Fitchburg State University

Board of Trustees Finance and Administration Committee Meeting

Published on October 29, 2019 at 2:12 PM EDT

Date and Time
Tuesday November 5, 2019 at 9:00 AM EST

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

The Fitchburg State University Board of Trustees Finance and Administration Committee and the Foundation Audit Committee will meet on Tuesday, November 5, 2019 at 9:00 a.m. in the President's Conference Room, Sanders Building, 300 Highland Ave., Fitchburg, MA 01420

Agenda

	Purpose	Presenter	Time
I. Opening Items			**9:00 AM**
A. Record Attendance and Guests			1 m
B. Call the Meeting to Order			
C. Approve Minutes from April 30, 2019 Finance Committee - VOTE (06-19/20)	Approve Minutes		1 m
Approve minutes for Finance and Administration Committee Meeting on April 30, 2019			
II. Presentation by the Auditors			**9:02 AM**
A. Board Presentation Exhibits	Discuss		20 m
B. FY2019 Audit - VOTE (07-19/20)	Vote		5 m
III. Closing Items			**9:27 AM**
A. Adjourn Meeting	Vote		1 m

Cover Sheet

Approve Minutes from April 30, 2019 Finance Committee - VOTE (06-19/20)

Section: I. Opening Items
Item: C. Approve Minutes from April 30, 2019 Finance Committee - VOTE (06-19/20)
Purpose: Approve Minutes
Submitted by:
Related Material:
Minutes for Finance and Administration Committee Meeting on April 30, 2019
VOTE Finance Minutes April 30, 2019.pdf

Fitchburg State University

Minutes

Finance and Administration Committee Meeting

Date and Time
Tuesday April 30, 2019 at 8:00 AM

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

The Fitchburg State University Board of Trustees Finance and Administration Committee will meet on Tuesday, April 30, 2019 at 8:00 a.m. in the President's Conference Room, Sanders Building, 300 Highland Ave., Fitchburg, MA 01420

Committee Members Present
D. Irving, D. Phillips, D. Tiernan, L. Barrieau

Committee Members Absent
None

Guests Present
A. Cardelle, A. Ramos, Jr., C. Aneke, C. Canney, C. Estrella, G. Doiron, J. Bry, L. Bayless, M. McKenzie, M. Siderwicz, R. Lapidus

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I. Opening Items

A. Record Attendance and Guests

B. Call the Meeting to Order

D. Phillips called a meeting of the Finance and Administration committee of Fitchburg State University to order on Tuesday Apr 30, 2019 @ 8:02 AM at President's Conference Room, Sanders Building, 300 Highland Ave., Fitchburg, MA 01420.

C. Approve Minutes from October 30, 2018 Finance Committee - VOTE (25-18/19)

L. Barrieau made a motion to approve minutes from the Joint Board of Trustees Finance & Administration Committee & Foundation Audit Committee on 10-30-18.
D. Tiernan seconded the motion.
The committee **VOTED** unanimously to approve the motion.

II. FY20 Budget Discussion

A. FY2020 Budget Narrative

President Lapidus thanked everyone for attending the meeting. He introduced the new student Trustee, Chrystal Aneke.

He next explained the budget narrative. He indicated that he wanted to give the committee a holistic picture. He thanked J. Bry and his team for the budget exercise.

He discussed student population demographics, and the slow decrease in applications. indicated that this is a statewide issue. did note that fully online programs are doing very well. He also talked about the increasing cost of infrastructure. Increasing numbers of students are coming to campus with challenges such as housing and food insecurity, learning challenges and mental health issues. In order to assist in student success the cost of delivering education and support is increasing. He noted that all the bargaining unit contracts have been resolved and that state funding will once again fall short of the financial obligation associated with the contracts. discussed the 5% operating cuts instituted across all units on the campus for the budgeting cycle.

J. Bry discussed the consolidated budget. This budget is based off of FTE (Full Time Equivalent) numbers. discussed annual operating budgets in detail. There was a discussion on tuition retention and how payroll is budgeted and funded.

The president reminded the committee that our day program is a state supported program and our Graduate and Continuing Education Department is a self-supporting business. There was a discussion.

B. Budget Narrative Appendix

The president discussed the direct costs and net price comparison sheets in detail.

C. Annual Operating Budgets FY17-FY20

The annual operating budget was discussed in detail. There was a discussion on the new deferred maintenance program and upcoming projects. The president said that technology is a huge challenge for every institution to fund and keep current. It's always changing and items often have large price tags. The university is trying to better manage the hardware and software by planning over a multiyear time horizen. There was a discussion.

III. FY2020 Fees Discussion

A. University Fee Increase - VOTE (26-18/19)

The president called attention to the last spreadsheet regarding tuition and fee increases. The tuition and fee comparisons were discussed. J. Bry said this fee structure is predicated on the board voting on the proposed fee increase.
D. Irving made a motion to approve.
D. Tiernan seconded the motion.
The committee **VOTED** unanimously to approve the motion.

B. Course Fee - VOTE (27-18/19)

J. Bry discussed the course fee at $325.00 that relates to the Police Academy Program. There was discussion.

A. Ramos asked about getting the money from another funding source. There was a discussion.

J. Bry stated that discretionary funds are limited and majority of our costs are fixed. There was a discussion on how to make up for our shortfalls. As an institution we have positioned ourselves to tightened the belt. If the state appropriations would fully fund collective bargaining, we would be in better position not have to raise fees.
L. Barrieau made a motion to approve.
D. Irving seconded the motion.
The committee **VOTED** unanimously to approve the motion.

IV. Trust Fund Establishment

A. Accelerated On-Line Programs Trust Fund - VOTE (28-18/19)

The president explained how GCE funds are designated. This new trust fund is designed to create an accounting separation so as to better understand the revenue and cost implications of online programs as compared to the activity of other GCE programs. There was a discussion.
D. Irving made a motion to approve.
D. Tiernan seconded the motion.
The committee **VOTED** unanimously to approve the motion.

V. FY2020 Budget VOTES

A. FY2020 Budget - VOTE (29-18/19)

D. Irving made a motion to approve.
L. Barrieau seconded the motion.
The committee **VOTED** unanimously to approve the motion.

B. Roll Forward of Funds to FY2020 Budget - VOTE (30-18/19)

D. Irving made a motion to approve.
D. Tiernan seconded the motion.
The committee **VOTED** unanimously to approve the motion.

VI. Closing Items

A. Adjourn Meeting

D. Irving made a motion to adjourn the meeting.
L. Barrieau seconded the motion.
The committee **VOTED** unanimously to approve the motion.
There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 9:17 AM.

Respectfully Submitted,
D. Phillips

Fitchburg State University
REQUEST FOR BOARD ACTION

TO: Finance and Administration Committee	DATE: November 5, 2019
FROM: The President	REQUEST NUMBER: 06-19/20
SUBJECT: April 30, 2019 Finance and Administration Committee Meeting minutes	

It is requested that the Fitchburg State University Board of Trustees vote to approve the minutes from the April 30, 2019 Finance and Administration Committee meeting.

Cover Sheet

Board Presentation Exhibits

Section: II. Presentation by the Auditors
Item: A. Board Presentation Exhibits
Purpose: Discuss
Submitted by:
Related Material:

Attachment A Fitchburg State University FY 2019 Draft FS.pdf
Attachment B Fitchburg State University Communication Letter.pdf
Attachment C Foundation Draft FS.pdf
Attachment D Foundation-CommunicationLetter.pdf
Attachment E FSU Foundation Supporting Org FS - DRAFT as of 10.1.19.pdf
Attachment F FSU SupportingOrg_CoomunicationLetter.pdf
Attachment G No Management Letter Acknowledgment Letter.pdf
Attachment H University Executive Summary 2019.pdf
Attachment I Executive Summary FDN Audit June 2019.pdf
Attachment J Executive Summary SO June 2019.pdf

Attachment A

Fitchburg State University

FY2019 Draft FS

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

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

June 30, 2019 and 2018

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, 2019 and 2018, 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 the discretely presented component unit of Fitchburg State University as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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, 2019 and 2018, 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 and OPEB benefit schedules on pages 5 to 17 and 92 to 95, 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 2019 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 96 to 98 are presented for purposes of additional analysis and are not a required part of the 2019 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 2019 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 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the 2019 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 2019 financial statements as a whole.

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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, 2019, 2018 and 2017. 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 more than 30 undergraduate degree programs in sixteen academic departments, 22 graduate degree programs and several Graduate Certificates of Advanced Study. During fall 2019, there were approximately 3,695 full-time students and thousands of part-time students enrolled. For fiscal 2019, there was a combined full-time equivalent annual enrollment of approximately 4,745. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education ("DGCE"). The University awarded approximately 1,505 graduate and undergraduate degrees in fiscal 2019. The University is accredited by the New England Commission of Higher Education ("NECHE"), formerly known as 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 2019 resulting in an increase in net position of approximately 2.29%. 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 $33 million in fiscal 2019 as compared with $29.5 million in fiscal 2018 and $29.4 million in fiscal 2017.

- The University undergraduate fees were basically flat this fiscal year. Total mandatory fees per semester were $4,692, $4,592 and $4,582 in fiscal 2019, 2018 and 2017, 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 Graduate fees per 3 credit class were $957 each year in fiscal years 2019, 2018 and 2017, and the fees for the Accelerated Online Programs were $933 to $1,251 per 3 credit class in fiscal 2019.

- The University expended $8 million from current funds for capital additions in fiscal 2019. Projects completed during the year included the renovations to the following: Theater Building Phase 1, Edgerly Elevator Replacement, Percival Hall Phase II, and Math Emporium Classroom. Projects in process at June 30, 2019 included the final renovations to Holmes Walk in Coolers, Energy/Water Retrofit project, the Theater Building Phase II and the Recreation Center's Roof. The following projects were also in process at June 30, 2019, improvements to McKay C. Building Phase III, Percival Hall Phase III and the Edgerly and Thompson Hall windows replacement.

