	(65,858)	-
Total expenses and transfers	9,528,072	12,408
Increase (decrease) in net position	53,077	23,303
Net position - beginning of year	1,985,034	202,498
Net position - end of year	$ 2,038,111	$ 225,801

The above Statements of Revenues, Expenses and Changes in Net Position do not include an allocation of the current year charge for workers' compensation as estimated by the Commonwealth's actuarial review. It is not practical to allocate any such amount to any specific trust fund.

Supplementary Information and Reports
Required by the Uniform Guidance

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Independent Auditor's Report on Supplementary Information
Required by the Uniform Guidance

To the Board of Trustees
Fitchburg State University

We have audited the financial statements of the business-type activities and the discretely presented component unit of Fitchburg State University (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Fitchburg State University's basic financial statements, and our report thereon dated (Report Date), which included an emphasis of matter paragraph and which appears on page 3, expressed unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the 2017 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the 2017 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 financial statements or to the 2017 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2017 financial statements as a whole.

Boston, Massachusetts
(Report Date)

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Passed through to Subrecipients	Federal Expenditures
National Endowment for the Humanities			
Direct Programs			
Promotion of the Humanities - Office of Digital Humanities	45.169	-	$ 31,550
Subtotal Direct Programs			31,550
Total National Endowment for the Humanities			$ 31,550
U.S. Department of Education			
Direct Programs			
English Language Acquisition State Grants (TESEL: Transforming English and Schools for English Learners)	84.365Z	-	$ 311,491
TRIO Cluster:			
TRIO - Student Support Services	84.042	-	244,277
TRIO - Upward Bound	84.047	-	348,102
Total TRIO Cluster			592,379
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	-	245,710
Federal Work-Study Program	84.033	-	205,959
Federal Perkins Loan Program	84.038	-	1,726,823
Federal Pell Grant Program	84.063	-	6,370,441
Federal Direct Student Loans	84.268	-	23,100,260
Nursing Student Loans	93.364	-	439,996
Total Student Financial Assistance Cluster			32,089,189
Subtotal Direct Programs			32,993,059
Total U.S. Department of Education			$ 32,993,059
Total Federal Expenditures			$ 33,024,609

See Independent Auditor's Report on Supplementary Information on Page 92 and Notes to Schedule of Expenditures of Federal Awards.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA" or "Schedule") includes the federal award activity of Fitchburg State University (the "University"), under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Fitchburg State University has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Matching costs

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule.

Note 4 - Relationship to federal financial reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule.

Note 5 - Federal Direct Student Loans ("FDL")

The Schedule includes FDL ("CFDA 84.268") which are made directly by the U.S. Department of Education to individual students.

Note 6 - Federal Perkins Loan Program

The Federal Perkins Loan Program ("CFDA 84.038") is administered by Fitchburg State University. Fiscal year 2017 activity included loan funds disbursed of $114,720. The outstanding liability to the federal government under this loan program at June 30, 2017 totaled $1,619,081.

Note 7 - Nursing Student Loans

The Nursing Student Loan Program ("CFDA 93.364") is administered by Fitchburg State University. Fiscal year 2017 activity included loan funds disbursed of $28,500. The outstanding liability to the federal government under this loan program at June 30, 2017 totaled $418,831.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Fitchburg State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated (Report Date), which included an emphasis of matter paragraph as indicated on page 3.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Boston, Massachusetts
(Report Date)

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Fitchburg State University

Report on Compliance for Each Major Federal Program

We have audited Fitchburg State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fitchburg State University's major federal programs for the year ended June 30, 2017. Fitchburg State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fitchburg State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fitchburg State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fitchburg State University's compliance.

Opinion on Each Major Federal Program

In our opinion, Fitchburg State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Fitchburg State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fitchburg State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fitchburg State University's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Boston, Massachusetts
(Report Date)

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Fitchburg State University were prepared in accordance with generally accepted accounting principles.

2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses were reported.

3. No instances of noncompliance material to the financial statements of Fitchburg State University, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.

5. The auditor's report on compliance for the major federal award programs for Fitchburg State University expressed an unmodified opinion on all major federal programs.

6. There were no audit findings relating to the major federal award programs for Fitchburg State University that are required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.

7. The programs tested as major programs were:

Agency	Title	CFDA #
Student Financial Assistance Cluster:		
U.S. Department of Education	Federal Supplemental Educational Opportunity Grants	84.007
U.S. Department of Education	Federal Work-Study Program	84.033
U.S. Department of Education	Federal Perkins Loan Program	84.038
U.S. Department of Education	Federal Pell Grant Program	84.063
U.S. Department of Education	Federal Direct Student Loans	84.268
U.S. Department of Health and Human Services	Nursing Student Loans	93.364

8. The threshold for distinguishing between Type A and B Programs was $750,000.

9. Fitchburg State University was determined to be a low-risk auditee.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

B. Findings - Audit of Financial Statements

None

C. Findings and Questioned Costs - Audit of Major Federal Award Programs

None

Attachment B

Fitchburg State University

Foundation Inc. – DRAFT

Fitchburg State University Foundation, Inc.

Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2017

Fitchburg State University Foundation, Inc.

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Independent Auditor's Report

The Board of Directors
Fitchburg State University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Fitchburg State University Foundation, Inc. ("Foundation"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fitchburg State University Foundation, Inc. as of June 30, 2017, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Fitchburg State University Foundation, Inc., and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 15, 2016. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE on our consideration of Fitchburg State University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2017. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fitchburg State University Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fitchburg State University Foundation, Inc.'s internal control over financial reporting and compliance.

Boston, Massachusetts
REPORT DATE

Fitchburg State University Foundation, Inc.

Consolidated Statement of Financial Position
June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

Assets

	2017	2016
Cash and equivalents	$ 1,361,159	$ 1,185,537
Investments	16,861,905	15,256,246
Accrued investment income receivable	32,305	32,740
Accounts receivable	16,934	12,322
Contributions receivable, net	216,185	119,684
Prepaid expenses and other current assets	60,429	68,921
Property and equipment, net of accumulated depreciation	6,773,344	6,249,546
Other assets	85,266	87,916
Total assets	$ 25,407,527	$ 23,012,912

Liabilities and Net Assets

	2017	2016
Bank line of credit	$ 250,000	$ 250,000
Accounts payable, trade	252,602	51,171
Accrued interest payable	5,978	6,334
Deferred revenue	17,200	69,770
Notes payable - bank	533,121	553,081
First mortgage notes payable	3,099,522	2,500,722
Total liabilities	4,158,423	3,431,078
Net assets		
Unrestricted	5,350,542	5,311,277
Temporarily restricted	6,121,756	4,765,321
Permanently restricted	9,776,806	9,505,236
Total net assets	21,249,104	19,581,834
Total liabilities and net assets	$ 25,407,527	$ 23,012,912

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	2017 Total	2016 Total
Revenue and support					
Program revenues					
Gifts and donations	$ 156,845	$ 304,172	$ 245,750	$ 706,767	$ 568,443
Grants and contracts	-	392,700	-	392,700	25,005
Sales and services	106,886	187,749	-	294,635	309,095
Rental income	165,000	-	-	165,000	165,000
Residence hall income	523,798	-	-	523,798	478,962
License fee income	252,849	-	-	252,849	108,167
Contribution in kind income	146,401	-	-	146,401	135,896
Other revenue					
Interest and dividends	86,354	232,250	-	318,604	320,568
Gain (loss) on investments	387,516	1,063,487	-	1,451,003	(326,661)
Net assets released from restrictions	802,378	(802,378)	-	-	-
Reclassification of net assets	(4,275)	(21,545)	25,820	-	-
Total revenue and support	2,623,752	1,356,435	271,570	4,251,757	1,784,475
Expenses					
Program services	2,147,543	-	-	2,147,543	1,912,731
Management and general	295,484	-	-	295,484	318,354
Fundraising	141,460	-	-	141,460	112,214
Total expenses	2,584,487	-	-	2,584,487	2,343,299
Increase (decrease) in net assets	39,265	1,356,435	271,570	1,667,270	(558,824)
Net assets at beginning of year	5,311,277	4,765,321	9,505,236	19,581,834	20,140,658
Net assets at end of year	$ 5,350,542	$ 6,121,756	$ 9,776,806	$ 21,249,104	$ 19,581,834

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets	$ 1,667,270	$ (558,824)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
(Gain) loss on investments	(1,451,003)	326,661
Impairment losses	285,897	98,446
Depreciation	252,521	246,581
Discount on pledges	(802)	(1,243)
Bad debt expense	11,095	5,529
Amortization of debt issuance costs	3,469	3,467
Contributions restricted for long-term purposes	(245,750)	(159,498)
Contributions of investment securities	(3,147)	(6,426)
Contribution of property and equipment	(1,099)	-
Changes in assets and liabilities		
(Increase) decrease in assets		
Cash surrender value of life insurance	2,650	2,179
Accounts receivable	(4,612)	189
Accrued investment income receivable	435	(5,322)
Contributions receivable	(114,753)	26,034
Prepaid expenses and other current assets	(5,504)	(26,635)
Increase (decrease) in liabilities		
Accounts payable, trade	201,431	(87,516)
Accrued interest payable	(356)	(566)
Deferred revenue	(52,570)	62,975
Net cash provided by (used in) operating activities	545,172	(73,969)
Cash flows from investing activities		
Payments for property and equipment	(646,118)	(226,292)
Change in deposits for purchases of property	14,000	(17,000)
Proceeds from sale of investments	3,175,474	3,747,059
Purchase of investments	(3,326,984)	(3,854,189)
Proceeds from sale of property	-	70,000
Net cash provided by (used in) investing activities	(783,628)	(280,422)

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from financing activities		
Proceeds of first mortgage notes payable	338,000	-
Proceeds of bank line of credit	-	250,000
Payments on first mortgage notes payable	(157,671)	(144,462)
Payments on notes payable - bank	(19,960)	(19,383)
Collections of contributions restricted for long-term purposes	253,709	166,608
Net cash provided by financing activities	414,078	252,763
Net increase (decrease) in cash and equivalents	175,622	(101,628)
Cash and equivalents, beginning of year	1,185,537	1,287,165
Cash and equivalents, end of year	$ 1,361,159	$ 1,185,537

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

Note1 - Organization and summary of significant accounting policies

Organization

Fitchburg State University Foundation, Inc. (the "Foundation") was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University (the "University"), to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the University; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the University as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the University; and to encourage other activities necessary for, or incidental to, any or all of the foregoing. The following programs are supported under the auspices of the Foundation: Center Stage, Alumni Association, Women in Today's Society, Amelia V. Gallucci-Cirio endowment and the University's Booster Clubs.

FSU Foundation Supporting Organization, Inc. (the "Supporting Organization") was organized on October 29, 1999 to be a supporting organization operated, supervised and controlled for the exclusive benefit of the Foundation and all of its educational and charitable activities. As of June 30, 2016, the Supporting Organization's sole program activity has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and University.

The Foundation and the Supporting Organization are collectively referred to hereinafter as the Organization.

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Foundation and the Supporting Organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Professional standards require that a not-for-profit organization consolidate another not-for-profit organization if the reporting not-for-profit ("Foundation") has both control and an economic interest in the other not-for-profit organization ("Supporting Organization"). The Supporting Organization's Articles of Organization limit its activities to those that are for the exclusive benefit of the Foundation.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Method of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis, whereby income is recorded when earned and expenses recorded when incurred in the appropriate accounting period.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

Basis of presentation

The consolidated financial statements of the Organization are presented in accordance with guidance issued by the Financial Accounting Standards Board ("FASB") for the presentation of financial statements of Not-for-Profit Entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent the portion of expendable funds available for support of the Organization.

Temporarily restricted net assets represent contributions specifically restricted by the donor. Programs supported by the Organization operate under budgetary restrictions except for the Women in Today's Society program. Income earned from support derived by the Women in Today's Society program is restricted; ninety percent (90%) of such income is available for the Women in Today's Society program with ten percent (10%) available for general Organization expenses.

Permanently restricted net assets represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income, only, be used primarily for the granting of scholarships and to fund other academic and cultural programs. Earnings on certain permanently restricted net assets are specifically restricted by the donor.

Risks and uncertainties

The Organization maintains an investment portfolio consisting of a combination of U.S. Treasury securities and other government obligations, corporate bonds, equity securities and mutual funds that are invested in equity securities, bonds and other investment securities. The Organization's investments in equity securities, corporate bonds and mutual funds include both domestic and foreign investments. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization's investment account balances.

Revenue recognition

Contributions and bequests

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sales and services

Sales and services revenue primarily consists of revenue generated from various cultural programs, functions and events organized by the Organization. Revenue is recognized when the programs, functions and events have taken place and as services are performed. Revenues received for future programs, functions and events are deferred to the applicable year in which they are earned.

Rental and license fee income

Renting and leasing operations currently consist of leasing commercial space under a long-term lease agreement with the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance ("DCAM") on behalf of the University. In addition, the Organization granted the University an exclusive license to occupy, manage, maintain and operate certain other property owned by the Organization pursuant to License Agreements with initial terms of one year and automatic annual renewals thereafter. Rental and license fee income are recognized under the operating method as the rentals and license fees become due. Rental and license fee payments received in advance are deferred until earned.

Residence hall income

Residence hall fees are recognized when earned.

Cash and investments

The Organization maintains cash and an investment pool that is available for use by all funds. Each fund's portion is reflected in the consolidated financial statements under cash and equivalents and investments. Earnings on cash and investments of the unrestricted net assets and temporarily restricted net assets are reflected in the fund in which the assets are recorded.