- Total assets and deferred outflows of resources at the end of fiscal 2019 were $253 million and exceeded liabilities and deferred inflows of resources of $127 million by $126 million (i.e. net position).

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

Management's Discussion and Analysis
(Unaudited)

- Total operating, non-operating, and gift revenue for fiscal 2019 was $119.6 million, while expenses totaled $116.8 million, resulting in an increase to net position of $2.8 million. The increase in net position includes a 5.8% increase in student tuition and fee revenues.

- Governmental Accounting Standards Board ("GASB") Statement No. 75 requires that an allocated portion of the Commonwealth's unfunded post-employment benefits other than pensions 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 the group insurance commission charges on the fringe benefit. The University's portion of the Commonwealth's unfunded post-employment benefits other than pensions (OPEB) liability is calculated at $21.9, $22.2, and $22.4 million at June 30, 2019, 2018 and 2017.

- 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 $12.5, $11.4 and $12.6 million at June 30, 2019, 2018 and 2017.

- Unrestricted net position (before benefits adjustments of $33.2 million at June 30, 2019) available to support short-term operations totaling $28.6 million.

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. These financial ratios are shown before unfunded benefits adjustments. Net assets benefits adjustments amounts are $33.2 million in 2019, $31.4 million in 2018 and $ 30.1 million in 2017.

A change was made in fiscal year 2019 to the accounting for the dining hall income and expenses. The income and expenses related to the dining hall program was moved from an agency account to reflect an auxiliary income and its corresponding expenditure. All relevant fiscal years and ratios were adjusted accordingly.

- **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 $34.9 million are sufficient to cover current liabilities of $20.8 million. The University's current ratio at June 30 is 1.7 to 1 for 2019, 1.8 to 1 for 2018, and 1.8 to 1 for 2017.

- **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, 2019, 2018 and 2017 was 3.0%, 2.7% and 2.1%, respectively. The increase in 2019 return on net position ratio is primarily the result of the increase in tuition income from the Accelerated Online program, and an increase in capital appropriations from the state.

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

Management's Discussion and Analysis
(Unaudited)

- **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, 2019, 2018 and 2017 was 32.3%, 33.8% and 35.1%, 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, 2019, 2018 and 2017 was 106.3%, 111.7% and 114.2%, respectively.

- **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, 2019, 2018 and 2017 was 1.7, 1.9 and 1.7, 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.

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

Management's Discussion and Analysis
(Unaudited)

The statements of net position (condensed, in thousands) at June 30, 2019, 2018 and 2017, are as follows:

	2019	2018	2017
Assets			
Current assets	$ 34,855	$ 32,500	$ 30,337
Capital assets, net	182,821	181,449	173,403
Other	26,767	24,742	28,149
Total assets	244,443	238,691	231,889
Deferred outflows of resources	8,886	5,580	4,901
Liabilities			
Current liabilities	20,798	17,950	16,609
Long-term liabilities	97,363	98,126	97,716
Total liabilities	118,161	116,076	114,325
Deferred inflows of resources	8,959	4,807	1,822
Net position			
Net investment in capital assets	121,719	118,282	116,097
Restricted			
Nonexpendable	523	521	506
Expendable	8,559	9,089	8,096
Unrestricted			
Designated	18,462	16,218	13,142
Undesignated (deficit)	(23,054)	(20,722)	(17,198)
Total net position	$ 126,209	$ 123,388	$ 120,643

Current assets consist primarily of cash and cash equivalents (92.3%). 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. Net position in fiscal 2017 has been decreased to reflect the recognition of the University's unfunded (OPEB) liability as required by the implementation of GASB Statement No. 75. The increase in deferred outflows of resources and deferred inflows of resources in fiscal year 2018 are a result of amounts associated with the implementation of GASB No. 75. The overall increase in net position over the last three years, excluding the impact from the recognition of amounts associated with the implementation of GASB Statement No. 75, is primarily the result of an influx of grant revenue, tuition, rental income and state capital appropriations in fiscal year 2019. These individual elements of revenue and the corresponding increases in net position are illustrated in the following schedule.

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

Management's Discussion and Analysis
(Unaudited)

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, 2019, 2018 and 2017. 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).

	2019	2018	2017
Operating revenues			
Tuition and fees (net)	$ 44,253	$ 41,820	$ 39,020
Grants	9,370	9,513	8,243
Sales and service of educational department	1,456	1,523	1,316
Auxiliary	14,915	15,305	14,328
Other operating revenue	831	779	862
Total operating revenue	70,825	68,940	63,769
Operating expenses			
Instruction	38,610	37,154	36,052
Research and public service	952	660	515
Academic support	8,596	7,158	6,301
Student services	13,603	10,124	9,545
Scholarships	2,841	2,690	1,960
Institutional support	12,701	11,744	10,784
Operations and maintenance	11,757	11,030	11,961
Depreciation	10,442	9,991	10,126
Auxiliary	15,322	15,169	14,306
Total operating expenses	114,824	105,720	101,550
Net operating loss	(43,999)	(36,780)	(37,781)
Non-operating revenue and expenses			
State appropriations	43,795	39,404	38,873
Investment income	1,218	1,030	1,085
Interest expense and debt issue costs	(2,008)	(1,851)	(1,963)
State capital appropriations	3,558	439	74
Capital gifts and grants	257	503	1,404
Total non-operating revenue	46,820	39,525	39,473
Increase in net position	2,821	2,745	1,692
Net position, beginning of the year	123,388	120,643	141,335
Restatement	-	-	(22,384)
Net position, end of the year	$ 126,209	$ 123,388	$ 120,643

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

Management's Discussion and Analysis
(Unaudited)

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 2019, 2018 and 2017 was 34.89%, 34.86% and 33.5%, respectively. The current fringe benefit rate includes group medical insurance (21.57%); retirement (12.06%) and terminal leave (1.26%).

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

	2019	2018	2017
Commonwealth general appropriations	$ 31,242	$ 29,473	$ 29,405
Commonwealth special appropriations	1,746	-	-
Appropriations to cover fringe benefits provided to employees of the Commonwealth	11,596	10,605	10,185
	44,584	40,078	39,590
Tuition remitted back to the Commonwealth	(789)	(674)	(717)
Net appropriations	43,795	39,404	38,873
Additional state capital appropriations	3,558	439	74
Total appropriations	$ 47,353	$ 39,843	$ 38,947

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.

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

Management's Discussion and Analysis
(Unaudited)

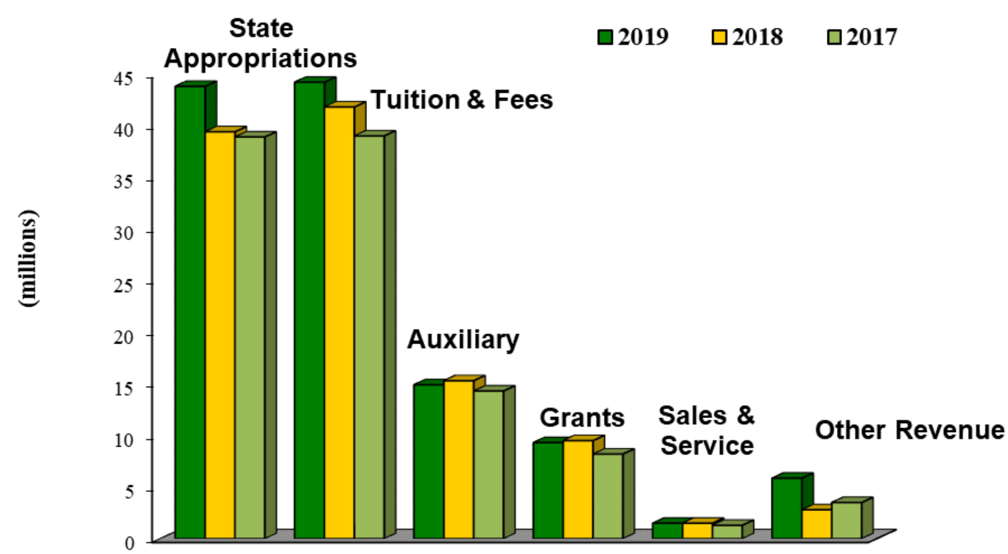
The following schedule (condensed, in thousands) illustrates the University's incurred losses from operations for the fiscal years ended June 30, 2019, 2018 and 2017.

	2019	2018	2017
Tuition and fees revenue, net	$ 44,252	$ 41,820	$ 39,020
Other operating revenue	26,573	27,120	24,749
Total operating revenue	70,825	68,940	63,769
Operating expenses	(114,824)	(105,720)	(101,550)
Operating loss	(43,999)	(36,780)	(37,781)
Total state appropriations	43,795	39,404	38,873
Other revenue (expense), net	3,025	121	600
Increase in net position	$ 2,821	$ 2,745	$ 1,692

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, 2019, 2018 and 2017, the University's net operating revenues ratio was 0.7%, 2.8% and 1.5%, 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, 2019, 2018 and 2017 was $119.6, $110.3, and $105.2 million, respectively.

Total Revenue by Source



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

Management's Discussion and Analysis
(Unaudited)

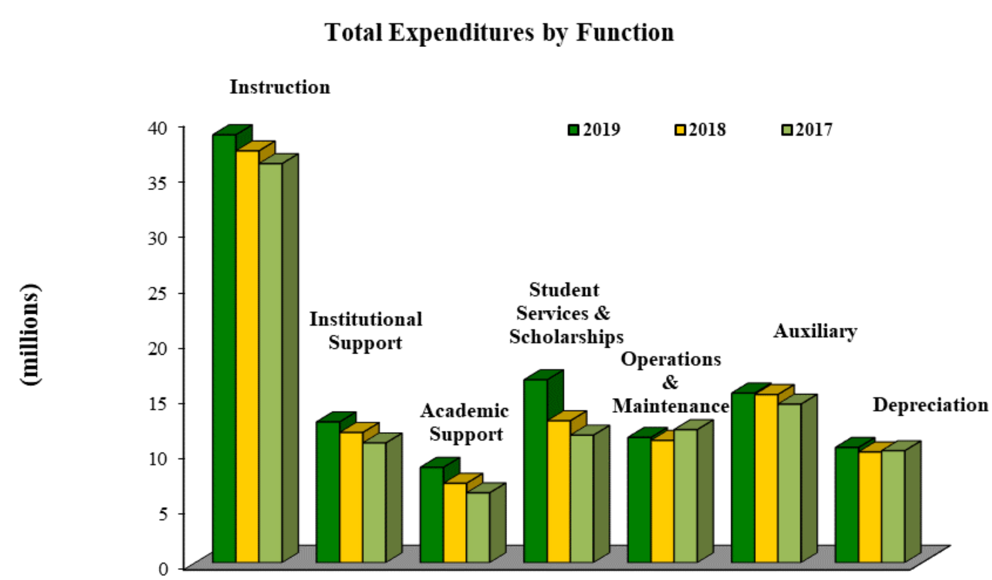
For the fiscal year ended June 30, 2019, general appropriations increased 10.4% from 2018 funding level. This increase was mainly due to the one-time payment of retroactive salaries which occurred after 2017 collective bargaining agreements were ratified in 2019. Over the last nineteen years, general appropriations (including fringe benefits) that support the operating costs of the University have decreased to 26.4% 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 only fee increase the board approved in fiscal year 2019 was the technology fee which was increased to $175 per semester. Because of our robust online program, total tuition and fee revenue saw an increase in fiscal year 2019 of 5.8%. During fiscal year 2019, 2018 and 2017, in-state tuition, fees and room & board for full time resident students was $10,492, $10,347 and $10,152 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2019, 2018 and 2017 was $5,177, $5,077 and $5,067 per semester, respectively.

Auxiliary revenue represents revenue received from the operations of the University's residence and dining 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 84.9% of capacity.

Grant revenue is made up of federal, state and private grants. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs.

Other revenue includes investment and miscellaneous revenue.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2019, 2018 and 2017 were $116.8, $107.6 and $103.5 million, respectively.



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Expenditures, exclusive of depreciation, increased by 9.0% in fiscal year 2019. This increase was primarily due to payment of retroactive increases for fiscal years 2018 and 2019 in 2019 and increase in benefits mandated by collective bargaining agreements, increases in resident halls debt payments to MSCBA and increase in commission from the accelerated online program. The most significant area of expense remains Instruction, which represents 33.05% of total expenses. Faculty payroll ($24.4 million) and related benefits ($8.5 million) represent approximately 85.2% 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 $10.4, $10.0 and $10.1 million in depreciation expense for 2019, 2018 and 2017, respectively.

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	2019	2018	2017
Instruction	33.30%	34.00%	34.80%
Institutional Support	11.70%	11.20%	10.90%
Academic Support	7.50%	6.60%	6.10%
Student Services & Scholarships	14.20%	11.80%	11.10%
Operations & Maintenance	10.20%	10.10%	11.50%
Auxiliary	13.20%	13.90%	13.70%
Depreciation	9.00%	9.10%	9.80%

Note: The total sum of all Demand Ratios will be greater (less) than 100 percent, 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).

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The following are the University's statements of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2019, 2018 and 2017:

	2019	2018	2017
Cash received from operations	$ 71,023	$ 68,331	$ 64,094
Cash expended for operations	(89,436)	(82,002)	(79,441)
Net cash used in operations	(18,413)	(13,671)	(15,347)
Net cash provided by noncapital financing activities	32,198	28,799	28,692
Net cash used in capital and related financing activities	(10,525)	(17,351)	(7,128)
Net cash provided by investing activities	273	29	2,312
Net increase (decrease) in cash and equivalents	3,533	(2,194)	8,529
Cash and equivalents, beginning of the year	36,112	38,306	29,777
Cash and equivalents, end of the year	$ 39,645	$ 36,112	$ 38,306

The University's cash and cash equivalents increased by approximately $3.53 million during fiscal 2019, resulting in the cash and cash equivalents balance of $39.65 million at the fiscal year-end. The increase is primarily due to the increase in tuition and fees with negligible corresponding increase in accounts receivable and also increase in state general and capital appropriations and a decrease in capital expenditures. 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, 2019, net capital assets increased to $182.8 million net of current depreciation expense of $10.4 million. During the current fiscal year there were $11.8 million in additions to capital assets. Major capital initiatives either continuing or undertaken during 2019 include:

- Percival Hall, Phases 2 & 3 $3.7 million (to date)
- Theater Building, Phases 1 & 2, $4.3 million (to date)
- Edgerly Elevator Replacement, $1.8 million (to date)
- Energy/Water Retrofit project, $8.9 million (to date)
- Thompson & Edgerly Window Replacement, $1.0 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

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increasing investment in plant facilities. The University's physical asset renewal ratio for fiscal years ended June 30, 2019, 2018 and 2017 was 1.1, 1.8 and 0.9, 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, 2019 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	7.02%	$ 381,757	$ 2,001,094	2023
MSCBA	Holmes Dining Hall Renovations	2005	$ 1,090,000	DSF	4.04%	$ 81,623	$ 425,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	$ 4,020,000	DSF	4.04%	$ 303,746	$ 1,545,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	$ 2,060,000	DSF	4.47%	$ 150,262	$ 977,888	2026
MSCBA	Hammond Campus Center Renovations	2011	$ 15,935,656	DSF & operating funds	3.38%	$ 1,130,152	$ 10,326,187	2030
MSCBA	Hammond Campus Center Renovations	2012	$ 7,043,416	DSF & operating funds	4.96%	$ 511,800	$ 5,097,760	2031
MSCBA	Hammond Campus Center Renovations	2013	$ 11,300,906	DSF & operating funds	3.27%	$ 747,026	$ 8,554,420	2032
MSCBA	Parking Expansion	2013	$ 2,563,127	DSF & operating funds	3.27%	$ 166,588	$ 1,939,619	2032
MSCBA	Hammond Campus Center Renovations	2014	$ 12,235,614	DSF & operating funds	5.00%	$ 915,500	$ 10,005,695	2033
MSCBA	Hammond Campus Center Renovations	2015	$ 10,669,503	DSF & operating funds	4.96%	$ 758,250	$ 9,125,147	2034
MSCBA	Landry Arena Refurbishment	2017	$ 4,166,418	DSF & operating funds	3.96%	$ 281,362	$ 3,917,884	2037
DCAMM	CEIP Funds	2016	$ 5,420,360	DCAMM	0.00%	-	$ 5,420,360	2039
JP Morgan	Campus wireless project	2017	$ 1,261,206	DSF & operating funds	1.81%	$ 264,967	$ 644,803	2022
MSCBA	Holmes Dining	2019	$ 1,516,022	DSF	3.34%	$ -	$ 1,513,813	2039
MSCBA	Recreation Center Roof	2019	$ 1,107,123	DSF & operating funds	3.34%	$ -	$ 1,105,516	2039
Total			$ 86,389,351			$ 5,693,033	$ 62,600,186	

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For the fiscal years ended June 30, 2019, 2018 and 2017, the total debt (current and long term) attributable to interagency payments, bond premiums and capital lease payments amounted to $62.6, $63.7 and $61.9 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 expendable 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 assets. The University's viability ratio, which has remained relatively consistent over time, is 0.62 to 1 for June 30, 2019, 0.58 to 1 for 2018 and 0.57 to 1 for 2017.

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, 2019, 2018 and 2017, the University's debt burden was 5.2%, 5.6% and 5.3%, respectively.

Looking Forward

Fitchburg State University (FSU) is still in the business of changing lives as it celebrates its one hundred and twenty five years as an institution of higher learning. It is continuing its tradition which began in 1894 to equip and empower the underserved when it opened its doors to a class of 46 women. In 2019, Boston Business Journal in its ranking of Massachusetts' MBA programs ranked FSU as having the largest MBA program with a majority female enrollment.

The University is not only in the business of changing lives but also teaching its student to make a difference in one's community and to stand up for one's belief. In 2019, FSU is celebrating the 50th year anniversary of the landmark legal case of free speech brought by the student on behalf of the editorial staff of the University newspaper against the President of the University. Antonelli v. Hammond, is still being cited today as a legal precedent. Faculty members at Fitchburg State University are also making their mark on this community as they lead by example. A group of faculty members is currently working with the Worcester District Attorney's office to find workable solutions to end the opioid crisis. This collaboration is grant funded and will hopefully "result in programs that reduce the numbers of opioid overdose deaths and provide a better method for … treating drug users who commit crimes." Per Worcester District Attorney Joseph D. Early, Jr. "Fitchburg State does great work and has a great criminal justice program. We can count on you."

Fitchburg State University does not leave any stone unturned in its quest to help first-generation, low-income and otherwise under-represented individuals in its community. As such, the University is collaborating with nearby colleges and area high schools to develop the North Central Massachusetts Early College Academy which was launched by MA Governor, Charlie Baker in 2019. This academy will work in tandem with existing preparatory programs as it bridges the gap between high school and higher education. Its goal is to assist high school students to attain college credits and or credentials prior to their graduation. This should in turn reduce the overall price for college for the student, give the students a clear career path, and equip those entering the job market directly out of high school with some work related credentials.