Accounts receivable

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual account balances. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

Investments consist of debt, marketable equity securities, mutual funds and other investments which are carried at their fair values. Unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net assets, unless a donor or law temporarily or permanently restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold. Investment income is recognized when earned. Dividends are recorded on the ex-dividend date.

The Organization's investment policy consists of a target asset allocation range of 50% to 70% equity securities, 30% to 50% fixed income securities and up to 10% in cash and equivalents.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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Endowments

The Organization's endowments consist of approximately 100 and 90 individual funds at June 30, 2017 and 2016, respectively, that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. No funds have been designated by the Board of Directors to function as endowments as of June 30, 2017. In accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Organization has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Organization and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Organization, and (vii) the investment policies of the Organization.

Investment and spending policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds, if any. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a variety of investments that aim to preserve principal, generate income and provide the opportunity for conservative growth.

The Organization's performance goals are to provide an average annual total rate of return, net of fees, that equals or exceeds its spending rate plus inflation ("CPI") over a rolling five-year period. Additionally, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the average return of appropriate capital market indices weighted by the Organization's asset allocation target percentages over a rolling five-year period. The Organization's performance goals are also intended to produce results that equal or exceed the average return of a universe of similarly managed funds. The Organization's performance goals are based upon a long-term investment horizon. Accordingly, actual returns in any given year may vary from these amounts.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a spending policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the preceding three years. The amount to be appropriated for distribution shall not exceed 5%. In establishing this policy, the Organization considered the long-term expected return on its endowment fund assets. Accordingly, over the long-term, the Organization expects the current spending policy to be consistent with the Organization's objective of seeking to maintain the purchasing power of the endowment fund assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2017 and 2016, there were no deficiencies of this nature.

Property and equipment
Property and equipment are recorded at cost, if purchased or constructed and, if donated, at fair value at the time of the donation. Property and equipment are depreciated on the straight-line method over their estimated useful lives of 40 years for buildings, 20 years for building and land improvements, 7 and 10 years for furniture and fixtures, 5 years for equipment and 3 years for computer software and equipment. Depreciation commences when the asset is placed in service.

Generally, all additions and improvements with an individual cost or, if donated, fair value in excess of $5,000 are capitalized to property and equipment.

Impairment of long-lived assets
The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by obtaining a market appraisal or by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the first mortgage notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Consolidated statement of cash flows
For purposes of the consolidated statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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Income taxes

The Foundation and the Supporting Organization are classified by the Internal Revenue Service as "publicly supported organizations" exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation or Supporting Organization's tax-exempt purposes are subject to taxation as unrelated business income. The Foundation has unrelated business income for the years ended June 30, 2017 and 2016. The income and related income taxes thereon, which are not material, are included in the accompanying consolidated financial statements. The Supporting Organization had no unrelated business income for the years ended June 30, 2017 and 2016.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the consolidated financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of June 30, 2017. Any changes in tax positions will be recorded when the ultimate outcome becomes known. Accrued interest and penalties associated with uncertain tax positions, if any, are recognized as a part of interest expense and miscellaneous other expenses, respectively, in the accompanying consolidated statements of activities. The Foundation and Supporting Organization have no accrued interest and penalties associated with uncertain tax positions at June 30, 2017 and 2016 and none were incurred during the years then ended. The Foundation and Supporting Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2014, 2015, and 2016.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Summarized comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the fiscal 2016 financial statements to conform to the fiscal 2017 presentation.

Subsequent events

The Organization has evaluated subsequent events through [REPORT DATE], which is the date these consolidated financial statements were available to be issued.

Recently adopted accounting pronouncement

During fiscal 2017, the Organization adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. This change in accounting principle under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Organization on a retrospective basis. As a result, as of June 30, 2016, $27,268 of debt issuance costs, net of

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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accumulated amortization, related to the Organization's mortgage notes payable were reclassified in the statement of financial position from other assets to first mortgage notes payable and for the year ended June 30, 2016, $3,470 of amortization expense related to such debt issuance costs was reclassified to interest expense on the statement of activities, with no effect on previously reported increase (decrease) in net assets. Other than these reclassifications, the adoption of ASU 2015-03 did not have a material impact on the Organization's financial position, changes in net assets or cash flows.

Note 2 - Cash and equivalents

Cash and equivalents consist of the following at June 30:

	2017	2016
Cash and other demand deposits	$ 708,072	$ 600,755
Money market funds	653,087	584,782
	$ 1,361,159	$ 1,185,537

Money market funds include the SSgA US Government Money Market Fund in the aggregate amount of $51,013 and $208,180 at June 30, 2017 and June 30, 2016, respectively. The SSgA US Government Money Market Fund invests in obligations of the U.S. Government, or its instrumentalities with remaining maturities of one year or less. The fund seeks to maximize current income to the extent consistent with the preservation of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2017 and 2016, the fund's investment securities had a weighted average maturity of 25 days and 28 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2017 and 2016, respectively.

Money market funds include the Schwab Advisor Cash Reserves Fund in the aggregate amount of $79,744 at June 30, 2016. No amounts were included in the Schwab Advisor Cash Reserves at June 30, 2017. The Schwab Advisor Cash Reserves Fund invests in high-quality short-term money market investments issued by U.S. and foreign issuers. The fund's goal is to seek the highest current income consistent with stability of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2016, the fund's investment securities had a weighted average maturity of 47 days. The fund was not rated for average credit quality at June 30, 2016.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $68,472 at June 30, 2017. No amounts were included in the Goldman Sachs Financial Square Government Fund at June 30, 2016. The Goldman Sachs Financial Square Government Fund invests in U.S. Government securities and repurchase agreements. The fund seeks to maximize current income to the extent consistent with the preservation of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2017, the fund's investment securities had a weighted average maturity of 24 days. The fund had an average credit quality rating of AAAm at June 30, 2017.

Money market funds include the RWM Cash Management Money Market account in the aggregate amount of $91,288 and $155,349 at June 30, 2017 and 2016, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management Money Market account with a balance of $442,314 and $141,509 at June 30, 2017 and 2016, respectively.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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The Organization maintains its operating cash balances in financial institutions located in Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2017 and 2016, the Organization's uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Goldman Sachs Financial Square Government Fund, Schwab Advisor Cash Reserves Fund, Fidelity Bank LifeDesign Business Cash Management Money Market account and RWM Cash Management Money Market account, amounted to approximately $706,700 and $430,200, respectively.

The Organization's cash balances fluctuate throughout the year and may exceed insured limits from time-to-time. The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalent balances.

Note 3 - Investments

Investments are included at their fair values in the accompanying consolidated financial statements and consist of the following at June 30:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,735,924	$ 8,765,351	$ 5,839,660	$ 8,109,970
Preferred stocks	95,092	97,245	107,779	112,925
Mutual funds	4,100,943	4,480,726	3,665,172	3,676,250
Corporate bonds	1,570,558	1,579,007	1,586,976	1,630,038
U.S. government securities	1,954,323	1,939,576	1,693,568	1,727,063
	$ 13,456,840	$ 16,861,905	$ 12,893,155	$ 15,256,246

At June 30, 2017 and 2016, net unrealized gains in the Organization's investment portfolio amounted to $3,405,065 and $2,363,091, respectively.

At June 30, 2017 and 2016, equities include securities in the consumer goods sector which represent 17% and 21%, respectively, of the fair value of the Organization's investment portfolio.

At June 30, 2017 and 2016, 8% of the fair value of the Organization's investment portfolio represents foreign investments.

Investments with an equivalent fair value of $10,204,500 at June 30, 2017 collateralize certain debt agreements (see Notes 8 and 10).

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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At June 30, 2017, the fair value of investments in debt securities by contractual maturities is as follows:

	Maturity Within 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total
Corporate bonds	$ 261,280	$ 853,493	$ 464,234	$ -	$ 1,579,007
U.S. government securities	400,388	1,187,142	352,046	-	1,939,576
	$ 661,668	$ 2,040,635	$ 816,280	$ -	$ 3,518,583

Realized and unrealized gains (losses) on investments are shown net in the consolidated statement of activities. The components (representing the year-to-year activity) for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Net realized gains (losses)	$ 409,035	$ 193,242
Net unrealized gains (losses)	1,041,968	(519,903)
Net gains (losses) on investments	$ 1,451,003	$ (326,661)

The Organization incurred investment management fees of $96,279 in 2017 and $100,290 in 2016, which are included in management and general expenses in the consolidated statement of activities.

The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2017.

	Less than 12 months		12 months or greater		Total	
Description of investments	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equities	$ 193,887	$ 13,556	$ 373,822	$ 54,147	$ 567,709	$ 67,703
Preferred stocks	31,555	480	6,273	190	37,828	670
Mutual funds	545,899	9,090	890,363	43,684	1,436,262	52,774
Corporate bonds	629,238	9,318	-	-	629,238	9,318
U.S. government securities	777,915	10,587	246,080	13,142	1,023,995	23,729
Total	$ 2,178,494	$ 43,031	$ 1,516,538	$ 111,163	$ 3,695,032	$ 154,194

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2016.

Description of Investments	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equities	$ 1,076,971	$ 166,630	$ 326,590	$ 75,339	$ 1,403,561	$ 241,969
Preferred stocks	6,358	26	6,422	40	12,780	66
Mutual funds	1,235,651	68,620	949,649	119,257	2,185,300	187,877
Corporate bonds	30,397	148	50,321	223	80,718	371
U.S. government securities	-	-	303,549	9,475	303,549	9,475
Total	$ 2,349,377	$ 235,424	$ 1,636,531	$ 204,334	$ 3,985,908	$ 439,758

Equities and preferred stocks

The Organization has 91 investments in equities, of which 8 were in an unrealized loss position at June 30, 2017. The Organization also has 15 investments in preferred stocks, of which 6 were in an unrealized loss position at June 30, 2017. The fluctuation in the equity securities and preferred stocks reflects general economic conditions and current changes in the industries of the companies in which the securities are held. The Organization has evaluated the severity and duration of the impairments. Based on that evaluation and the Organization's ability and intent to hold these investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2017.

Mutual funds

The Organization has 26 mutual fund investments, of which 12 were in an unrealized loss position at June 30, 2017. The mutual funds are invested in equities and debt securities of companies in diverse industries and reflect current general economic conditions. The Organization has evaluated the severity and duration of the impairments. Based on that evaluation and the Organization's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2017.

Corporate bonds

At June 30, 2017, the Organization's investments in corporate debt securities were in the form of interest-bearing securities of top-rated corporate issuers. The Organization has 37 corporate debt security investments, of which 14 are in an unrealized loss position at June 30, 2017. The securities in an unrealized loss position are comprised of fixed-rate debt securities of varying maturities. The value of fixed income securities is sensitive to interest rate fluctuations and the credit rating of the issuer.

There have been no indications of default on interest or principal payments by the issuers. The Organization does not intend to sell nor does it believe it would be required to sell the corporate bonds before their anticipated market value recovery. Accordingly, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2017.

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U.S. government obligations

The Organization has 19 U.S. government investment securities at June 30, 2017, of which 11 were in an unrealized loss position as a result of interest rate fluctuations. The contractual terms of the investments do not allow the issuer to settle the securities at a price less than the amortized cost of the investment. The Organization does not intend to sell nor does it believe it would be required to sell these investment securities before their anticipated market value recovery. Accordingly, the Organization does not consider the investments to be other-than-temporarily impaired at June 30, 2017.

The endowment net asset composition by type of fund at June 30, 2017 is as follows:

Fund type	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$ 5,041,099	$ 9,776,806	$ 14,817,905

Changes in the endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 4,130,783	$ 9,505,236	$ 13,636,019
Investment return			
Investment income	231,627	-	231,627
Appreciation (depreciation), realized and unrealized	1,060,615	-	1,060,615
Total investment return	1,292,242	-	1,292,242
Contributions	12,140	245,750	257,890
Other income	-	-	-
Appropriation of endowment assets for expenditure	(284,794)	-	(284,794)
Investment management fees	(70,933)	-	(70,933)
Reclassification of net assets	(13,794)	25,820	12,026
Endowment net assets, end of year	$ 5,065,644	$ 9,776,806	$ 14,842,450

The endowment net asset composition by type of fund at June 30, 2016 is as follows:

Fund type	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$ 4,130,783	$ 9,505,236	$ 13,636,019

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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Changes in the endowment net assets for the year ended June 30, 2016 are as follows:

	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 4,460,118	$ 9,262,680	$ 13,722,798
Investment return			
Investment income	226,789	-	226,789
Appreciation (depreciation), realized and unrealized	(232,406)	-	(232,406)
Total investment return	(5,617)	-	(5,617)
Contributions	10,957	159,498	170,455
Other income	14,480	-	14,480
Appropriation of endowment assets for expenditure	(241,969)	-	(241,969)
Investment management fees	(71,352)	-	(71,352)
Reclassification of net assets	(35,834)	83,058	47,224
Endowment net assets, end of year	$ 4,130,783	$ 9,505,236	$ 13,636,019

Note 4 - Contributions receivable, net

Contributions receivable consist of the unpaid balances (net of discount and any allowance for uncollectible contributions) made on behalf of the Organization. The majority of the contributions receivable are generally pledged from North Central Massachusetts area contributors. The year-end balances are exclusive of potential contributions to be received as part of corporate matching gift programs. Unpaid Alumni Association telethon contributions from the previous fall and spring telethon campaigns are written off at the end of each fiscal year.

Contributions receivable consist of the following at June 30:

	2017	2016
Receivable in less than one year	$ 136,800	$ 81,701
Receivable in one to five years	80,600	40,000
	217,400	121,701
Discount on pledges	(1,215)	(2,017)
	$ 216,185	$ 119,684

Contributions which are to be received in more than one year are reflected net of a discount determined at the time of the contribution ranging from 1% to 2%.