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One million dollars has been raised thus far with the assistance of Anna M. Clementi and the Clementi Family Charitable Trust to support the Global Ambassadors Scholarship Program. The goal of this scholarship is to increase the number of students participating in the University's faculty-led international programs. Per the University President, Richard Lapidus, "studying abroad creates better understanding of the global forces that shape our region and our world", and FSU is committed "to prepare all students to succeed as global citizens". Anna Clementi said she gave because she "has witnessed firsthand the transformative power of travel." Thus, when fully implemented, the scholarship program will assist first-generation students with no previous international travel experience gain a better understanding of the world and hence their place in it. Students accepting this challenge, on their return, are expected to serve for one year as an 'International Program Ambassador."

The University continues to invest in capital assets to support the academic programs and to improve the experience of students on campus. 2019 saw the completion of a number of renovation projects which were started in prior years. Two of the most prominent of those are the redesigning of classroom spaces, namely the 2nd floor of Percival hall and the Mathematics Emporium classroom. These classroom spaces are not only tastefully decorated but are equipped with all the latest technology to empower both faculty and students to be successful.

The leadership of the University is continuing its work with likeminded businesses and individuals from the community of Fitchburg on the ReImagine North of Main project (RNOM). RNOM recently received grant funding from the Transformative Development Initiative, which is a MassDevelopment program for Gateway Cities, like Fitchburg. The aim of the funding is to make revitalization efforts affordable to business owners as they work to improve the appearance of downtown while protecting the historical integrity of their facility. Fitchburg State University is still committed to the upgrading of the Theater facility which currently houses the Idea lab and game design facility. The project team is continuing to work on the revitalization and financing of this project. As a community resource, the institution continues to provide leadership and support for economic, environmental, social and cultural needs of Fitchburg, north central Massachusetts and the Commonwealth.

<u>Requests for Information</u>

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, 2019 and 2018

Assets

	2019	Component Unit Fitchburg State University Foundation, Inc. 2019	2018	Component Unit Fitchburg State University Foundation, Inc. 2018
Current assets				
Cash and equivalents	$ 24,703,959	$ 1,236,311	$ 23,463,140	$ 1,304,617
Restricted cash and cash equivalents	7,471,350	-	6,505,321	-
Investments	-	9,584,736	-	8,612,256
Accounts receivable, net	2,370,621	35,794	2,163,522	37,160
Contributions receivable, net	-	80,240	-	106,469
Loans receivable - current portion	1,754	-	1,207	-
Other current assets	307,456	74,877	366,499	28,195
Total current assets	34,855,140	11,011,958	32,499,689	10,088,697
Noncurrent assets				
Restricted cash and cash equivalents	7,470,358	-	6,143,787	-
Investments	16,783,815	-	15,880,005	-
Endowment investments	894,216	10,476,414	848,920	10,177,248
Accounts receivable, net of current portion	94,175	-	89,866	-
Contributions receivable, net	-	193,745	-	-
Loans receivable, net of current portion	1,481,419	-	1,702,589	-
Capital assets, net	182,820,730	6,561,694	181,449,525	6,043,323
Other noncurrent assets	43,100	66,722	76,955	91,381
Total noncurrent assets	209,587,813	17,298,575	206,191,647	16,311,952
Total assets	244,442,953	28,310,533	238,691,336	26,400,649
Deferred outflows of resources				
Deferred outflow-OPEB	5,237,836	-	2,075,508	-
Deferred outflow for pensions	3,648,601	-	3,504,138	-
Total deferred outflows of resources	8,886,437	-	5,579,646	-

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Statements of Net Position
June 30, 2019 and 2018

Liabilities and Net Position

	2019	Component Unit Fitchburg State University Foundation, Inc. 2019	2018	Component Unit Fitchburg State University Foundation, Inc. 2018
Current liabilities				
Interagency payables - current portion	$ 3,897,109	$ -	$ 3,487,348	$ -
Long-term debt - current portion	-	243,950	-	756,909
Bank lines of credit	-	250,000	-	320,000
Capital lease obligations - current portion	254,441	-	249,898	-
Accounts payable and accrued liabilities	4,600,467	335,231	3,844,430	256,040
Accounts payable - construction	2,514,558	-	1,752,153	-
Accrued workers' compensation - current portion	128,796	-	141,432	-
Compensated absences - current portion	3,337,642	-	3,175,133	-
Faculty payroll accrual	3,993,800	-	3,510,359	-
Revenue received in advance	1,734,573	58,519	1,417,553	43,475
Deposits	289,150	-	323,200	-
Other current liabilities	47,986	53,901	49,067	-
Total current liabilities	20,798,522	941,601	17,950,573	1,376,424
Noncurrent liabilities				
Interagency payables, net of current portion	58,058,274	-	59,298,320	-
Accrued workers' compensation, net of current portion	462,010	-	507,339	-
Compensated absences, net of current portion	2,167,708	-	2,166,148	-
Long-term debt, net of current portion	-	3,796,376	-	2,801,813
Capital lease obligations, net of current portion	390,362	-	644,804	-
Loan payable - federal financial assistance program	1,871,966	-	1,845,365	-
Net OPEB liability	21,928,435	-	22,232,674	-
Net pension liability	12,484,412	-	11,430,648	-
Total noncurrent liabilities	97,363,167	3,796,376	98,125,298	2,801,813
Total liabilities	118,161,689	4,737,977	116,075,871	4,178,237
Deferred inflows of resources				
Service concession arrangement	1,264,590	-	1,517,508	-
Deferred inflow - OPEB	6,838,918	-	2,609,760	-
Deferred inflow for pensions	855,293	-	679,709	-
Total deferred inflows of resources	8,958,801	-	4,806,977	-

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Statements of Net Position
June 30, 2019 and 2018

Net Position

	2019	Component Unit Fitchburg State University Foundation, Inc. 2019	2018	Component Unit Fitchburg State University Foundation, Inc. 2018
Net investment in capital assets	$ 121,718,509	$ 2,271,367	$ 118,281,520	$ 2,164,600
Restricted for:				
Nonexpendable				
Scholarships and fellowships	523,524	5,505,575	520,615	5,335,072
Cultural programs	-	3,233,944	-	3,183,493
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	143,921	-	91,427
Expendable				
Scholarships and fellowships	458,337	4,277,835	484,519	3,801,743
Cultural programs	-	3,219,263	-	2,983,612
Loans	261,675	-	257,864	-
Capital projects	675,205	-	1,253,969	-
Debt service	7,077,552	-	6,699,132	-
Other	86,883	549,569	393,691	452,763
Unrestricted (deficit)	(4,592,785)	2,778,108	(4,503,176)	2,616,728
Total net position	$ 126,208,900	$ 23,572,556	$ 123,388,134	$ 22,222,412

See Notes to Financial Statements.

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	Component Unit Fitchburg State University Foundation, Inc. 2019	2018	Component Unit Fitchburg State University Foundation, Inc. 2018
Operating revenues				
Student tuition and fees	$ 45,864,620	$ -	$ 43,632,761	$ -
Student fees restricted for repayment of Interagency payables	5,915,182	-	5,909,693	-
Less: Scholarship allowances	(7,527,347)	-	(7,722,510)	-
Net student tuition and fees	44,252,455	-	41,819,944	-
Federal grants and contracts	8,351,649	-	8,312,288	-
State and local grants and contracts	389,824	510	292,900	98,042
Nongovernmental grants and contracts	628,798	-	907,615	-
Sales and services of educational departments	1,455,829	481,109	1,522,627	489,634
Gifts and contributions	-	823,613	-	612,927
Auxiliary enterprises:				
Residential life	10,474,472	270,854	10,643,816	262,981
Dining hall	4,411,690	-	4,629,927	-
Alcohol awareness and other programs	29,050	-	31,530	-
Other operating revenues	831,040	-	779,130	-
Total operating revenues	70,824,807	1,576,086	68,939,777	1,463,584
Operating expenses				
Educational and general				
Instruction	38,609,419	600	37,154,391	15,063
Research	93,572	157,502	104,463	104,142
Public service	858,701	73,611	555,403	45,755
Academic support	8,595,843	4,629	7,157,778	16,613
Student services	13,603,158	85,329	10,123,698	140,459
Institutional support	12,701,295	649,887	11,743,901	609,036
Operations and maintenance of plant	11,757,230	247,925	11,030,069	891,685
Depreciation and amortization	10,442,249	165,666	9,990,725	249,358
Scholarships and awards	2,840,881	484,035	2,690,116	507,301
Auxiliary enterprises				
Residential life	10,910,491	64,220	10,514,709	78,067
Dining hall	4,394,772	-	4,629,927	-
Alcohol awareness and other programs	16,482	-	24,426	-
Total operating expenses	114,824,093	1,933,404	105,719,606	2,657,479
Operating income (loss)	(43,999,286)	(357,318)	(36,779,829)	(1,193,895)

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	Component Unit Fitchburg State University Foundation, Inc. 2019	2018	Component Unit Fitchburg State University Foundation, Inc. 2018
Nonoperating revenues (expenses)				
State appropriations	$ 43,794,742	$ -	$ 39,403,569	$ -
Gifts	200	-	100	-
Investment income (loss), net of investment expense	1,030,332	456,282	908,222	531,317
Investment income (loss) on restricted assets, net of investment expense	187,462	1,162,852	122,149	1,367,217
Interest expense on Interagency payables and capital asset related debt	(1,985,157)	(167,147)	(1,851,587)	(158,341)
Debt issuance costs	(23,145)	-	-	-
Net nonoperating revenues (expenses)	43,004,434	1,451,987	38,582,453	1,740,193
Income (loss) before capital and endowment additions	(994,852)	1,094,669	1,802,624	546,298
State capital appropriations	3,558,392	-	439,467	-
Capital grants	257,226	-	503,124	-
Private gifts for endowment purposes	-	255,475	-	427,010
Total capital and endowment additions	3,815,618	255,475	942,591	427,010
Increase (decrease) in net position	2,820,766	1,350,144	2,745,215	973,308
Net position - beginning of year	123,388,134	22,222,412	120,642,919	21,249,104
Net position - end of the year	$ 126,208,900	$ 23,572,556	$ 123,388,134	$ 22,222,412

See Notes to Financial Statements.

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Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Tuition and fees	$ 43,878,800	$ 41,635,962
Research grants and contracts	9,814,022	9,467,228
Payments to suppliers	(29,685,635)	(25,472,940)
Payments to utilities	(4,342,904)	(4,437,738)
Payments to employees	(48,666,644)	(46,193,141)
Payments for benefits	(3,483,320)	(3,130,009)
Payments for scholarships	(3,233,205)	(2,731,812)
Loans issued to students	(24,751)	(36,291)
Collection of loans to students	233,847	248,106
Auxiliary enterprise receipts		
Residential life	10,461,785	10,606,391
Dining hall	4,411,690	4,629,927
Alcohol awareness program	29,050	31,530
Receipts from sales and services of educational departments	1,411,875	923,280
Other receipts	782,096	788,702
Net cash provided by (used in) operating activities	(18,413,294)	(13,670,805)
Cash flows from noncapital financing activities		
State appropriations	32,987,316	29,473,032
Tuition remitted to State	(788,853)	(674,450)
Gifts from grants for other than capital purposes	200	100
Net cash provided by (used in) noncapital financing activities	32,198,663	28,798,682
Cash flows from capital and related financing activities		
State capital appropriations	3,558,392	439,467
Loan programs net funds received	30,413	55,596
Interagency payable proceeds received	2,623,145	5,420,360
Payments for capital assets	(11,020,946)	(17,591,182)
Principal paid on capital debt	(3,435,230)	(3,324,678)
Interest paid on capital debt	(2,257,803)	(2,349,986)
Debt issuance costs	(23,145)	-
Net cash provided by (used in) capital and related financing activities	(10,525,174)	(17,350,423)

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Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from investing activities		
Purchase of investments	$ (5,427,479)	$ (3,924,835)
Proceeds from sale of investments	5,045,974	3,396,907
Earnings on investments	654,729	556,921
Net cash provided by (used in) investing activities	273,224	28,993
Net increase (decrease) in cash and equivalents	3,533,419	(2,193,553)
Cash and equivalents, beginning of year	36,112,248	38,305,801
Cash and equivalents, end of year	$ 39,645,667	$ 36,112,248
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (43,999,286)	$ (36,779,829)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Bad debt expense	175,145	325,079
Depreciation and amortization	10,442,249	9,990,725
Fringe benefits paid by the Commonwealth of Massachusetts	11,596,279	10,604,987
Change in net pension liability	1,084,885	875,264
Change in net OPEB liability	762,591	382,727
Changes in assets and liabilities:		
Receivables	(303,566)	(532,536)
Other current and noncurrent assets	15,296	49,479
Accounts payable and accrued liabilities	744,432	1,218,053
Accrued workers' compensation	(57,965)	67,753
Compensated absences	164,069	180,035
Accrued faculty payroll	483,441	167,613
Revenue received in advance	317,020	(436,741)
Other current liabilities	(12,930)	696
Deposits	(34,050)	4,075
Loans to students	209,096	211,815
Net cash used in operating activities	$ (18,413,294)	$ (13,670,805)

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Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Schedule of noncash investing and financing activities		
Acquisition of capital assets	$ 11,813,454	$ 18,036,922
Accounts payable thereon:		
Beginning of year	1,752,153	1,447,903
End of year	(2,514,558)	(1,752,153)
Net interest earned and incurred, capitalized in construction in progress	(30,103)	(141,490)
Payments for capital assets	$ 11,020,946	$ 17,591,182
Unrealized gain (loss) on investments	$ 442,174	$ 231,987
Fringe benefits paid by the Commonwealth of Massachusetts	$ 11,596,279	$ 10,604,987
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	$ 24,703,959	$ 23,463,140
Restricted cash and cash equivalents	7,471,350	6,505,321
Noncurrent assets		
Restricted cash and cash equivalents	7,470,358	6,143,787
Total cash and cash equivalents	$ 39,645,667	$ 36,112,248

See Notes to Financial Statements.

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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 Commission of Higher Education ("NECHE") (formerly known as the New England Association of Schools and Colleges ("NEASC")).

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, 2019, 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 fiscal 2019, FSU Foundation distributed scholarships and awards in the amount of $484,035 directly to students and faculty of the University, and incurred an additional $1,616,516 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 fiscal 2018, FSU Foundation distributed scholarships and awards in the amount of $507,301 directly to students and faculty of the University, and incurred an additional $2,308,519 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, 2019 and 2018, the University had $457,803 and $321,111, respectively, in endowment income available for authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

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

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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.

The FSU Foundation's endowments consist of approximately 109 and 110 individual funds at June 30, 2019 and 2018, respectively, that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. During fiscal 2018, FSU Foundation's Board of Directors voted to earmark $25,000 as a board-designated fund entitled The Fund for Fitchburg State to function as an endowment fund The fund is designated for students with financial needs to be awarded financial aid scholarships. 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. As of June 30, 2019 and 2018, the endowment is $25,000 each year.

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 net assets with donor restrictions (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 funds will remain in net assets with donor restrictions 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. 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 net assets without donor restrictions. As of June 30, 2019 and 2018, 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 $89,254 and $85,581 for the years ended June 30, 2019 and 2018, respectively. FSU Foundation's investment expense amounted to $113,548 and $107,210 for the years ended June 30, 2019 and 2018, 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 $1,486,071 and $1,469,209 for Perkins and $385,895 and $376,156 for NSL at June 30, 2019 and 2018, 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, five years for furniture and three 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, 2019 and 2018 were $7,325,967 and $6,827,009, 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, 2019 and 2018.

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 2019 and 2018, total interest costs incurred were accounted for as follows:

	2019	2018
Total interest costs incurred	$ 2,302,225	$ 2,290,601
Less: Interest income on unused funds from tax exempt borrowings	(22,683)	(9,299)
Bond premium amortization	(264,282)	(288,225)
	2,015,260	1,993,077
Less: Capitalized portion of net interest earned and incurred	(30,103)	(141,490)
Interest expense	$ 1,985,157	$ 1,851,587

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.

OPEB plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to post-employment benefits other than pensions, and OPEB expense, information

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about the fiduciary net position of the OPEB Trust Fund and additions to/deductions from OPEB Trust Fund's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust Fund. Investments are reported at fair value.

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 2018 financial statements to conform to the 2019 presentation.

Recently adopted accounting pronouncements

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of GASB Statement No. 88 is to improve consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of GASB Statement No. 88 apply to the financial statements of all state and local governments. The provisions in GASB Statement No. 88 are effective for financial statements for fiscal years beginning after June 15, 2018 with earlier application encouraged. The University adopted this standard in fiscal year 2019.

The impact of implementing GASB Statement No. 88 on the University's financial statements is further discussed in Notes 12, 14 and 15.

Note 2 - Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2019 and 2018:

	2019		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts	$ 13,694,916	$ 5,469,229	$ 2,659,412
Cash equivalents held by MDFA *	-	310,945	304,079
Cash equivalents held by MSCBA **	-	850,157	4,379,416
Massachusetts Municipal Depository Trust	6,098,818	-	127,451
Massachusetts State Treasurer ***	4,899,290	841,019	-
Petty cash	10,935	-	-
	$ 24,703,959	$ 7,471,350	$ 7,470,358

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	2018		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts	$ 13,076,865	$ 5,769,441	$ 2,428,922
Cash equivalents held by MDFA *	-	293,344	283,274
Cash equivalents held by MSCBA **	-	363,739	3,307,247
Massachusetts Municipal Depository Trust	5,950,122	-	124,344
Massachusetts State Treasurer ***	4,435,208	78,797	-
Petty cash	945	-	-
	$ 23,463,140	$ 6,505,321	$ 6,143,787

* 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.

** 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.

*** The University has recorded cash held for the benefit of the University by the State Treasurer in the amount of $4,899,290 and $4,435,208 at June 30, 2019 and 2018, respectively, for University funds and $841,019 and $78,797 at June 30, 2019 and 2018, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year-end.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $57,494 and $93,465 at June 30, 2019 and 2018, respectively. 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, 2019 and 2018, the fund's investment securities had a weighted average maturity of 30 and 32 days, respectively. The fund had an average credit quality rating of AAAm at both June 30, 2019 and 2018.

Money market funds include the Northern Institutional U.S. Government Portfolio in the aggregate amount of $122,940 and $99,475 at June 30, 2019 and 2018, respectively. The Northern Institutional U.S. Government 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, 2019 and 2018, the fund's investment securities had a weighted average maturity of 55 days and 45 days, respectively. The fund had an average credit quality rating of AAAm at both June 30, 2019 and June 30, 2018.

Money market funds also include the RWM Cash Management money market account with a balance of $59,787 and $27,959 at June 30, 2019 and 2018, respectively.

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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, 2019 and 2018, the University had uninsured cash balances totaling approximately $6,538,100 and $5,920,900, 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.