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Note 5 - Fair value measurements

FASB's guidance on fair value measurements established a new framework for measuring fair value of assets and liabilities and expanded related disclosures. FASB's guidance requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance established a three-level valuation hierarchy based upon observable and non-observable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. Preference is given to observable inputs.

The fair value hierarchy under the guidance is as follows:

Level 1 - Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The guidance requires the use of observable data if such data is available without undue costs and effort.

When available, the Organization uses unadjusted quoted market prices to measure the fair value and classifies such items within Level 1. Level 1 securities primarily include publicly-traded equity securities and mutual funds.

When quoted market prices are unobservable, the Organization uses quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. At June 30, 2017 and 2016, Level 2 securities consist primarily of corporate fixed income securities, U.S. government securities and preferred stocks.

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

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The fair value of assets measured on a recurring basis at June 30, 2017 is as follows:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities	$ 8,765,351	$ 8,765,351	$ -	$ -
Preferred stocks	97,245	-	97,245	-
Mutual funds	4,480,726	4,480,726	-	-
Corporate bonds	1,579,007	-	1,579,007	-
U.S. government securities	1,939,576	-	1,939,576	-
Total	$ 16,861,905	$ 13,246,077	$ 3,615,828	$ -

The fair value of assets measured on a recurring basis at June 30, 2016 is as follows:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities	$ 8,109,970	$ 8,109,970	$ -	$ -
Preferred stocks	112,925	-	112,925	-
Mutual funds	3,676,250	3,676,250	-	-
Corporate bonds	1,630,038	-	1,630,038	-
U.S. government securities	1,727,063	-	1,727,063	-
Total	$ 15,256,246	$ 11,786,220	$ 3,470,026	$ -

Fitchburg State University Foundation, Inc.

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Note 6 - Property and equipment

Property and equipment at June 30, 2017 and 2016 consist of the following:

	2017	2016
Real estate under lease		
Land	$ 402,663	$ 402,663
Building	1,557,724	1,557,724
Building improvements	100,452	100,452
	2,060,839	2,060,839
Real estate used for student housing		
Land	253,555	253,555
Building	434,225	434,225
Building improvements	28,600	28,600
	716,380	716,380
Real estate used for faculty and staff housing		
Land	18,766	18,766
Building	82,099	82,099
	100,865	100,865
Other		
Land	2,314,252	1,895,081
Land improvements	158,127	158,127
Buildings	1,166,972	810,923
Building improvements	1,109,006	1,109,006
Equipment	117,429	116,330
Computer software	641,878	641,878
Furniture and fixtures	60,773	60,773
Library materials	6,570	6,570
	5,575,007	4,798,688
	8,453,091	7,676,772
Less accumulated depreciation	1,679,747	1,427,226
Property and equipment, net	$ 6,773,344	$ 6,249,546

Accumulated depreciation on real estate under lease amounted to $472,946 and $428,981 at June 30, 2017 and 2016, respectively. Accumulated depreciation on real estate used for student housing amounted to $120,663 and $108,377 at June 30, 2017 and 2016, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $5,131 and $3,079 at June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, property and equipment with a cost of approximately $507,100 and $464,300, respectively, were fully depreciated and still in service.

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On July 12, 2016, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $141,374. The Supporting Organization razed the building and created green space during the year ended June 30, 2017. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $32,983 resulting in an impairment charge to operations in the amount of $108,391.

On July 14, 2016, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $81,098. The Supporting Organization razed the building and created green space during fiscal 2017. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $14,638 resulting in an impairment charge to operations in the amount of $66,460.

The July acquisitions were funded with operating cash of the Supporting Organization in the amount of $147,472 and the proceeds of an advance in the amount of $75,000 from the Foundation.

On November 4, 2016, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Supporting Organization's mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $360,305. The Supporting Organization intends to use the property for academic support and a theater renovation. Renovations are expected to commence in fiscal year 2018 (see Note 17). The acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 9).

On November 8, 2016, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $183,914. The Supporting Organization intends to use this property for faculty housing. A contract for the renovations is not expected to be executed until the latter part of calendar year 2017. The acquisition was financed, in part, with a mortgage note on the property in the amount of $135,000 (see Note 9).

On May 24, 2017 and June 16, 2017, the Supporting Organization acquired two properties in close proximity to the Fitchburg State University campus. The properties, including land only, were acquired for a cost of $126,926 and $30,506, respectively. The Supporting Organization intends to use the land as green space.

On June 5, 2017, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $136,995. The Supporting Organization intends to raze the building and create green space. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $25,949 resulting in an impairment charge to operations in the amount of $111,046.

The fair values of the properties for which impairment losses were recorded in fiscal 2017 were measured using significant unobservable inputs (Level 3) pursuant to the FASB's guidance on fair value measurements. The fair values of the properties were determined based upon the property assessment values at the purchase dates.

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The impairment charges (noncash accounting charges) to operations on the above properties are included in the program services line item in the accompanying 2017 statement of activities and had no impact on the Organization's fiscal 2017 cash flow or its ability to generate cash flow in the future.

The May and June 2017 acquisitions were funded in part with the proceeds of $250,000 drawn in May 2017 on the Supporting Organization's bank line of credit (see Note 8).

In fiscal 2016, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Supporting Organization's mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $119,803 (see Note 9). The Supporting Organization razed the building and created green space. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $21,357. The impairment charge (a noncash accounting charge) to operations in the amount of $98,446 is included in the program services line item in the accompanying 2016 statement of activities and had no impact on the Organization's fiscal 2016 cash flow or its ability to generate cash flow in the future.

The fair value of the property was measured using significant unobservable inputs (Level 3) pursuant to the FASB's guidance on fair value measurements. The fair value of the property was determined based upon the property assessment value at the purchase date.

Note 7 - Other assets

Other assets at June 30, 2017 and 2016 consist of the cash surrender value of life insurance in the amount of $46,241 and $48,891, respectively, and an art collection in the amount of $39,025 in both years.

Note 8 - Lines of credit

Foundation

On April 2, 2015, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permitted the Foundation to borrow up to $250,000. The line of credit agreement expired on March 17, 2017. At June 30, 2016, $250,000 was outstanding on the line of credit. The line of credit provided for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At June 30, 2017 and 2016, the effective interest rate was 6% per annum. For the years ended June 30, 2017 and 2016, interest expense incurred on borrowings under this line of credit amounted to $9,576 and $4,078, respectively. There were no new borrowings under the line during 2017.The borrowings under the line, during 2016, were advanced to the Supporting Organization. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Supporting Organization.

On August 23, 2017, the Foundation renewed, under substantially the same terms, its demand revolving working capital line of credit agreement which expired on March 17, 2017. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% of the pledged investment collateral unless otherwise approved by the lender. The line of credit provides for interest at 5.25% through September 1, 2017 and, thereafter, at the Wall Street Journal Prime Rate (currently 4.25%) plus 1%. The interest rate charged to the Foundation may not exceed a rate of 18%. Borrowings under the line are secured by investments with an equivalent fair value of approximately $8,088,500 at June 30, 2017. The line is also collateralized by all funds held by

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the lender. At June 30, 2017, the Foundation has total cash balances of $58,329 held by the lender. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part without premium or penalty. The line of credit agreement expires on March 25, 2022.

Supporting Organization
On August 18, 2016, the Supporting Organization entered into a demand unsecured revolving line of credit agreement with Rollstone Bank and Trust which permits the Supporting Organization to borrow up to $250,000. The line of credit provides for interest at the Wall Street Journal Prime Rate less .25% (effective rate of 4% at June 30, 2017). For the year ended June 30, 2017, interest expense incurred on borrowings under this line of credit amounted to $2,470. The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, under the same terms and conditions of the previous agreement. On November 30, 2017, the line of credit will be up for renewal. The Supporting Organization may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty. The line of credit agreement contains, among other covenants, the maintenance of a debt service coverage rate, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. As of June 30, 2017, the Supporting Organization has made payments of $110,000 and borrowings of $360,000 under the line of credit agreement. The balance outstanding as of June 30, 2017 is $250,000.

Note 9 - First mortgage notes payable

Foundation
The Foundation has a mortgage note payable in the original amount of $550,000, dated April 16, 2008, with Fidelity Cooperative Bank. The proceeds of the note were used to acquire certain real estate properties on the Fitchburg State University campus. The note is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Furthermore, any and all deposits held by the lender serve as additional collateral for the loan.

The loan agreement has a term of 20 years and provided for a fixed rate of interest of 5.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate was to be fixed at the Federal Home Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final 10 years of the term of the loan plus 118 basis points. The interest rate was adjusted to 4.27% per annum for the remainder of the loan term pursuant to the provisions of a change in terms agreement dated October 19, 2016. The loan required monthly installments of principal and interest of $3,862 through October 16, 2016. Thereafter, the loan requires monthly installments of principal and interest of $2,454 commencing on November 16, 2016 with a final principal payment due in the amount of $210,752 at the loan's maturity date of April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2017 and 2016, the outstanding principal balance of this mortgage note payable amounted to $385,211 and $401,297, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $18,734 and $24,128, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 13,029
2019	13,605
2020	14,205
2021	14,833
2022	15,488
Thereafter	314,051
Total balance due	$ 385,211

Supporting Organization

In August 2006, the Supporting Organization acquired land and a building consisting of 4,179 square feet of office space and 53,429 square feet of warehouse space located in Fitchburg, Massachusetts near the University campus. The entire property has been leased to DCAM on behalf of the University (see Note 11). The University is currently using the property for its print services, maintenance, shipping and receiving and financial services.

The acquisition and related costs were funded with the proceeds of an offering of tax-exempt revenue bonds, Massachusetts Development Finance Agency Revenue Bonds, FSC Foundation Supporting Organization Issue, Series 2006 (the "bonds"), dated August 1, 2006, in the amount of $1,900,000, issued by the MDFA, pursuant to a Loan and Trust Agreement. People's United Bank, as successor in interest to Chittenden Trust Company, is the bond Trustee. MDFA assigned all of its rights, title, and interest in and to the loan and related loan documents to the bond Trustee as security for repayment of the bonds. The loan is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Payment and performance of the Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of 20 years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $13,154 through August 16, 2011 and $12,306 until August 16, 2016. The interest rate was adjusted to 3.5% per annum on August 16, 2016 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $11,739 until the next five-year interval adjustment date of August 16, 2021. The loan matures on August 16, 2026. The loan agreement requires the Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

The mortgage note was issued pursuant to the Loan and Trust Agreement and related loan documents and is subject to and governed by the terms and conditions of those agreements. The loan may be prepaid in accordance with the terms of the Loan and Trust Agreement for prepayment of the bonds as more fully described in the Loan and Trust Agreement.

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The loan documents contain cross default provisions with the DCAM lease.

As of June 30, 2017, the outstanding principal balance of the loan of $1,100,877, less net debt issuance costs of $23,801, amounted to $1,077,076.

As of June 30, 2016, the outstanding principal balance of the mortgage note payable of $1,199,159, less net debt issuance costs amounted to $27,268, amounted to $1,171,891.

Debt issuance costs, net of accumulated amortization, totaled $23,801 and $27,268 as of June 30, 2017 and 2016, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2017 and 4.68% as of June 30, 2016.

For the years ended June 30, 2017 and 2016, interest expense (including amortization of debt issuance costs) on this mortgage note payable amounted to $46,292 and $60,464, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 103,466
2019	107,198
2020	110,984
2021	115,067
2022	119,217
Thereafter	544,945
Total balance due	$ 1,100,877

Workers' Credit Union ("WCU") provided financing to the Supporting Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The note is secured by a first mortgage interest in certain real estate owned by the Supporting Organization and an assignment of certain related leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2017 and 2016, the Supporting Organization has total cash balances of $6,308 and $5,660, respectively, held at WCU which serve as additional collateral for the loan.

The mortgage note has a term of 10 years, expiring on February 27, 2019, and provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of $4,714, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are $4,422 based on a 20-year principal amortization.

As of June 30, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $599,769 and $622,287, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note amounted to $30,532 and $30,282, respectively.

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Aggregate principal maturities on the loan for each of the remaining years to maturity at June 30, 2017 are as follows:

Year		Amount
2018	$	23,677
2019		576,092
Total balance due	$	599,769

Rollstone Bank & Trust provided financing to the Supporting Organization in the form of a note, dated December 22, 2014 in the amount of $240,000. The note is secured by a first mortgage interest in the real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note has a term of 20 years, maturing on December 22, 2034, and provides for a fixed rate of interest of 3.25% per annum. The loan requires monthly installments of principal and interest of $1,367 based on a 20-year principal amortization. The loan agreement requires the Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

As of June 30, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $217,912 and $226,969, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $7,296 and $7,649, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year		Amount
2018	$	9,361
2019		9,674
2020		9,980
2021		10,331
2022		10,678
Thereafter		167,888
Total balance due	$	217,912

Fidelity Co-Operative Bank provided financing to the Supporting Organization in the form of a note, dated June 26, 2013, in the amount of $83,200. The note is secured by a first mortgage interest in the real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note has a term of 20 years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 2.75% per annum. The loan requires monthly installments of principal and interest of $376 until the next five-

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year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Supporting Organization.

As of June 30, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $76,518 and $78,281, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $2,749 and $2,818, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 1,826
2019	1,892
2020	1,953
2021	2,030
2022	2,104
Thereafter	66,713
Total balance due	$ 76,518

In October 2016, Fidelity Co-Operative Bank provided financing to the Supporting Organization in the form of a promissory note, dated October 19, 2016, in the amount of $118,000. The proceeds of the loan were used to reimburse the Supporting Organization for the acquisition, at a cost of $119,803, of a real estate property located at 198 Pearl Street in Fitchburg, Massachusetts in February 2016 (see Note 6). The note is secured by a Negative Pledge Agreement on the property.

The promissory note has a term of 10 years, maturing on October 21, 2026, and provides for a fixed rate of interest of 4.11% per annum. Commencing on November 21, 2016, the loan requires monthly installments of principal and interest of $726 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance and any accrued interest thereon is due and payable. The note provides for the prepayment of all or a portion of the amount owed without penalty. The business loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the business loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Supporting Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $115,273.

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For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $2,666.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 3,973
2019	4,142
2020	4,306
2021	4,501
2022	4,692
Thereafter	93,659
Total balance due	$ 115,273

In January 2017, Fidelity Co-Operative Bank provided financing to the Supporting Organization in the form of a promissory note, dated January 13, 2017, in the amount of $220,000. The proceeds of the loan were used to reimburse the Supporting Organization for the acquisition, at a cost of $222,472, of two real estate properties located at 9 Clinton Street and 85-87 Pearl Street in Fitchburg, Massachusetts in July 2016 (see Note 6). The note is secured by a Negative Pledge Agreement on the properties.

The promissory note has a term of 10 years, maturing on January 13, 2027, and provides for a fixed rate of interest of 4.76% per annum. Commencing on February 13, 2017, the loan requires monthly installments of principal and interest of $1,431 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance and any accrued interest thereon is due and payable. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross collateralized with any and all other loans made by the lender to the Supporting Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $216,683.

For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $4,858.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

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Year	Amount
2018	$ 6,838
2019	7,176
2020	7,504
2021	7,901
2022	8,291
Thereafter	178,973
Total balance due	$ 216,683

In November 2016, Hometown Bank provided financing to the Supporting Organization in the form of a commercial note, dated November 8, 2016, in the amount of $135,000. The proceeds of the loan were used for the acquisition, at a cost of $183,914, of a real estate property located at 132 Highland Avenue in Fitchburg, Massachusetts (see Note 6). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

The commercial note has a term of 25 years, maturing on November 8, 2041, and provides for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan requires monthly installments of principal and interest of $779 based on a 25 year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity. The loan agreement requires the Supporting Organization to maintain a minimum earnings before interest, taxes, depreciation, amortization and rent to related entities and after distributions of not less than 1.25 times annual principal and interest payments plus dividends to be tested annually.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $133,364.

For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $3,680.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 2,916
2019	3,061
2020	3,214
2021	3,374
2022	3,542
Thereafter	117,257
Total balance due	$ 133,364

In November 2016, Enterprise Bank and Trust Company provided financing to the Supporting Organization in the form of a promissory note, dated November 4, 2016, in the amount of $280,000. The proceeds of the loan were used for the acquisition, at a cost of $360,305, of a real estate property located at 689-717 Main Street in Fitchburg, Massachusetts (see Note 6). The note is secured by a first mortgage interest in the property and an assignment or rents on the property.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

The promissory note has a term of 10 years, maturing on November 4, 2026, and thereafter is payable on demand. The note provides for a fixed rate of interest of 4.33% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at ten-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Ten Year Regular Rate plus 1.95% per annum. Commencing on January 1, 2017, the loan requires monthly installments of principal and interest of $1,401 based on a 30 year principal amortization schedule. If the note is prepaid in whole or in part during the first 117 months of each fixed rate period for the purpose of refinancing the note with another financial institution, the note provides for a prepayment penalty equal to 3% of any principal reduction. Except for the forgoing, the note may be prepaid in whole or in part without penalty. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Supporting Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $277,716.

For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $7,089.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 4,712
2019	4,923
2020	5,143
2021	5,374
2022	5,614
Thereafter	251,950
Total balance due	$ 277,716

Note 10 - Note payable - bank

Supporting Organization

In May 2007, the Supporting Organization acquired land and a building consisting of six apartment units at a total cost of $504,479, including related acquisition costs. The Supporting Organization also acquired an adjacent parcel of land at a cost of $183,301. The properties are located in the area surrounding the Fitchburg State University campus. The apartments are being used by the University as additional student housing for which the Supporting Organization receives residence hall fees.

The acquisitions were funded with the proceeds of a note payable in the amount of $680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investments owned by the Foundation with a fair value of approximately $2,116,000 and $1,981,000 at June 30, 2017 and 2016, respectively. In addition, payment and performance of the Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The promissory note has a term of 30 years, expiring on May 5, 2037, and provides for a fixed rate of interest of 6% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (April 26, 2012, 2017, 2022, 2027 and 2032) to the Federal Home

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The interest rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $4,122 through May 7, 2012 and $2,875 until April 26, 2017. The interest rate was adjusted to 3.49% per annum on April 26, 2017 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $3,115 until the next five-year interval adjustment date of April 26, 2022. The note may be prepaid at any time, in whole or in part, without premium or penalty.

As of June 30, 2017 and 2016, the outstanding principal balance of the loan amounted to $533,121 and $553,081, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $14,680 and $14,953, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 18,967
2019	19,498
2020	20,152
2021	20,924
2022	21,677
Thereafter	431,903
Total balance due	$ 533,121

Note 11 - Lease and license agreements

As disclosed in Note 9, the Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006 and expired on August 16, 2016. The lease provided for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University was also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease continued in effect, after its expiration, under the same terms and conditions until March 9, 2017 when the Supporting Organization signed a new 10 year lease with the same terms and conditions as the previous agreement. The new lease agreement became effective as of August 16, 2016. For the years ended June 30, 2017 and 2016, rental income amounted to $165,000 in each year.

The following is a schedule of future minimum rental income under the new operating lease agreement at June 30, 2017:

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

Year ending June 30,	Amount
2018	$ 165,000
2019	165,000
2020	165,000
2021	165,000
2022	165,000
Later years	680,625
	$ 1,505,625

On August 6, 2008, the Supporting Organization entered into a 10-year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and expires on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provided for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease, there will be a 7.5% increase at the commencement of each three-year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to $18,947 for the next three-year period of the lease term, payable in monthly installments of $1,579. On July 1, 2014, the Supporting Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above mentioned office space and extending the lease term through June 30, 2019. The amended lease provides for a base annual rent of $28,495 for each of the first three years of the lease term, payable biannually in installments of $14,247. On July 1, 2017, the annual rent on the lease shall increase by 7.5% to $30,632. The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time with the payment of two months' base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2017 and 2016, rent expense amounted to $28,495 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 30,632
2019	30,632
	$ 61,264

On February 1, 2013, the Supporting Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time after February 1, 2014 with the payment of two months base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2017 and 2016, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 5,696
2019	5,696
2020	5,696
2021	5,696
2022	5,696
Later years	3,323
	$ 31,803

On June 25, 2015, the Supporting Organization entered into an operating lease agreement with an unrelated third party for a building containing residential suites designed for use as a dormitory for college students. The lease commenced on August 1, 2015 and expired on May 31, 2016. The lease provided for annual rent of $220,000 to be paid in two installments of $110,000 each on August 1, 2015 and January 1, 2016. In July 2016, the Supporting Organization extended the initial term of the lease under the same terms and conditions for the period August 1, 2016 through May 31, 2017. Subject to availability, the Supporting Organization may extend the term of the lease, under the same terms and conditions for the periods June 1, 2017 through July 31, 2017 and August 1, 2017 through May 31, 2018. The Supporting Organization did not renew the lease for an additional term after the expiration on May 31, 2017. Instead, the building was purchased by the Massachusetts State College Building Authority ("MSCBA") and is being used by and billed directly to Fitchburg State University by MSCBA as a part of its semi-annual residence hall revenue assessments. For the years ended June 30, 2017 and June 30, 2016, rent expense amounted to $220,000 in each year.

The Supporting Organization and the University are parties to License Agreements whereby the Supporting Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Supporting Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in 4 equal quarterly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreements may be terminated by either party upon the expiration of the initial term of the agreements and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreements at any time with the giving of proper notice. For the years ended June 30, 2017 and 2016, license fee income amounted to $252,849 and $108,167, respectively.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

Note 12 - Restricted net assets

Temporarily restricted net assets in the amount of $6,121,756, as of June 30, 2017, are available as follows: equipment which use is restricted in the amount of $2,562; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $6,119,194. Temporarily restricted net assets in the amount of $4,765,321, as of June 30, 2016, were available as follows: equipment which use is restricted in the amount of $2,365; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $4,762,956.

Temporarily restricted net assets released from restrictions during 2017 represent the satisfaction of program restrictions in the amount of $447,074; the satisfaction of scholarship-related restrictions in the amount of $354,401 and the satisfaction of equipment donation restrictions in the amount of $903.

Permanently restricted net assets in the amounts of $9,776,806 and $9,505,236 as of June 30, 2017 and 2016, respectively, are invested in perpetuity. Income from the investments is expendable for the program services of the Organization, including the granting of scholarships and to fund other academic and cultural programs.

During 2017, $25,820 was reclassified from temporarily restricted and unrestricted net assets to permanently restricted net assets. In accordance with the donor's restrictions, this amount together with current year donations met the Organization's minimum requirement to establish permanent endowments. Accordingly, the $25,820 was reclassified to permanently restricted net assets.

Note 13 - Transactions with a related party

Fitchburg State University renders certain administrative services to the Organization. These services, with a value of $146,401 and $135,896, respectively, have been recognized as contribution in kind income in the accompanying consolidated statement of activities in accordance with FASB guidance for the years ended June 30, 2017 and 2016.

For the years ended June 30, 2017 and 2016, the Supporting Organization incurred expenses totaling $32,147 and $31,787, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing. At June 30, 2017, $32,147 remained unpaid and is included in accounts payable, trade in the accompanying 2017 consolidated statement of financial position.

As of June 30, 2017 and 2016, the Supporting Organization has miscellaneous accounts receivable totaling $16,934 and $1,650 from Fitchburg State University, respectively, which are included in accounts receivable in the accompanying consolidated statements of financial position.

At June 30, 2017 and 2016, the Foundation has miscellaneous payables to Fitchburg State University in the amounts of $197,731 and $20,201, respectively, which are included in accounts payable, trade in the accompanying consolidated statements of financial position.

Note 14 - Major donors

During fiscal 2017, the Organization received temporarily restricted grant donations totaling $340,000 from two donors which represents approximately 31% of total gifts, donations and grant revenue during 2017.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2017

During fiscal 2016, the Organization received unrestricted donations of $127,450 from one donor which represents approximately 22% of total gifts, donations and grant revenue during 2016.

Note 15 - Supplemental cash flows information

	2017	2016
Cash paid for interest during the year	$ 148,956	$ 141,468

Schedule of noncash investing and financing activities:

	2017	2016
Acquisition of property and equipment	$ 1,062,217	$ 226,292
Less: Financed by long-term mortgage notes	(415,000)	-
Property donation	(1,099)	-
Cash paid for property and equipment	$ 646,118	$ 226,292

Note 16 - Subsequent events

On July 11, 2017, the Supporting Organization closed on the acquisition of a property, including land and a building, for a price of $51,708. The Supporting Organization made a deposit of $3,000 on the property during fiscal 2017 which is included in prepaid expenses and other current assets in the accompanying 2017 statement of financial position. The Supporting Organization intends to renovate the property and use it for academic support and a day care facility. Renovations are not expected to commence until fiscal 2020.

The Commonwealth of Massachusetts, acting by and through the Awarding Authority of Fitchburg State University, entered into a construction contract, dated August 3, 2017, with an unrelated third party contractor for the initial phase of renovations to the property at 689 - 717 Main Street. The renovations will be paid for by Fitchburg State University in accordance with the terms and provisions of the license agreement between the University and the Supporting Organization. The construction contract is in the aggregate amount of $2,390,908, including approved change orders of $27,795. This phase of the renovations is expected to be completed by early January, 2018.

Supplementary Information

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Independent Auditor's Report on Supplementary Information

To the Board of Directors
Fitchburg State University Foundation, Inc.

We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. ("Foundation") as of and for the year ended June 30, 2017, and our report thereon dated [REPORT DATE], which appears on page 2, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the 2017 consolidated financial statements as a whole. The information for the year ended June 30, 2017 contained on page 40 is presented for purposes of additional analysis and is not a required part of the 2017 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 consolidated financial statements or to the 2017 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2017 consolidated financial statements as a whole. The prior year summarized comparative information has been derived from the supplementary information accompanying the Foundation's 2016 consolidated financial statements and, in our report on supplementary information dated November 15, 2016, we expressed our opinion that such information was fairly stated in all material respects in relation to the 2016 consolidated financial statements as a whole. Such information should be read in conjunction with the Foundation's consolidated financial statements and accompanying supplementary information for the year ended June 30, 2016, from which the summarized information was derived.