The following University investments at June 30, 2019 and 2018 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:

	2019	2018
U.S. Treasury Notes and Government Securities	$ 1,551,228	$ 1,295,626
Corporate Debt Securities	1,834,046	1,929,532
Equity Securities	7,450,776	6,825,505
Mutual Funds	6,841,981	6,678,262
Total	17,678,031	16,728,925
Less insured amounts	1,500,000	1,500,000
Amount subject to Custodial Credit Risk	$ 16,178,031	$ 15,228,925

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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, 2019 and 2018, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were $6,226,269 and $6,074,466, respectively. At June 30, 2019, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 74% at 30 days or less; 18% at 31-90 days; 5% at 91-180 days; and 3% at 181 days or more. At June 30, 2019, approximately 100% of the MMDT's cash portfolio had a First Tier credit quality rating.

The University's funds held at MDFA are invested in the Short-Term Asset Reserve ("STAR") Fund and had a fair value of $615,024 and $576,618 at June 30, 2019 and 2018, 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, 2019 and 2018, respectively. At June 30, 2019 and 2018, the fund's investment securities maintain a weighted average maturity of 51 and 37 days, respectively.

At June 30, 2019, certain of the University's funds are held at MSCBA. Of the total, $1,410,640 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $3,818,933 is invested in various funds as listed below:

		Investment maturities (in years)				
Investment type	Fair value	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	881,963	-	881,963	-	-	AA+
Massachusetts ST Bonds	1,044,489	80,326	-	-	964,163	AAA
Natixis NY C P	1,747,640	1,747,640	-	-	-	N/A
Total	$ 3,818,933	$ 1,972,807	$ 881,963	$ -	$ 964,163	

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At June 30, 2018, certain of the University's funds are held at MSCBA. Of the total, $1,599,693 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $2,071,293 is invested in various funds as listed below:

		Investment maturities (in years)				
Investment type	Fair value	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	881,963	-	881,963	-	-	AA+
Massachusetts ST Bonds	1,044,489	80,326	-	-	964,163	AAA
Total	$ 2,071,293	$ 225,167	$ 881,963	$ -	$ 964,163	

The University's investments in marketable securities are represented by the following at June 30, 2019 and 2018:

	2019		2018	
	Cost	Fair value	Cost	Fair value
U.S. Treasury Notes and Government Securities	$ 1,541,400	$ 1,551,228	$ 1,360,003	$ 1,295,626
Corporate Debt Securities	1,799,218	1,834,046	1,985,769	1,929,532
Equity Securities	5,785,714	7,450,776	5,276,629	6,825,505
Mutual Funds	6,594,076	6,841,981	6,591,075	6,678,262
	$ 15,720,408	$ 17,678,031	$ 15,213,476	$ 16,728,925

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

	2019	2018
Investments	$ 16,783,815	$ 15,880,005
Endowment investments	894,216	848,920
	$ 17,678,031	$ 16,728,925

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At June 30, 2019, 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 maturities (in years)				
Investment type	Fair value	Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
U.S. Treasury Notes and Government Securities 1.625% to 3.375%	$ 1,551,228	$ 300,246	$ 765,691	$ 485,291	$ -	AA+
Corporate Debt Securities 2.900% to 4.375%	184,380	60,606	61,325	62,449	-	A
Corporate Debt Securities 2.950% to 4.125%	186,086	-	125,009	61,077	-	A-
Corporate Debt Securities 2.800% to 3.625%	387,214	-	247,534	139,680	-	A+
Corporate Debt Securities 1.961% to 3.625%	249,045	49,900	123,369	75,776	-	AA
Corporate Debt Securities 3.200% to 4.300%	281,047	60,198	116,612	104,237	-	AA-
Corporate Debt Securities 3.043% to 3.200%	114,450	-	-	114,450	-	AA+
Corporate Debt Securities 3.125%	52,636	-	-	52,636	-	AAA
Corporate Debt Securities 4.100%	61,375	-	61,375	-	-	BBB
Corporate Debt Securities 3.100% to 4.650%	317,813	-	239,365	78,448	-	BBB+
Total	$ 3,385,274	$ 470,950	$ 1,740,280	$ 1,174,044	$ -	

At June 30, 2018, 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 maturities (in years)				
Investment type	Fair value	Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
U.S. Treasury Notes and Government Securities 1.625% to 3.375%	$ 1,295,626	$ 301,472	$ 767,048	$ 227,106	$ -	AA+
Corporate Debt Securities 1.875% to 5.625%	366,153	59,984	306,169	-	-	A
Corporate Debt Securities 3.100% to 6.000%	405,536	-	169,893	235,643	-	A-
Corporate Debt Securities 2.800% to 3.300%	366,339	-	180,186	186,153	-	A+
Corporate Debt Securities 3.400% to 3.625%	171,926	-	171,926	-	-	AA
Corporate Debt Securities 1.750% to 3.625%	267,285	-	170,760	96,525	-	AA-
Corporate Debt Securities 3.200% to 4.650%	107,232	-	-	107,232	-	AA+
Corporate Debt Securities 3.125%	49,120	-	-	49,120	-	AAA
Corporate Debt Securities 1.400% to 5.000%	195,941	60,796	62,023	73,122	-	BBB+
Total	$ 3,225,158	$ 422,252	$ 1,828,005	$ 974,901	$ -	

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FSU Foundation's cash and cash equivalents consist of the following at June 30, 2019 and 2018:

	2019	2018
Cash and other demand deposits	$ 437,419	$ 471,462
Money Market Funds	798,892	833,155
	$ 1,236,311	$ 1,304,617

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 $252,979, $29,894, $45,676 and $470,343 at June 30, 2019.

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 $112,880, $104,726, $146,615 and $468,934 at June 30, 2018.

The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2019 and 2018, FSU Foundation's uninsured cash and cash equivalent balances, including the SSGA US Government Money Market Fund, Goldman Sachs Financial Square Government Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market accounts, amounted to approximately $503,400 and $554,900, 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:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,808,658	$ 10,081,587	$ 5,956,602	$ 9,755,423
Preferred Stocks	72,338	72,879	72,335	73,216
Mutual Funds	4,750,849	5,369,109	4,546,413	5,207,596
Corporate Bonds	1,904,978	1,939,586	1,795,019	1,751,921
U.S. Government Securities	2,581,185	2,597,989	2,056,409	2,001,348
	$ 15,118,008	$ 20,061,150	$ 14,426,778	$ 18,789,504

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

	2019	2018
Current assets		
Investments	$ 9,584,736	$ 8,612,256
Noncurrent assets		
Endowment investments	10,476,414	10,177,248
	$ 20,061,150	$ 18,789,504

At June 30, 2019, net unrealized gains in FSU Foundation's investment portfolio amounted to $4,943,142. At June 30, 2018, net unrealized gains in FSU Foundation's investment portfolio amounted to $4,362,726.

At June 30, 2019 and 2018, equities include securities in the consumer goods sector which represent 15% and 17%, respectively, of the fair value of FSU Foundation's investment portfolio.

At June 30, 2019 and 2018, equities include securities in the technology sector which represent 9% and 10%, respectively, of the fair value of FSU Foundation's investment portfolio.

At June 30, 2019 and 2018, 5% and 8%, respectively, of the fair value of FSU Foundation's investment portfolio represents foreign investments.

Investments held by FSU Foundation with an equivalent fair value of $11,884,000 at June 30, 2019 collateralize certain debt agreements (see Notes 14 and 15).

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At June 30, 2019, FSU Foundation'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 1.375% to 3.625%	$ 2,597,989	$ 449,731	$ 1,734,727	$ 413,531	$ -	AA+
Corporate Debt Securities 1.700% to 6.000%	727,642	99,989	444,653	183,000	-	A
Corporate Debt Securities 1.700% to 3.500%	152,951	-	49,474	103,477	-	A-
Corporate Debt Securities 2.450% to 4.450%	281,171	30,332	224,375	26,464	-	A+
Corporate Debt Securities 2.895% to 4.250%	155,495	-	155,495	-	-	AA
Corporate Debt Securities 2.200% to 3.300%	381,083	-	381,083	-	-	AA-
Corporate Debt Securities 3.450%	52,899	-	52,899	-	-	AA+
Corporate Debt Securities 3.125%	26,318	-	-	26,318	-	AAA
Corporate Debt Securities 2.400% to 4.500%	162,027	60,798	101,229	-	-	BBB+
Total	$ 4,537,575	$ 640,850	$ 3,143,935	$ 752,790	$ -	

At June 30, 2018, FSU Foundation'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 1.125% to 4.000%	$ 2,001,348	$ 242,899	$ 1,419,999	$ 338,450	$ -	AA+
Corporate Debt Securities 1.700% to 6.000%	554,115	25,005	376,321	152,789	-	A
Corporate Debt Securities 2.650% to 4.500%	220,459	-	80,895	139,564	-	A-
Corporate Debt Securities 2.450% to 3.400%	396,195	-	347,374	48,821	-	A+
Corporate Debt Securities 4.250%	51,672	-	51,672	-	-	AA
Corporate Debt Securities 2.200% to 4.450%	396,768	-	277,361	119,407	-	AA-
Corporate Debt Securities 3.450%	49,995	-	-	49,995	-	AA+
Corporate Debt Securities 3.125%	24,560	-	-	24,560	-	AAA
Corporate Debt Securities 2.400% to 3.500%	58,157	-	9,873	48,284	-	BBB+
Total	$ 3,753,269	$ 267,904	$ 2,563,495	$ 921,870	$ -	

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The University's 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 Board 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 quoted 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, 2019:

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	$ 1,551,228	$ -	$ 1,551,228	$ -
Corporate Debt Securities	1,834,046	-	1,834,046	-
Equity Securities	7,450,776	7,450,776	-	-
Mutual Funds	6,841,981	6,841,981	-	-
	$ 17,678,031	$ 14,292,757	$ 3,385,274	$ -

The University's investments' fair value measurements are as follows at June 30, 2018:

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	$ 1,295,626	$ -	$ 1,295,626	$ -
Corporate Debt Securities	1,929,532	-	1,929,532	-
Equity Securities	6,825,505	6,825,505	-	-
Mutual Funds	6,678,262	6,678,262	-	-
	$ 16,728,925	$ 13,503,767	$ 3,225,158	$ -

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FSU Foundation's investments' fair value measurements are as follows at June 30, 2019:

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	$ 2,597,989	$ -	$ 2,597,989	$ -
Preferred Stocks	72,879	-	72,879	-
Corporate Bonds	1,939,586	-	1,939,586	-
Equity Securities	10,081,587	10,081,587	-	-
Mutual Funds	5,369,109	5,369,109	-	-
	$ 20,061,150	$ 15,450,696	$ 4,610,454	$ -

FSU Foundation's investments' fair value measurements are as follows at June 30, 2018:

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	$ 2,001,348	$ -	$ 2,001,348	$ -
Preferred Stocks	73,216	-	73,216	-
Corporate Bonds	1,751,921	-	1,751,921	-
Equity Securities	9,755,423	9,755,423	-	-
Mutual Funds	5,207,596	5,207,596	-	-
	$ 18,789,504	$ 14,963,019	$ 3,826,485	$ -

Mutual funds 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.