Boston, Massachusetts
[REPORT DATE]

Fitchburg State University Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Program services	Management and general	Fundraising	2017 consolidated total	2016 consolidated total
Scholarships	$ 354,401	$ -	$ -	$ 354,401	$ 308,957
Community services	44,017	-	-	44,017	43,493
Speakers and cultural programs	48,275	-	-	48,275	35,553
Outside services	61,795	-	3,263	65,058	69,386
Accounting and audit	-	16,944	-	16,944	37,626
Insurance	75,089	26,732	-	101,821	81,760
Affiliate personnel costs	-	90,185	56,216	146,401	135,896
Supplies	65,945	75	1,662	67,682	67,199
Postage	1,126	-	6,463	7,589	40,936
Equipment and maintenance	97,034	8,897	-	105,931	124,921
Printing and publications	79,965	-	36,227	116,192	105,826
Travel	29,663	-	810	30,473	106,453
Meetings and conferences	84,324	477	35,968	120,769	94,584
Professional and consulting services	-	-	-	-	5,587
Awards and grants	221,430	-	-	221,430	155,128
Fees, fines, licenses, permits	4,901	-	851	5,752	1,124
Repairs and maintenance	32,147	-	-	32,147	31,787
Rent	254,191	-	-	254,191	254,191
Utilities	30,739	-	-	30,739	24,915
Interest	131,888	18,734	-	150,622	144,372
Miscellaneous	2,393	20,755	-	23,148	23,177
Investment management fees	-	96,801	-	96,801	100,290
Other financial fees	1,420	4,266	-	5,686	5,114
	1,620,743	283,866	141,460	2,046,069	1,998,275
Impairment losses	285,897	-	-	285,897	98,446
Depreciation	240,903	11,618	-	252,521	246,578
	$ 2,147,543	$ 295,484	$ 141,460	$ 2,584,487	$ 2,343,299

See Independent Auditor's Report on Supplementary Information.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Fitchburg State University Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Fitchburg State University Foundation, Inc., which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated REPORT DATE.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Fitchburg State University Foundation, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fitchburg State University Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Fitchburg State University Foundation, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Fitchburg State University Foundation, Inc.'s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Boston, Massachusetts
[REPORT DATE]

Attachment C

Fitchburg State University

Foundation Inc. FS – DRAFT AU-C 260

REPORT DATE

To the Board of Directors
Fitchburg State University Foundation, Inc.

We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. and FSU Foundation Supporting Organization, Inc. (collectively referred to hereinafter as the Organization) for the year ended June 30, 2017, and have issued our report thereon dated REPORT DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as information related to the planned scope and timing of our audit, and certain other matters related to the audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 8, 2017, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the consolidated financial statements are free of material misstatement, and to express an opinion about whether the consolidated financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We gave consideration to the nonaudit services provided to the Organization during the period of our engagement, which may reasonably be thought to bear on independence, in reaching the conclusion that our independence has not been impaired in accordance with professional standards.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters in June, 2017.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entities and their environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entities or to acts by management or employees acting on behalf of the entities. This letter communicates any significant findings as a result of our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the consolidated financial statements. As described in Note 1 to the consolidated financial statements, the Organization changed accounting policies related to debt issuance costs by adopting FASB Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* in 2017. The effect of this change in accounting policy was not material to the Organization's consolidated financial statements.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We found no such accounting estimates affecting the consolidated financial statements to be particularly sensitive during our audit.

Certain consolidated financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the consolidated financial statements are the disclosures related to the Organization's investments found in Notes 3 and 5 to the consolidated financial statements and the disclosure of the impairment losses recognized in fiscal 2017 related to real estate properties purchased by the Organization found in Note 6 to the consolidated financial statements.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated REPORT DATE.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the supplementary information to determine that the supplementary information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the supplementary information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the information and use of the Boards of Directors and management of Fitchburg State University Foundation, Inc. and FSU Foundation Supporting Organization, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Attachment D

Fitchburg State University

Foundation Supporting Org. Inc. - DRAFT

FSU Foundation Supporting Organization, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2017 and 2016

FSU Foundation Supporting Organization, Inc.

Index

Independent Auditor's Report

To the Board of Directors
FSU Foundation Supporting Organization, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of FSU Foundation Supporting Organization, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FSU Foundation Supporting Organization, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated [Report Date] on our consideration of FSU Foundation Supporting Organization, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2017. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FSU Foundation Supporting Organization, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FSU Foundation Supporting Organization, Inc.'s internal control over financial reporting and compliance.

Boston, Massachusetts
[Report Date]

FSU Foundation Supporting Organization, Inc.

Statements of Financial Position
June 30, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	$ 17,505	$ 127,169
Due from affiliate	16,934	1,650
Prepaid expenses and other current assets	37,182	17,000
Property and equipment, net of accumulated depreciation	6,178,297	5,541,126
Total assets	$ 6,249,918	$ 5,686,945

Liabilities and Net Assets

	2017	2016
Accounts payable, trade	$ 4,294	$ 4,753
Due to affiliates	32,147	250,000
Accrued interest payable	5,338	5,435
Bank line of credit	250,000	-
Note payable - bank	533,121	553,081
First mortgage notes payable	2,714,311	2,099,428
Total liabilities	3,539,211	2,912,697
Net assets		
Unrestricted	2,710,707	2,774,248
Total net assets	2,710,707	2,774,248
Total liabilities and net assets	$ 6,249,918	$ 5,686,945

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Revenue and support		
Program revenues		
Rental income	$ 165,000	$ 165,000
Residence hall income	523,798	478,962
License fee income	252,849	108,167
Contribution in kind income	8,784	8,154
Other income		
Interest income	1,082	1,239
Total revenue, gain and support	951,513	761,522
Expenses and losses		
Program services		
Utilities	30,738	24,915
Repairs and maintenance	56,106	48,518
Rent	254,191	254,191
Real estate and other taxes	4,901	787
Professional services	-	5,586
Insurance	75,089	57,436
Supplies and equipment	-	4,215
Landscaping	12,638	20,605
Miscellaneous other	1,420	1,400
Interest	131,888	120,244
Depreciation	138,050	129,459
Impairment losses (Note 3)	285,897	98,446
	990,918	765,802
Management and general		
Affiliate personnel costs	8,784	8,154
Professional services	9,352	15,700
Miscellaneous other	6,000	5,610
	24,136	29,464
Total expenses	1,015,054	795,266
Decrease in net assets	(63,541)	(33,744)
Net assets at beginning of year	2,774,248	2,807,992
Net assets at end of year	$ 2,710,707	$ 2,774,248

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Decrease in net assets	$ (63,541)	$ (33,744)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Impairment losses	285,897	98,446
Depreciation	138,050	129,459
Amortization of debt issuance costs	3,469	3,470
Changes in assets and liabilities		
(Increase) decrease in assets		
Due from affiliate	(15,284)	(1,650)
Prepaid expenses and other current assets	(34,182)	291
Increase (decrease) in liabilities		
Accounts payable, trade	(459)	3,212
Due to affiliate	32,147	(5,272)
Accrued interest payable	(97)	(518)
Net cash provided by operating activities	346,000	193,694
Cash flows from investing activities		
Payments for property and equipment	(646,118)	(226,291)
Proceeds from sale of land and buildings	-	70,000
Change in deposits for purchases of property	14,000	(17,000)
Net cash used in investing activities	(632,118)	(173,291)
Cash flows from financing activities		
Proceeds of first mortgage notes payable	338,000	-
Payments on first mortgage notes payable	(141,586)	(122,296)
Payments on note payable - bank	(19,960)	(19,383)
Proceeds of bank line of credit	250,000	-
Advances from affiliates	75,000	250,000
Payments on advances from affiliates	(325,000)	(39,114)
Net cash provided by financing activities	176,454	69,207
Net (decrease) increase in cash and cash equivalents	(109,664)	89,610
Cash and cash equivalents, beginning of year	127,169	37,559
Cash and cash equivalents, end of year	$ 17,505	$ 127,169

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Organization and summary of significant accounting policies

Organization

FSU Foundation Supporting Organization, Inc. (the "Organization") was organized on October 29, 1999 to be a supporting organization operated, supervised and controlled for the exclusive benefit of Fitchburg State University Foundation, Inc. (the "Foundation") and all of its educational and charitable activities. As of June 30, 2017, the Organization's sole program activity has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and Fitchburg State University (the "University").

Summary of significant accounting policies

Use of estimates

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

Method of accounting

The financial statements of the Organization have been prepared on the accrual basis, whereby income is recorded when earned and expenses recorded when incurred in the appropriate accounting period.

Basis of presentation

The financial statements of the Organization are presented in accordance with guidance issued by the Financial Accounting Standards Board ("FASB") for the presentation of financial statements of not-for-profit-entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Permanently restricted net assets are required to be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. Temporarily restricted net assets have donor-imposed restrictions that require the Organization to use the assets pursuant to those restrictions or that expire by the passage of time. Unrestricted and Board-designated net assets are those that are neither permanently nor temporarily restricted by donor-imposed restrictions. As of June 30, 2017 and 2016, the Organization's net assets are not subject to donor-imposed restrictions; accordingly, all of the net assets are accounted for as unrestricted net assets.

Revenue recognition

Contributions

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made, collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Rental and license fee income
Renting and leasing operations consist of leasing commercial space under a long-term lease agreement with the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance ("DCAM") on behalf of Fitchburg State University. In addition, the Organization granted Fitchburg State University an exclusive license to occupy, manage, maintain and operate certain other property owned by the Organization pursuant to License Agreements with initial terms of one year and automatic annual renewals thereafter. Rental and license fee income are recognized under the operating method as the rentals and license fees become due. Rental and license fee payments received in advance are deferred until earned.

Residence hall income
Residence hall fees are recognized when earned.

Accounts receivable
Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual account balances. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and equipment
Property and equipment are recorded at cost, if purchased or constructed and, if donated, at fair value at the time of the donation. Property and equipment are depreciated on the straight-line method over their estimated useful lives of 40 years for buildings, 20 years for building and land improvements, and 10 years for furniture and fixtures. Depreciation commences when the asset is placed in service.

Generally, all additions and improvements with an individual cost or, if donated, fair value in excess of $5,000 are capitalized to property and equipment.

Impairment of long-lived assets
The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by obtaining a market appraisal, property assessment value or by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the first mortgage notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Statement of cash flows

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income taxes

The Organization is classified by the Internal Revenue Service as a "publicly supported organization" exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the years ended June 30, 2017 and 2016. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of June 30, 2017. Any changes in tax positions will be recorded when the ultimate outcome becomes known. Accrued interest and penalties associated with uncertain tax positions are recognized as a part of interest expense and miscellaneous other expenses, respectively, in the accompanying statements of activities. The Organization has no accrued interest and penalties associated with uncertain tax positions at June 30, 2017 and 2016 and none were incurred during the years then ended. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2014, 2015 and 2016.

Functional allocation of expenses

The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the fiscal 2016 financial statements to conform to the fiscal 2017 presentation.

Subsequent events

The Organization has evaluated subsequent events through [Report Date], which is the date these financial statements were available to be issued.

Recently adopted accounting pronouncement

During fiscal 2017, the Organization adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. This change in accounting principle under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Organization on a retrospective basis. As a result, as of June 30, 2016, $27,268 of debt issuance costs, net of accumulated amortization, related to the Organization's mortgage notes payable were reclassified in the statement of financial position from other assets to first mortgage notes payable and for the year ended June 30, 2016, $3,470 of amortization expense related to such debt issuance costs was reclassified to interest expense in the statement of activities, with no effect on previously reported increase (decrease) in net assets. Other than these reclassifications, the adoption of ASU 2015-03 did not have a material impact on the Organization's financial position, changes in new assets or cash flows.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Note 2 - Cash and cash equivalents

The Organization maintains its operating cash and cash equivalent balances in several accounts in three banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to these cash and cash equivalent balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash and cash equivalent balances at June 30, 2017 and 2016.

Note 3 - Property and equipment

Property and equipment at June 30, 2017 and 2016 consist of the following:

	2017	2016
Real estate under lease		
Land	$ 402,663	$ 402,663
Building	1,557,724	1,557,724
Building improvements	100,452	100,452
	2,060,839	2,060,839
Real estate used for student housing		
Land	253,555	253,555
Building	434,225	434,225
Building improvements	28,600	28,600
	716,380	716,380
Real estate used for faculty and staff housing		
Land	18,766	18,766
Building	82,099	82,099
	100,865	100,865
Other		
Land	2,179,963	1,760,791
Building	739,598	383,549
Land improvements	158,127	158,127
Building improvements	1,069,436	1,069,436
Furniture and fixtures	28,446	28,446
	4,175,570	3,400,349
	7,053,654	6,278,433
Less accumulated depreciation	875,357	737,307
Property and equipment, net	$ 6,178,297	$ 5,541,126

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Accumulated depreciation on real estate under lease amounted to $472,946 and $428,981 at June 30, 2017 and 2016, respectively. Accumulated depreciation on real estate used for student housing amounted to $120,663 and $108,377 at June 30, 2017 and 2016, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $5,131 and $3,079 at June 30, 2017 and 2016, respectively.

On July 12, 2016, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $141,374. The Organization razed the building and created green space during the year ended June 30, 2017. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $32,983 resulting in an impairment charge to operations in the amount of $108,391.

On July 14, 2016, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $81,098. The Organization razed the building and created green space during fiscal 2017. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $14,638 resulting in an impairment charge to operations in the amount of $66,460.

The July acquisitions were funded with operating cash of the Organization in the amount of $147,472 and the proceeds of an advance in the amount of $75,000 from the Foundation (see Note 8).

On November 4, 2016, the Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Organization's mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $360,305. The Organization intends to use the property for academic support and a theater renovation. Renovations are expected to commence in fiscal year 2018 (see Note 10). The acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 4).

On November 8, 2016, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $183,914. The Organization intends to use this property for faculty housing. A contract for the renovations is not expected to be executed until the latter part of calendar year 2017. The acquisition was financed, in part, with a mortgage note on the property in the amount of $135,000 (see Note 4).

On May 24, 2017 and June 16, 2017, the Organization acquired two properties in close proximity to the Fitchburg State University campus. The properties, including land only, were acquired for a cost of $126,926 and $30,506, respectively. The Organization intends to use the land as green space.

On June 5, 2017, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $136,995. The Organization intends to raze the building and create green space. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $25,949 resulting in an impairment charge to operations in the amount of $111,046.

The fair values of the properties for which impairment losses were recorded in fiscal 2017 were measured using significant unobservable inputs (Level 3) pursuant to the FASB's guidance on fair value

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

measurements. The fair values of the properties were determined based upon the property assessment values at the purchase dates.

The impairment charges (noncash accounting charges) to operations on the above properties had no impact on the Organization's fiscal 2017 cash flow or its ability to generate cash flow in the future.

The May and June 2017 acquisitions were funded in part with the proceeds of $250,000 drawn in May 2017 on the Organization's bank line of credit (see Note 7).

In fiscal 2016, the Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Organization's mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $119,803 (see Note 4). The Organization razed the building and created green space. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $21,357. The impairment charge (a noncash accounting charge) to operations in the amount of $98,446 had no impact on the Organization's fiscal 2016 cash flow or its ability to generate cash flow in the future.

The fair value of the property was measured using significant unobservable inputs (Level 3) pursuant to the FASB's guidance on fair value measurements. The fair value of the property was determined based upon the property assessment value at the purchase date.

Note 4 - First mortgage notes payable

Massachusetts Development Finance Agency ("MDFA")

In August 2006, the Organization acquired land and a building consisting of 4,179 square feet of office space and 53,429 square feet of warehouse space located in Fitchburg, Massachusetts near the University campus. The entire property has been leased to DCAM on behalf of the University (see Note 6). The University is currently using the property for its print services, maintenance, shipping and receiving and financial services.

The acquisition and related costs were funded with the proceeds of an offering of tax-exempt revenue bonds, Massachusetts Development Finance Agency Revenue Bonds, FSC Foundation Supporting Organization Issue, Series 2006 (the "bonds"), dated August 1, 2006, in the amount of $1,900,000, issued by the MDFA, pursuant to a Loan and Trust Agreement. People's United Bank, as successor in interest to Chittenden Trust Company, is the bond Trustee. MDFA assigned all of its rights, title, and interest in and to the loan and related loan documents to the bond Trustee as security for repayment of the bonds. The loan is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Payment and performance of the Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of 20 years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $13,154 through August 16, 2011 and $12,306 until August 16, 2016. The interest rate was adjusted to 3.5% per annum on August 16, 2016 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $11,739 until the next five-year interval

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

adjustment date of August 16, 2021. The loan matures on August 16, 2026. The loan agreement requires the Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

The mortgage note was issued pursuant to the Loan and Trust Agreement and related loan documents and is subject to and governed by the terms and conditions of those agreements. The loan may be prepaid in accordance with the terms of the Loan and Trust Agreement for prepayment of the bonds as more fully described in the Loan and Trust Agreement.

The loan documents contain cross default provisions with the DCAM lease.

As of June 30, 2017, the outstanding principal balance of the loan of $1,100,877, less net debt issuance costs of $23,801, amounted to $1,077,076.

As of June 30, 2016, the outstanding principal balance of the mortgage note payable of $1,199,159, less net debt issuance costs of $27,268, amounted to $1,171,891.

Debt issuance costs, net of accumulated amortization, totaled $23,801 and $27,268 as of June 30, 2017 and 2016, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2017 and 4.68% as of June 30, 2016.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 103,466
2019	107,198
2020	110,984
2021	115,067
2022	119,217
Thereafter	544,945
Total balance due	$ 1,100,877

Workers' Credit Union ("WCU")

Workers' Credit Union ("WCU") provided financing to the Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The note is secured by a first mortgage interest in certain real estate owned by the Organization and an assignment of certain related leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2017 and 2016, the Organization has total cash balances of $6,308 and $5,660, respectively, held at WCU which serve as additional collateral for the loan.

The mortgage note has a term of 10 years, expiring on February 27, 2019, and provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of $4,714, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are $4,422 based on a 20-year principal amortization.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

As of June 30, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $599,769 and $622,287, respectively.

Aggregate principal maturities on the loan for each of the remaining years to maturity at June 30, 2017 are as follows:

Year		Amount
2018	$	23,677
2019		576,092
Total Balance	$	599,769

Rollstone Bank & Trust

Rollstone Bank & Trust provided financing to the Organization in the form of a note, dated December 22, 2014 in the amount of $240,000. The note is secured by a first mortgage interest in the real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note has a term of 20 years, maturing on December 22, 2034, and provides for a fixed rate of interest of 3.25% per annum. The loan requires monthly installments of principal and interest of $1,367 based on a 20-year principal amortization. The loan agreement requires the Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

As of June 30, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $217,912 and $226,969, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017, are as follows:

Year		Amount
2018	$	9,361
2019		9,674
2020		9,980
2021		10,331
2022		10,678
Thereafter		167,888
Total balance due	$	217,912

Fidelity Co-Operative Bank

Fidelity Co-Operative Bank provided financing to the Organization in the form of a note, dated June 26, 2013, in the amount of $83,200. The note is secured by a first mortgage interest in the real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note has a term of 20 years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest

FSU Foundation Supporting Organization, Inc.

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rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 2.75% per annum. The loan requires monthly installments of principal and interest of $376 until the next five-year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Organization.

As of June 30, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $76,518 and $78,281, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 1,826
2019	1,892
2020	1,953
2021	2,030
2022	2,104
Thereafter	66,713
Total balance due	$ 76,518

Fidelity Co-Operative Bank
In October 2016, Fidelity Co-Operative Bank provided financing to the Organization in the form of a promissory note, dated October 19, 2016, in the amount of $118,000. The proceeds of the loan were used to reimburse the Organization for the acquisition, at a cost of $119,803, of a real estate property located at 198 Pearl Street in Fitchburg, Massachusetts in February 2016 (see Note 3). The note is secured by a Negative Pledge Agreement on the property.

The promissory note has a term of 10 years, maturing on October 21, 2026, and provides for a fixed rate of interest of 4.11% per annum. Commencing on November 21, 2016, the loan requires monthly installments of principal and interest of $726 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance and any accrued interest thereon is due and payable. The note provides for the prepayment of all or a portion of the amount owed without penalty. The business loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the business loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $115,273.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 3,973
2019	4,142
2020	4,306
2021	4,501
2022	4,692
Thereafter	93,659
Total balance due	$ 115,273

Fidelity Co-Operative Bank
In January 2017, Fidelity Co-Operative Bank provided financing to the Organization in the form of a promissory note, dated January 13, 2017, in the amount of $220,000. The proceeds of the loan were used to reimburse the Organization for the acquisition, at a cost of $222,472, of two real estate properties located at 9 Clinton Street and 85-87 Pearl Street in Fitchburg, Massachusetts in July 2016 (see Note 3). The note is secured by a Negative Pledge Agreement on the properties.

The promissory note has a term of 10 years, maturing on January 13, 2027, and provides for a fixed rate of interest of 4.76% per annum. Commencing on February 13, 2017, the loan requires monthly installments of principal and interest of $1,431 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance and any accrued interest thereon is due and payable. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross collateralized with any and all other loans made by the lender to the Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $216,683.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 6,838
2019	7,176
2020	7,504
2021	7,901
2022	8,291
Thereafter	178,973
Total balance due	$ 216,683

Hometown Bank

In November 2016, Hometown Bank provided financing to the Organization in the form of a commercial note, dated November 8, 2016, in the amount of $135,000. The proceeds of the loan were used for the acquisition, at a cost of $183,914, of a real estate property located at 132 Highland Avenue in Fitchburg, Massachusetts (see Note 3). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

The commercial note has a term of 25 years, maturing on November 8, 2041, and provides for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan requires monthly installments of principal and interest of $779 based on a 25 year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity. The loan agreement requires the Organization to maintain a minimum earnings before interest, taxes, depreciation, amortization and rent to related entities and after distributions of not less than 1.25 times annual principal and interest payments plus dividends to be tested annually.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $133,364.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 2,916
2019	3,061
2020	3,214
2021	3,374
2022	3,542
Thereafter	117,257
Total balance due	$ 133,364

Enterprise Bank and Trust Company

In November 2016, Enterprise Bank and Trust Company provided financing to the Organization in the form of a promissory note, dated November 4, 2016, in the amount of $280,000. The proceeds of the loan were used for the acquisition, at a cost of $360,305, of a real estate property located at 689-717

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Main Street in Fitchburg, Massachusetts (see Note 3). The note is secured by a first mortgage interest in the property and an assignment or rents on the property.

The promissory note has a term of 10 years, maturing on November 4, 2026, and thereafter is payable on demand. The note provides for a fixed rate of interest of 4.33% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at ten-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Ten Year Regular Rate plus 1.95% per annum. Commencing on January 1, 2017, the loan requires monthly installments of principal and interest of $1,401 based on a 30 year principal amortization schedule. If the note is prepaid in whole or in part during the first 117 months of each fixed rate period for the purpose of refinancing the note with another financial institution, the note provides for a prepayment penalty equal to 3% of any principal reduction. Except for the forgoing, the note may be prepaid in whole or in part without penalty. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Organization.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $277,716.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 4,712
2019	4,923
2020	5,143
2021	5,374
2022	5,614
Thereafter	251,950
Total balance due	$ 277,716

Note 5 - Note payable - bank

In May 2007, the Organization acquired land and a building consisting of six apartment units at a total cost of $504,479, including related acquisition costs. The Organization also acquired an adjacent parcel of land at a cost of $183,301. The properties are located in the area surrounding the Fitchburg State University campus. The apartments are being used by the University as additional student housing for which the Organization receives residence hall fees.

The acquisitions were funded with the proceeds of a note payable in the amount of $680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investments owned by the Foundation with a fair value of approximately $2,116,000 and $1,981,000 at June 30, 2017 and 2016, respectively. In addition, payment and performance of the Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The promissory note has a term of 30 years, expiring on May 5, 2037, and provides for a fixed rate of interest of 6% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (April 26, 2012, 2017, 2022, 2027 and 2032) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The interest rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $4,122 through May 7, 2012 and $2,875 until April 26,

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

2017. The interest rate was adjusted to 3.49% per annum on April 26, 2017 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $3,115 until the next five-year interval adjustment date of April 26, 2022. The note may be prepaid at any time, in whole or in part, without premium or penalty.

As of June 30, 2017 and 2016, the outstanding principal balance of the loan amounted to $533,121 and $553,081, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 18,967
2019	19,498
2020	20,152
2021	20,924
2022	21,677
Thereafter	431,903
Total balance due	$ 533,121

Note 6 - Lease and license agreements

As disclosed in Note 4, the Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006 and expired on August 16, 2016. The lease provided for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University was also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease continued in effect, after its expiration, under the same terms and conditions until March 9, 2017 when the Organization signed a new 10 year lease with the same terms and conditions as the previous agreement. The new lease agreement became effective as of August 16, 2016. For the years ended June 30, 2017 and 2016, rental income amounted to $165,000 in each year.

The following is a schedule of future minimum rental income under the new operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 165,000
2019	165,000
2020	165,000
2021	165,000
2022	165,000
Later years	680,625
	$ 1,505,625

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

On August 6, 2008, the Organization entered into a 10-year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and expires on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provided for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease, there will be a 7.5% increase at the commencement of each three-year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to $18,947 for the next three-year period of the lease term, payable in monthly installments of $1,579. On July 1, 2014, the Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above mentioned office space and extending the lease term through June 30, 2019. The amended lease provides for a base annual rent of $28,495 for each of the first three years of the lease term, payable biannually in installments of $14,247. On July 1, 2017, the annual rent on the lease shall increase by 7.5% to $30,632. The Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Organization may cancel the lease at any time with the payment of two months' base rent as a termination charge. The Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2017 and 2016, rent expense amounted to $28,495 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 30,632
2019	30,632
	$ 61,264

On February 1, 2013, the Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. The Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Organization may cancel the lease at any time after February 1, 2014 with the payment of two months base rent as a termination charge. The Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2017 and 2016, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2017:

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Year ending June 30,	Amount
2018	$ 5,696
2019	5,696
2020	5,696
2021	5,696
2022	5,696
Later years	3,323
	$ 31,803

On June 25, 2015, the Organization entered into an operating lease agreement with an unrelated third party for a building containing residential suites designed for use as a dormitory for college students. The lease commenced on August 1, 2015 and expired on May 31, 2016. The lease provided for annual rent of $220,000 to be paid in two installments of $110,000 each on August 1, 2015 and January 1, 2016. In July 2016, the Organization extended the initial term of the lease under the same terms and conditions for the period August 1, 2016 through May 31, 2017. Subject to availability, the Organization may extend the term of the lease, under the same terms and conditions for the periods June 1, 2017 through July 31, 2017 and August 1, 2017 through May 31, 2018. The Organization did not renew the lease for an additional term after the expiration on May 31, 2017. Instead, the building was purchased by the Massachusetts State College Building Authority ("MSCBA") and is being used by and billed directly to Fitchburg State University by MSCBA as a part of its semi-annual residence hall revenue assessments. For the years ended June 30, 2017 and June 30, 2016, rent expense amounted to $220,000 in each year.

The Organization and the University are parties to License Agreements whereby the Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in 4 equal quarterly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreements may be terminated by either party upon the expiration of the initial term of the agreements and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreements at any time with the giving of proper notice. For the years ended June 30, 2017 and 2016, license fee income amounted to $252,849 and $108,167, respectively.

Note 7 - Line of credit

On August 18, 2016, the Organization entered into a demand unsecured revolving line of credit agreement with Rollstone Bank and Trust which permits the Organization to borrow up to $250,000. The line of credit provides for interest at the Wall Street Journal Prime Rate less .25% (effective rate of 4% at June 30, 2017). The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, under the same terms and conditions of the previous agreement. On November 30, 2017, the line of credit will be up for renewal. The Organization may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty. The line of credit agreement contains, among other covenants, the maintenance of a debt service coverage rate, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

agreement. As of June 30, 2017, the Organization has made payments of $110,000 and borrowings of $360,000 under the line of credit agreement. The balance outstanding as of June 30, 2017 is $250,000.