The FSU Foundation's endowment net asset composition by type of fund at June 30, 2019 is as follows:

Fund type	restrictions	restrictions	Total
Donor-restricted funds	$ -	$ 7,022,932	$ 7,022,932
Donor-restricted amounts required to be held in perpetuity	-	10,476,414	10,476,414
Board-designated for endowment fund	25,000	-	25,000
Total funds	$ 25,000	$ 17,499,346	$ 17,524,346

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Changes in FSU Foundation's board-designated and donor-restricted endowment net position by type of fund for the year ended June 30, 2019 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net position, beginning of year	$ 25,000	$ 16,403,604	$ 16,428,604
Investment return			
Investment income	-	247,759	247,759
Appreciation (depreciation), realized and unrealized	-	992,765	992,765
Total investment return	-	1,240,524	1,240,524
Contributions	-	275,315	275,315
Appropriation of endowment assets for expenditure	-	(298,417)	(298,417)
Investment management fees	-	(81,179)	(81,179)
Reclassification of net position	-	(38,601)	(38,601)
Other changes			
Transfers to create board-designated endowment funds	-	-	-
Transfer upon removal of donor restrictions	-	(1,900)	(1,900)
Endowment net position, end of year	$ 25,000	$ 17,499,346	$ 17,524,346

The FSU Foundation's endowment net asset composition by type of fund at June 30, 2018 is as follows:

Fund type	Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$ -	$ 6,200,638	$ 6,200,638
Donor-restricted amounts required to be held in perpetuity	-	10,202,966	10,202,966
Board-designated for endowment fund	25,000	-	25,000
Total funds	$ 25,000	$ 16,403,604	$ 16,428,604

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Changes in FSU Foundation's board-designated and donor-restricted endowment net position by type of fund for the year ended June 30, 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net position, beginning of year	$ -	$ 14,842,450	$ 14,842,450
Investment return			
Investment income	-	244,587	244,587
Appreciation (depreciation), realized and unrealized	-	1,195,940	1,195,940
Total investment return	-	1,440,527	1,440,527
Contributions	-	440,985	440,985
Appropriation of endowment assets for expenditure	-	(218,165)	(218,165)
Investment management fees	-	(77,283)	(77,283)
Reclassification of net position	-	(23,560)	(23,560)
Other changes			
Transfers to create board-designated endowment funds	25,000	-	25,000
Transfer upon removal of donor restrictions	-	(1,350)	(1,350)
Endowment net position, end of year	$ 25,000	$ 16,403,604	$ 16,428,604

Note 3 - Accounts and contributions receivable

The University's accounts receivable include the following at June 30, 2019 and 2018:

	2019	2018
Student accounts receivable	$ 2,378,676	$ 1,921,064
Parking and other fines receivable	130,825	104,485
Commissions receivable	82,709	111,269
Grants receivable	315,740	464,096
Compass receivable, including accrued interest of $16,157 and $11,848 (see Note 11)	94,175	89,866
FSU Foundation receivable	122,466	203,534
	3,124,591	2,894,314
Less allowance for doubtful accounts	(659,795)	(640,926)
	$ 2,464,796	$ 2,253,388

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FSU Foundation's contributions receivable consist of the following at June 30, 2019 and 2018:

	2019	2018
Receivable in less than one year	$ 80,240	$ 106,585
Receivable in one to five years	195,645	400
	275,885	106,985
Discount on pledges	(1,900)	(516)
	$ 273,985	$ 106,469

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, 2019 and 2018:

	2019	2018
Perkins loans receivable	$ 1,218,097	$ 1,408,153
Nursing loans receivable	265,076	295,643
Emergency student loans receivable	3,018	3,018
	1,486,191	1,706,814
Less allowance for doubtful accounts	(3,018)	(3,018)
	$ 1,483,173	$ 1,703,796

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. The Perkins loan program ended 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, 2019 is as follows:

Capital assets:	Totals June 30, 2018	Additions	Reclassifications* and reductions	Totals June 30, 2019
Non-depreciable capital assets				
Land	$ 5,478,125	$ -	$ -	$ 5,478,125
Construction in progress	12,331,926	6,873,096	(4,874,981)	14,330,041
Total non-depreciable assets	17,810,051	6,873,096	(4,874,981)	19,808,166
Depreciable capital assets				
Land improvements	17,579,322	-	-	17,579,322
Buildings	80,591,909	-	-	80,591,909
Building improvements	155,621,492	4,790,186	4,874,981	165,286,659
Equipment	19,128,668	71,100	-	19,199,768
Furniture	597,676	-	-	597,676
Library materials	501,721	79,072	(97,343)	483,450
Total depreciable assets	274,020,788	4,940,358	4,777,638	283,738,784
Total capital assets	291,830,839	11,813,454	(97,343)	303,546,950
Less: Accumulated depreciation				
Land improvements	6,977,983	877,634	-	7,855,617
Buildings	43,420,330	1,153,759	-	44,574,089
Building improvements	43,666,183	7,730,650	-	51,396,833
Equipment	15,719,142	582,863	-	16,302,005
Furniture	597,676	-	-	597,676
Library materials	-	97,343	(97,343)	-
Total accumulated depreciation	110,381,314	10,442,249	(97,343)	120,726,220
Capital assets, net	$ 181,449,525	$ 1,371,205	$ -	$ 182,820,730

As of June 30, 2019, capital assets of the University with a cost of approximately $54,630,000 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, 2019.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately $5,699,500 and $3,773,000 at June 30, 2019 and 2018, respectively.

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Capital assets activity of the University for the year ended June 30, 2018 is as follows:

Capital assets:	Totals June 30, 2017	Additions	Reclassifications* and reductions	Totals June 30, 2018
Non-depreciable capital assets				
Land	$ 5,478,125	$ -	$ -	$ 5,478,125
Construction in progress	6,184,439	10,459,780	(4,312,293)	12,331,926
Total non-depreciable assets	11,662,564	10,459,780	(4,312,293)	17,810,051
Depreciable capital assets				
Land improvements	16,777,625	655,169	146,528	17,579,322
Buildings	80,591,909	-	-	80,591,909
Building improvements	146,360,296	5,572,887	3,688,309	155,621,492
Equipment	17,400,275	1,250,937	477,456	19,128,668
Furniture	597,676	-	-	597,676
Library materials	493,446	98,149	(89,874)	501,721
Total depreciable assets	262,221,227	7,577,142	4,222,419	274,020,788
Total capital assets	273,883,791	18,036,922	(89,874)	291,830,839
Less: Accumulated depreciation				
Land improvements	6,123,733	854,250	-	6,977,983
Buildings	42,266,570	1,153,760	-	43,420,330
Building improvements	36,417,644	7,248,539	-	43,666,183
Equipment	15,074,840	644,302	-	15,719,142
Furniture	597,676	-	-	597,676
Library materials	-	89,874	(89,874)	-
Total accumulated depreciation	100,480,463	9,990,725	(89,874)	110,381,314
Capital assets, net	$ 173,403,328	$ 8,046,197	$ -	$ 181,449,525

As of June 30, 2018, capital assets of the University with a cost of approximately $54,241,000 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, 2018.

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, 2019 and 2018.

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Capital assets activity of FSU Foundation for the year ended June 30, 2019 is as follows:

Capital assets:	Totals June 30, 2018	Additions	Reclassifications and reductions	Totals June 30, 2019
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	1,716,697	232,627	-	1,949,324
Land improvements	158,127	-	-	158,127
Buildings	1,379,916	451,410	-	1,831,326
Building improvements	1,109,006	-	-	1,109,006
Equipment	759,307	-	-	759,307
Furniture and fixtures	60,773	-	-	60,773
Library materials	6,570	-	-	6,570
	5,190,396	684,037	-	5,874,433
Total capital assets	7,967,615	684,037	-	8,651,652
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	460,827	38,943	-	499,770
Building improvements	56,085	5,023	-	61,108
	516,912	43,966	-	560,878
Real estate used for student housing:				
Buildings	120,317	10,855	-	131,172
Building improvements	12,632	1,430	-	14,062
	132,949	12,285	-	145,234
Other:				
Land improvements	86,395	6,101	(9,172)	83,324
Buildings	178,575	35,440	9,172	223,187
Building improvements	213,284	55,451	-	268,735
Equipment	750,949	8,145	-	759,094
Furniture and fixtures	38,658	4,278	-	42,936
Library materials	6,570	-	-	6,570
	1,274,431	109,415	-	1,383,846
Total accumulated depreciation	1,924,292	165,666	-	2,089,958
Capital assets, net	$ 6,043,323	$ 518,371	$ -	$ 6,561,694

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Non-depreciable capital assets of FSU Foundation total $2,605,542 at June 30, 2019, which is comprised of land.