Note 8 - Transactions with related parties

Fitchburg State University and the Foundation render certain administrative services to the Organization. For the years ended June 30, 2017 and 2016, these services with a value of $8,784 and $8,154, respectively, have been recognized as contribution in kind income in the accompanying statements of activities in accordance with FASB guidance.

Repairs and maintenance expense in the accompanying 2017 and 2016 statements of activities includes $32,147 and $31,787, respectively, paid to Fitchburg State University for maintenance services provided to the Organization for the real estate used for student housing. At June 30, 2017, $32,147 remained unpaid and is reflected as due to affiliates in the accompanying 2017 statement of financial position.

From time to time, the Foundation makes advances to the Organization to assist with the financing of its acquisitions of real estate properties located in Fitchburg, Massachusetts. The advances do not have any specified repayment provisions and due dates and are noninterest-bearing except to the extent that they are funded from the proceeds of draws on the Foundation's working capital line of credit. In those instances, the Foundation charges interest to the Organization at a rate equivalent to the Foundation's borrowing rate on its working capital line of credit agreement. At June 30, 2017 and 2016, the effective interest rate was 6% per annum. Interest expense incurred by the Organization on advances amounted to $9,576 and $4,079 in fiscal 2017 and 2016, respectively. Accrued interest payable to the Foundation at June 30, 2017 and 2016 amounted to $0 and $1,250, respectively. During fiscal 2017, the Foundation made advances of $75,000 to the Organization and the Organization repaid advances in the amount of $325,000. During fiscal 2016, the Foundation made advances of $250,000 to the Organization and the Organization repaid advances in the amount of $39,114. As of June 30, 2017 and 2016, outstanding advances payable to the Foundation amounted to $0 and $250,000, respectively.

As of June 30, 2017 and June 30, 2016, the Organization has miscellaneous accounts receivable totaling $16,934 and $1,650 from the University, respectively, which are reflected as due from affiliate in the accompanying statements of financial position.

Note 9 - Supplemental cash flow information

	2017	2016
Cash paid for interest during the year	$ 128,515	$ 117,292

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

In fiscal 2017, the Organization financed, in part, two real estate property acquisitions through long-term mortgage notes in the amounts of $280,000 and $135,000 (total of $415,000).

Note 10 - Subsequent events

On July 11, 2017, the Organization closed on the acquisition of a property, including land and a building, for a price of $51,708. The Organization made a deposit of $3,000 on the property during fiscal 2017 which is included in prepaid expenses and other current assets in the accompanying 2017 statement of financial position. The Organization intends to renovate the property and use it for academic support and a day care facility. Renovations are not expected to commence until fiscal 2020.

The Commonwealth of Massachusetts, acting by and through the Awarding Authority of Fitchburg State University, entered into a construction contract, dated August 3, 2017, with an unrelated third party contractor for the initial phase of renovations to the property at 689 - 717 Main Street. The renovations will be paid for by Fitchburg State University in accordance with the terms and provisions of the license agreement between the University and the Organization. The construction contract is in the aggregate amount of $2,390,908, including approved change orders of $27,795. This phase of the renovations is expected to be completed by early January, 2018.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
FSU Foundation Supporting Organization, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of FSU Foundation Supporting Organization, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Report Date].

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FSU Foundation Supporting Organization, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FSU Foundation Supporting Organization, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of FSU Foundation Supporting Organization, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Boston, Massachusetts
[Report Date]

Attachment E

Fitchburg State University

Foundation Supporting Org. Inc.

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Report Date

To the Board of Directors
FSU Foundation Supporting Organization, Inc.

We have audited the financial statements of FSU Foundation Supporting Organization, Inc.(the "Organization") for the year ended June 30, 2017 and have issued our report thereon dated Report Date. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit, and certain other matters related to the audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 8, 2017, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement, and to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of FSU Foundation Supporting Organization, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of FSU Foundation Supporting Organization, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We gave consideration to the non-audit services provided to FSU Foundation Supporting Organization, Inc. during the period of our engagement, which may reasonably be thought to bear on independence, in reaching the conclusion that our independence has not been impaired in accordance with professional standards.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters in June, 2017.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. This letter communicates any significant findings as a result of our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by FSU Foundation Supporting Organization, Inc. are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Organization changed accounting policies related to debt issuance costs by adopting FASB Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, in fiscal 2017. Accordingly, the accounting change has been retrospectively applied to the prior period presented as if the policy had always been used.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We found no such accounting estimates affecting the financial statements to be particularly sensitive during our audit.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure of the impairment losses recognized in fiscal 2017 related to real estate properties purchased by the Organization found in Note 3 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated [Date of Letter].

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of FSU Foundation Supporting Organization, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Attachment F

Fitchburg State University

MOSFA Draft Report 10-7-17

Fitchburg State University

Independent Accountant's Report on Management's Assertion on Compliance with Specified Requirements Applicable to the Massachusetts Office of Student Financial Assistance Program Cluster

June 30, 2017

Fitchburg State University

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Independent Accountant's Report on Management's Assertion
on Compliance with Specified Requirements Applicable to the
Massachusetts Office of Student Financial Assistance Program Cluster

The Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts

We have examined management of Fitchburg State University's assertion, included in its representation letter dated [Report Date], that Fitchburg State University complied with the following compliance requirements (the "specified requirements") as specified in The Massachusetts Office of Student Financial Assistance Attestation Guide (Fifth Edition, August 2013), as revised June 30, 2015 (the "Guide"), for the year ended June 30, 2017:

- Institutional eligibility
- Student eligibility
- Reporting
- Disbursements
- Refunds

Fitchburg State University's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about Fitchburg State University's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on Fitchburg State University's compliance with the specified requirements.

In our opinion, management's assertion that Fitchburg State University complied with the specified requirements for the year ended June 30, 2017, included in its representation letter dated [Report Date], is fairly stated, in all material respects.

The purpose of this report on management's assertion about compliance with the specified requirements of the Guide is solely to describe the scope of our examination procedures to test management's assertion that it complied with the specified requirements and the results of that testing based on the specified requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Boston, Massachusetts
[Report Date]

Fitchburg State University

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

None

Fitchburg State University

Summary Schedule of Prior Findings
Year Ended June 30, 2017

None

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Independent Auditor's Report on Supplementary Information

The Board of Trustees
Fitchburg State University
Fitchburg, Massachusetts

We have audited the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon, dated [Report Date], which contained unmodified opinions on those financials statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit was conducted for the purpose of forming opinions on the financial statements of Fitchburg State University as a whole. The supplementary information included on pages 6 to 9 is presented for purposes of additional analysis and to comply with the reporting requirements of the Massachusetts Office of Student Financial Assistance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Department of Higher Education of the Commonwealth of Massachusetts, the Office of the State Auditor and the Office of the State Comptroller of the Commonwealth of Massachusetts and the Board of Trustees, management and others within Fitchburg State University, and is not intended to be and should not be used by anyone other than these specified parties.

Boston, Massachusetts
[Report Date]

Fitchburg State University

Schedule of Population, Items Tested and Findings for Massachusetts State Financial Aid Program Cluster Year Ended June 30, 2017

	Description of category	Number of students	Percent of population	Amount of awards	Percent of population
General Scholarship (MASSGrant)	Population	977	100%	$ 1,019,534	100%
	Tested	12	1.23%	11,950	1.17%
	Findings	-	0.00%	-	0.00%
Christian A. Herter Memorial Scholarship	Population	2	100%	$ 18,800	100%
	Tested	1	50%	6,000	31.91%
	Findings	-	0.00%	-	0.00%
Part Time Student Grant	Population	6	100%	$ 2,825	100%
	Tested	1	16.67%	450	15.93%
	Findings	-	0.00%	-	0.00%
Need Based Cash Grant Program	Population	675	100%	$ 796,499	100%
	Tested	5	0.74%	4,785	0.60%
	Findings	-	0.00%	-	0.00%
Massachusetts No Interest Loan	Population	47	100%	$ 119,930	100%
	Tested	1	2.13%	3,600	3.00%
	Findings	-	0.00%	-	0.00%
Completion Incentive Grant Fund	Population	-	100%	$ -	100%
	Tested	-	0.00%	-	0.00%
	Findings	-	0.00%	-	0.00%
Massachusetts Foster Child Grant	Population	9	100%	$ 32,750	100%
	Tested	1	11.11%	3,850	11.76%
	Findings	-	0.00%	-	0.00%

Fitchburg State University

Schedule of Population, Items Tested and Findings for Massachusetts State Financial Aid Program Cluster Year Ended June 30, 2017

	Description of category	Number of students	Percent of population	Amount of awards	Percent of population
Early Childhood Educators Scholarship	Population	7	100%	$ 22,800	100%
	Tested	1	14.29%	4,800	21.05%
	Findings	-	0.00%	-	0.00%
John & Abigail Adams Scholarship	Population	456	100%	$ 415,531	100%
	Tested	6	1.32%	5,820	1.40%
	Findings	-	0.00%	-	0.00%
Massachusetts High Demand Scholarship	Population	-	100%	$ -	100%
	Tested	-	0.00%	-	0.00%
	Findings	-	0.00%	-	0.00%
GEAR UP Scholarship	Population	54	100%	$ 50,000	100%
	Tested	1	1.85%	1,000	2.00%
	Findings	-	0.00%	-	0.00%
National Guard Tuition & Fee Assistance	Population	20	100%	$ 11,478	100%
	Tested	1	5.00%	970	8.45%
	Findings	-	0.00%	-	0.00%
Need Based Tuition Waiver	Population	570	100%	$ 471,764	100%
	Tested	3	0.53%	2,910	0.62%
	Findings	-	0.00%	-	0.00%
Categorical Tuition Waiver	Population	104	100%	$ 97,389	100%
	Tested	4	3.85%	2,102	2.16%
	Findings	-	0.00%	-	0.00%

Fitchburg State University

Schedule of Population, Items Tested and Findings for Massachusetts State Financial Aid Program Cluster Year Ended June 30, 2017

	Description of category	Number of students	Percent of population	Amount of awards	Percent of population
Massachusetts Education Financing Authority Prepaid Tuition Waiver	Population	25	100%	$ 148,081	100%
	Tested	1	4.00%	1,780	1.20%
	Findings	-	0.00%	-	0.00%
Joint Admission Tuition Advantage Program Tuition Waiver	Population	69	100%	$ 53,245	100%
	Tested	1	1.45%	848	1.59%
	Findings	-	0.00%	-	0.00%
Senator Paul E. Tsongas Scholarship Tuition Waiver	Population	21	100%	$ 204,395	100%
	Tested	1	4.76%	10,134	4.96%
	Findings	-	0.00%	-	0.00%
Washington Center Program Tuition Waiver	Population	4	100%	$ 1,940	100%
	Tested	1	25.00%	485	25.00%
	Findings	-	0.00%	-	0.00%
DCF Adopted Child Tuition Waiver and Fee Assistance Program	Population	17	100%	$ 157,319	100%
	Tested	1	5.88%	10,135	6.44%
	Findings	-	0.00%	-	0.00%
DCF Foster Child Tuition Waiver and Fee Assistance Program	Population	15	100%	$ 13,579	100%
	Tested	2	13.33%	1,940	14.29%
	Findings	-	0.00%	-	0.00%
Stanley Z. Koplik Certificate of Mastery Tuition Waiver	Population	9	100%	$ 8,245	100%
	Tested	1	11.11%	970	11.76%
	Findings	-	0.00%	-	0.00%

Fitchburg State University

**Schedule of Population, Items Tested and Findings for
Massachusetts State Financial Aid Program Cluster
Year Ended June 30, 2017**

	Description of category	Number of students	Percent of population	Amount of awards	Percent of population
State University Internship Incentive Program	Population	59	100%	$ 139,288	100%
	Tested	2	3.39%	5,000	3.59%
	Findings	-	0.00%	-	0.00%

See Independent Auditor's Report on Supplementary Information on Page 5.

Attachment G

Summary Schedule

of Prior Year Findings

FITCHBURG STATE UNIVERSITY

160 Pearl Street
Fitchburg, MA 01420-2697
Tel 978.345.2151
www.fitchburgstate.edu

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2017

The University has completed corrective action on the finding noted below from the Uniform Guidance Audit report for the year ended June 30, 2016.

Federal Work Study Program (84.033)
Federal Award Number: P033A131863 **Award Year: 2016**
U.S. Department of Education
Finding Reference: 2016-001

Condition:
Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications and campus policies. In our sample of 5 students, we noted 2 instances of noncompliance. Due to an error in the time entry system one student was paid for 9.25 additional hours of Federal Work Study which was not corrected by management until August 2016. The second student was hired as an employee of the University for the Fall semester of 2015, but was paid from Federal Work Study funds.

Current Status:
The monies were immediately returned to the Federal Work Study program. The University has stressed to Federal Work Study supervisors that it is their responsibility to report accurate timesheets. The University has also stressed to the payroll office that it is their responsibility to ensure the accuracy of timesheets and payroll authorizations for the Federal Work Study program. No similar findings were noted in the 2017 audit.

Attachment H

Fitchburg State University

AU-C Section 260 Letter

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CohnReznick LLP
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REPORT DATE

To the Board of Trustees
Fitchburg State University

We have audited the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts) for the year ended June 30, 2017, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon dated REPORT DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as well as information related to the planned scope and timing of our audit, and certain other matters related to the audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated June 8, 2017, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement, and to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Fitchburg State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Fitchburg State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Fitchburg State University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Fitchburg State University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Fitchburg State University's compliance with those requirements.

Management's Discussion and Analysis and the pension benefit schedules which are required supplementary information ("RSI") are presented to supplement the basic financial statements as required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our responsibility for Management's Discussion and Analysis and the pension benefit schedules is to apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. However, the RSI has not been audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the residence hall and residence hall damage fund activity and schedule of expenditures of federal awards ("supplementary information"), which accompany the financial statements but are not required supplementary information. Our responsibility with respect to this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We gave consideration to the nonaudit services provided to the University during the period of our engagement, which may reasonably be thought to bear on independence, in reaching the conclusion that our independence has not been impaired in accordance with professional standards.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on June 6, 2017.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its component unit and their environments, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity and its component unit or to acts by management or employees acting on behalf of the entity and its component unit.

This letter communicates any significant findings as a result of our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fitchburg State University are described in Note 1 to the financial statements.

During the fiscal year ended June 30, 2017, Fitchburg State University adopted the following new Governmental Accounting Standards ("GASB"):

- Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The impact of implementing GASB Statement No. 82 on the University's financial statements in fiscal 2017 was to require, in the schedule of required supplementary information, the presentation of covered payroll, defined as the payroll on which contributions to the pension plan are based, and ratios that use that measure. Prior to the implementation of GASB Statement No. 82, covered-employee payroll, defined as the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, were required to be presented in the schedule of required supplementary information. The schedule of required pension supplementary information has been restated for all years presented for the implementation of GASB Statement No. 82.

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is management's estimate of the allowance for doubtful collections of accounts receivable. Management's estimate of the allowance for doubtful collections of accounts receivable is principally based on its historical experience and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used by management to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures related to the University's cash and cash equivalents, and investments found in Note 2 and the pension disclosures found in Note 21 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated REPORT DATE.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and the pension benefit schedules which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the residence hall and residence hall damage fund activity and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

<u>Restriction on Use</u>

This information is intended solely for the information and use of the Board of Trustees and management of Fitchburg State University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

FITCHBURG STATE UN

Foundation's Financial Statements for the year ended June 30, 2017

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NEXIA INTERNATIONAL
CohnReznick is an independent member of Nexia International

Introductions

- Jay Kaufman, Audit Partner
- Mark Snyder, Audit Senior Manager
- Maryellen Scarselli, Audit Manager
- Sarah Kielty, Audit Senior
- Michelle Scott, Audit Senior

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Fitchburg State University Foundation, Inc. And Related Supporting Organization

Audit results

- Financial statements are being issued with a "clean" – unmodified opinion.
- Report on internal controls over financial reporting and compliance and other matters – there were no findings required to be reported under Government Auditing Standards.
- Management letter – none.
- AU-C Section 260 letter – communications with those charged with governance (Attachments C and E).
- We would like to thank Jay Bry, Yvonnie Malcolm and their staff for their hard work in helping us complete the audits of the Foundation and the Supporting Organization.

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Consolidated Statements of Financial Position

(Page 4 of the Foundation's financial statements, Attachment B)

- Investments increased by approximately $1.6 million. This net increase results principally from investment net gains of $1.4 million ($1.0 of unrealized gains) during the year.
- Property and equipment, net increased by $524 thousand due to property acquisitions of $1.062 million made in the current year less depreciation expense of $252 thousand and impairment charges taken of $286 thousand.
- Liabilities increased by $727 thousand due mainly to the increased debt of $753 thousand incurred to fund property acquisitions and increased payables of $210 thousand to the University, net of scheduled debt repayments of $178 thousand.
- Net assets increased by approximately $1.7 million, resulting primarily from investmen

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Consolidated Statements of Activities and of Cash Flows

(Pages 5 through 7 of the Foundation's financial statements, Attachment B)

- Increase in investment returns (realized and unrealized gains/losses on investments) of $1.8 million is the primary reason that revenues and support increased in the current year.
- Gifts and donations increased by $138 thousand and grant income increased by $368 thousand.
- License fee income also increased by $145 thousand primarily due to the additional property purchases in FY 2017.
- Program expenses increased by $235 thousand. There were a number of increases and decreases in various line items during FY 2017. Most notable of the increases were in scholarships ($45 thousand), awards and grants ($66 thousand) and impairment losses ($187 thousand).

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Footnotes and Disclosures

(Starting on page 8of the Foundation's financial statements, Attachment B)

- Footnotes 2 and 3 (Starting on pages 14 and 15, respectively) – information and detail on what comprised cash and equivalents and investments.
  - Uninsured cash and cash equivalents of approximately $707 thousand is represented primarily by money market funds invested with State Street and Goldman Sachs and cash and other demand deposits held by Enterprise Bank.
  - Investments held by Eaton Vance collateralize the Foundation's Line of Credit (see footnote 8) and investments held by Enterprise collateralize the Supporting Organization's Enterprise Bank & Trust Company loan (see footnote 10).
- Footnotes 8, 9 and 10 (Pages 24 through 32) – Lines of credit and other debt. The Supporting Organization has $250 thousand outstanding on its Line of Credit at June 30, 2017. The Line of Credit balance was paid in full at beginning of October, 2017. The mortgage notes and bank note payable are being paid down as scheduled.

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Footnotes and Disclosures

(Starting on page 8 of the Foundation's financial statements, Attachment B)

- Footnote 11 (Pages 33 to 35) – The long-term operating lease agreement with DCAM for the warehouse space expired in August, 2016. A new 10 year lease agreement, retroactive to August, 2016, was executed in March, 2017 under the same terms and conditions as the expired lease agreement.
- The Simonds Hall lease agreement expired on May 31, 2017 and was not renewed as MSCBA acquired the property. Fitchburg continues to use the facilities and is being billed through the MSCBA semi-annual residence hall assessments.
- Footnote 16 (page 37) – Subsequent Events
  - Small property acquisition in July, 2017
  - Renovation activity 689 – 717 Main Street

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Questions

FITCHBURG STATE UN

Financial Statements for the year ended June 30, 2017

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Introductions

- Jay Kaufman, Audit Partner
- Mark Snyder, Audit Senior Manager
- Michelle Scott, Audit Senior Associate

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Audit results
(Attachment A)

- Financial statements are being issued with a "clean" – unmodified opinion.
- The Uniform Guidance report is an unmodified opinion. No findings.
  - Summary Schedule of Prior Year Audit Findings (Attachment G) – No issues in CY
- Report on internal controls over financial reporting and compliance and other matters – there were no findings required to be reported under Government Auditing Standards. No findings.
- Management's Discussion and Analysis prepared by Yvonnie Malcolm addresses significant events and changes between fiscal years.
- AU-C Section 260 – Communications with those charged with governance (Attachment H)
- MOSFA Attestation Engagement (Attachment F) – No findings.
- We'd like to thank Jay Bry, Yvonnie Malcolm and the financial services staff, and Denise Brindle and the financial aid staff at Fitchburg State University for their hard work in helping us to complete the audits. We would also like to recognize and thank outside consultant, Cathy Daggett, for her University and the audit team.

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Financial Statements Overview

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- Required Supplementary Information – Pension schedules
- Supplementary Information – Schedule of Expenditures of Federal Awards – Uniform Guidance Audit
- Supplementary Information – Residence Hall Information

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Statements of Net Position

(Pages 17 through 19 of the University's financial statements, Attachment A)

- Total assets increased by $6 million. The increase is primarily due to an increase in cash from operations and net proceeds of sales over purchases of investments during fiscal 2017.
- Deferred outflows of resources associated with the net pension liability increased by $902 thousand due to changes in the various components comprising this number as disclosed in footnote 21 (pp. 75 and 76).
- Total liabilities increased by $5.8 million primarily consisting of net pension liability of $2.6 million, new capital lease obligation (net) of $1.1 million, other long-term debt (net) of $1 million and revenue received in advance of $800 thousand (principally grants).
- Deferred inflows of resources decreased by $560 thousand primarily due to changes in the various components comprising the pension related number as disclosed in footnote 21 (pp. 75 and 76) and amortization of service concession agreement.
- Net Position increased by $1.7 million. This is more fully explained in the Statements of Revenues, Expenses and Changes in Net Position (pp. 20 & 21 of the University's financial statements, Attachment A)

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Statements of Revenues, Expenses and Changes in Net Position

(Pages 20 and 21 of the University's financial statements, Attachment A)

- Operating revenues at $59 million increased by $2.7 million from FY 2016, which is primarily due to increased student tuition and fees related to increases in enrollment as well as an increase in student fees.
- Operating expenses of $96.8 million are up $6 million from FY 2016, primarily due to increased costs for instruction, institutional support, operations and maintenance of plant, auxiliary enterprises and depreciation on assets placed in service during FY 2016.
- Non-operating revenues (expenses) of $38 million are up $2 million from FY 2016, primarily due to increases in state appropriations and net investment income offset by an increase in interest expense.
- Capital grants and state capital appropriations totaled approximately $1.5 million, a decrease of $109 thousand from FY 2016.

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Statements of Cash Flows

(Pages 22 through 24 of the University's financial statements, Attachment A)

- Cash and cash equivalents increased by $8.5 million, primarily due to an increase from operations, net proceeds of sales over purchases of investments, and a decrease in capital assets acquisition activity during fiscal 2017.
- Net cash used in operating activities decreased by $1.9 million, primarily due to increased tuition and fees.
- Net cash provided by noncapital financing activities of $28.7 million remained consistent with FY 2016, and primarily consists of state appropriations.

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Statements of Cash Flows

(Pages 22 through 24 of the University's financial statements, Attachment A)

- Net cash used in capital and related financing activities of $7.1 million was a decrease of $16.8 million from FY 2016. The decrease is primarily due to payments for capital assets of $6.2 million, a $13 million decrease from FY 2016. The University also received bond proceeds of $4.2 million from MSCBA in FY 2017 compared to none in FY 2016.
- Net cash provided by investing activities of $2.3 was an increase of $1.9 million from FY 2016. The increase results from a net increase in proceeds from the sale of investments over purchases of investments.

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Footnotes and Disclosures

(Starting on page 25 of the University's financial statements, Attachment A)

- Footnote 1 (pp 28 & 29 of the University's financial statements, Attachment A) – Added disclosures related to the Foundation's endowment funds' investment and spending policies.
- Footnote 1 (page 33 of the University's financial statements, Attachment A) - Recently adopted accounting pronouncements – *GASB 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73* implemented in the current year.
- Footnote 2 (Starting on page 33 of the University's financial statements, Attachment A) – Information on where funds are invested and what types of investments are held, investment and credit risks associated with investments, fair value measurement information, and detail on Foundation's endowment fund activity.
- Footnote 12 (Starting on page 54 of the University's financial statements, Attachment A) debt of the University.

Footnotes and Disclosures

(Starting on page 25 of the University's financial statements, Attachment A)

- Footnote 13 (pp 63 & 64 of the University's financial statements, Attachment A) – New capital lease obligation in FY 2017 for the upgrade to the University's wireless network equipment.
- Footnotes 14 & 15 (Starting on page 64 of the University's financial statements, Attachment A) - explains all of the debt of the Foundation and Supporting Organization.
- Footnote 21 (Starting on page 73 of the University's financial statements, Attachment A) – Information on the University's participation in the Commonwealth's pension plan.

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Summation of Financial Statements and Looking Forward

- Another good year for the University. The University continues to maintain a positive net operating revenues ratio indicating an operating surplus albeit decreasing from prior years due to increases in operating expenses.
- The University continues to plan for future investment in capital improvement projects which will require continued commitment of financial resources.
- Prudent fiscal management shown by the University in past years will continue to be required into the future. The University's debt burden as of June 30, 2017 is 5.6% which remains below the standard of 8% used by the Commonwealth.

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Upcoming GASB Accounting Pronouncements

- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
  - Applicable for FY ended 6/30/18
- GASB Statement No. 87 – Leases
  - Applicable for FY ended 6/30/21

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Management Letter

- There is no separate management letter being issued related to the audits.

State Financial Aid Attestation Report

(Attachment F)

- No findings

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Questions

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FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

MEETING AGENDA – OCTOBER 19, 2017

CohnReznick LLP

- Jay Kaufman, CPA, Audit Partner
- Mark Snyder, CPA, Audit Senior Manager
- Maryellen Scarselli, CPA, Audit Manager
- Sarah Kielty, Audit Senior
- Michelle Scott, Audit Senior

Introduction

Overview of Financial Statements

- Stand alone financial statements issued for the Supporting Organization (Attachment D)
- Consolidated Financial Statements of the Foundation and Supporting Organization (Attachment B)
- Financial Statement Highlights and Major Changes

Auditor Communications Letters (Attachments C and E)

Management Letter – no separate management letter in 2017

Questions

FITCHBURG STATE UNIVERSITY

Overview of Financial Statements (Attachment A)

- Independent Auditor's Report on Financial Statements
- Management's Discussion and Analysis (MD & A)
- Financial Statement Highlights and Major Changes

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance required by the Uniform Guidance

- Uniform Guidance Findings
- Summary Schedule of Prior Year Audit Findings (Attachment G)

Auditor Communications Letter (Attachment H)

Management Letter - no separate management letter in 2017

Massachusetts Financial Assistance Programs (Attachment F)

Final Comments and Questions

Cover Sheet

FY2017 Audit - VOTE (05-17/18)

Section: II. Finance and Administration
Item: B. FY2017 Audit - VOTE (05-17/18)
Purpose: Vote
Submitted by:

BACKGROUND:
It is requested that the Finance and Administration Committee accept the FY2017 Audit.

RECOMMENDATION:
Motion to accept