At June 30, 2019, capital assets of FSU Foundation with a cost of approximately $849,000 were fully depreciated and still in service.

On July 4, 2018, the Foundation 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 $172,481. The Foundation Supporting Organization intends to use this property for faculty/staff housing. The acquisition was financed, in part, with a mortgage note on the property in the amount of $138,400.

On August 24, 2018, the Foundation 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 $393,780. The Foundation Supporting Organization intends to use this property for faculty/staff housing. The acquisition was financed, in part, with a mortgage note on the property in the amount of $312,000.

The Foundation Supporting Organization is planning a major renovation and expansion of a property consisting of land and a building that it acquired in fiscal 2017. The renovation of the property which when completed is expected to cost approximately $25,000,000 and consist of a multi-phased project providing academic space, student support services space, retail and community space and a theatre renovation. The space is expected to be used by the University and the Fitchburg and surrounding communities. Fitchburg State University will be responsible for the costs of the project's development and construction pursuant to the terms of the license agreement between the University and the Foundation Supporting Organization. Funding for the project is expected to come from a variety of sources including, but not limited to, New Market Tax Credits, Historic Tax Credits, bonds, grants and philanthropy. The project is in the very early stages of development and is estimated to require four years to completion. At some point during that period, the property will be transferred to a new entity. The Foundation Supporting Organization will pay for certain legal services incurred in connection with the project which the Foundation Supporting Organization currently estimates to be approximately $148,000 for the entire project. For the years ended June 30, 2019 and 2018, the Foundation Supporting Organization has incurred $25,536 and $9,342, respectively, of legal costs related to the project. Fitchburg State University has incurred $3,874,673 and $3,181,520, respectively, of costs as of June 30, 2019 and 2018. These amounts were placed into service in fiscal 2019 as building improvements and were included in construction in progress as of June 30, 2018.

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Capital assets activity of FSU Foundation for the year ended June 30, 2018 is as follows:

Capital assets:	Totals June 30, 2017	Additions	Reclassifications and reductions	Totals June 30, 2018
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	2,333,018	110,172	(726,493)	1,716,697
Land improvements	158,127	-	-	158,127
Buildings	1,249,071	266,737	(135,892)	1,379,916
Building improvements	1,109,006	-	-	1,109,006
Equipment	759,307	-	-	759,307
Furniture and fixtures	60,773	-	-	60,773
Library materials	6,570	-	-	6,570
	5,675,872	376,909	(862,385)	5,190,396
Total capital assets	8,453,091	376,909	(862,385)	7,967,615
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	421,883	38,944	-	460,827
Building improvements	51,063	5,022	-	56,085
	472,946	43,966	-	516,912
Real estate used for student housing:				
Buildings	109,461	10,856	-	120,317
Building improvements	11,202	1,430	-	12,632
	120,663	12,286	-	132,949
Other:				
Land improvements	75,250	11,145	-	86,395
Buildings	154,866	23,709	-	178,575
Building improvements	157,836	60,261	(4,813)	213,284
Equipment	657,238	93,711	-	750,949
Furniture and fixtures	34,378	4,280	-	38,658
Library materials	6,570	-	-	6,570
	1,086,138	193,106	(4,813)	1,274,431
Total accumulated depreciation	1,679,747	249,358	(4,813)	1,924,292
Capital assets, net	$ 6,773,344	$ 127,551	$ (857,572)	$ 6,043,323

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Non-depreciable capital assets of FSU Foundation totaled $2,372,915 at June 30, 2018, which is comprised of land.

At June 30, 2018, capital assets of FSU Foundation with a cost of approximately $507,100 were fully depreciated and still in service.

On November 28, 2017, the Foundation Supporting Organization transferred seven properties, consisting solely of land, to the Commonwealth of Massachusetts acting by and through DCAMM on behalf of Fitchburg State University. On the date the properties were transferred, the seven properties collectively had a net book value of $678,470. A loss of $678,470 was recorded from the transfers of the properties and recognized in operations and maintenance of plant in FSU Foundation's accompanying 2018 statement of revenues, expenses and changes in net position.

On April 5, 2018, the Foundation Supporting Organization sold a property consisting of land and a building to Massachusetts State College Building Authority ("MSCBA") with an original cost of $183,915 and a net book value of $179,102 for a net sales price of $133,196. A loss of $45,906 was recorded from the sale of the property and recognized in operations and maintenance of plant in FSU Foundation's accompanying 2018 statement of revenues, expenses and changes in net position. The property is being renovated by MSCBA for use by the University for faculty/staff housing.

Note 6 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2019 and 2018:

	2019	2018
Accounts payable - trade	$ 1,188,614	$ 1,367,592
Salaries and fringe benefits payable	2,765,863	1,758,301
Accrued interest payable	310,415	286,962
Tuition due State	94,706	75,539
Other	240,869	356,036
	$ 4,600,467	$ 3,844,430

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, 2019 and 2018. Based upon the Commonwealth's analyses, $590,806 and $648,771 of accrued workers' compensation has been recorded as a liability at June 30, 2019 and 2018, respectively.

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Note 8 - Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2019 and 2018:

	2019	2018
Vacation time payable	$ 2,738,847	$ 2,623,970
Sick time payable	2,766,503	2,717,311
Total	$ 5,505,350	$ 5,341,281
Amount representing obligations due to employees funded through sources other than State appropriations	$ 271,446	$ 248,299
Amount representing obligations due to employees compensated through State appropriations	5,233,904	5,092,982
Total	$ 5,505,350	$ 5,341,281

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 (deficiency) balances would be $641,119 and $589,806 at June 30, 2019 and 2018, 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, 2019 of $3,993,800 will be paid from the University's fiscal 2020 State appropriations. The total amount due at June 30, 2018 of $3,510,359 was paid from the University's fiscal 2019 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. Revenue received in advance includes the following at June 30, 2019 and 2018:

	2019	2018
Tuition, fees and professional development	$ 1,638,732	$ 1,215,856
Grants	87,932	103,367
Other	7,909	98,330
	$ 1,734,573	$ 1,417,553

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Note 11 - Deferred inflows of resources from service concession arrangement

Deferred inflows of resources from service concession arrangement at June 30, 2019 and 2018 in the amounts of $1,264,590 and $1,517,508, 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, 2019, 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. At June 30, 2019, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $94,175, which includes accrued interest receivable of $16,157 (see Note 3). At June 30, 2018, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $89,866, which includes accrued interest receivable of $11,848 (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 amount 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, 2019 and 2018.

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Note 12 - Interagency payables

The University, in association with the Massachusetts State College Building Authority ("MSCBA"), the Massachusetts Development Finance Agency ("MDFA"), and the Commonwealth of Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM"), has entered into financing and construction agreements for various campus projects.

The following table summarizes the University's Interagency payables as of June 30, 2019:

	Issue date	Original amount	Interest rates (%)	Due date	Effective interest rates (%)*	Interagency payable balance	Unamortized bond premiums	Total interagency payable
MDFA Series J-3	11/22/1996	$ 6,000,000	Floating	7/1/2023	7.02	$ 2,001,094	$ -	$ 2,001,094
MSCBA Series 2005A	3/1/2005	5,110,000	3.50-5.00	5/1/2025	4.04	1,970,000	-	1,970,000
MSCBA Series 2006A	3/8/2006	2,060,000	3.50-5.00	5/1/2026	4.47	940,000	37,888	977,888
MSCBA Series 2010B	12/17/2010	11,078,908	4.89-6.54	5/1/2030	3.38	10,326,187	-	10,326,187
MSCBA Series 2012A	1/4/2012	7,043,416	3.00-5.00	5/1/2031	4.96	4,530,000	567,760	5,097,760
MSCBA Series 2012C	12/20/2012	13,864,033	2.00-5.00	5/1/2032	3.27	9,740,000	754,039	10,494,039
MSCBA Series 2014A	1/7/2014	12,235,614	2.00-5.00	5/1/2033	5.00	9,070,000	935,695	10,005,695
MSCBA Series 2014C	12/17/2014	10,669,502	3.00-5.00	5/1/2034	4.96	7,885,000	1,240,147	9,125,147
DCAMM CEIP Funds	11/7/2016	5,420,360	3.00	1/1/2039	0.00	5,420,360	-	5,420,360
MSCBA Series 2017A	1/25/2017	4,166,418	3.00-5.00	6/30/2037	3.96	3,703,000	214,884	3,917,884
MSCBA Series 2019A	1/23/2019	2,623,145	3.00-5.00	6/30/2039	3.34	2,440,000	179,329	2,619,329
Total		$ 80,271,396				$ 58,025,641	$ 3,929,742	$ 61,955,383

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of the Interagency payable.

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The following table summarizes the University's Interagency payables as of June 30, 2018:

	Issue date	Original amount	Interest rates (%)	Due date	Effective interest rates (%)*	Interagency payable balance	Unamortized bond premiums	Total interagency payable
MDFA Series J-3	11/22/1996	$ 6,000,000	Floating	7/1/2023	4.61	$ 2,256,705	$ -	$ 2,256,705
MSCBA Series 2005A	3/1/2005	5,110,000	3.50-5.00	5/1/2025	3.86	2,255,000	-	2,255,000
MSCBA Series 2006A	3/8/2006	2,060,000	3.50-5.00	5/1/2026	4.07	1,050,000	43,571	1,093,571
MSCBA Series 2010B	12/17/2010	11,078,908	4.89-6.54	5/1/2030	3.38	11,078,908	-	11,078,908
MSCBA Series 2012A	1/4/2012	7,043,416	3.00-5.00	5/1/2031	4.96	4,810,000	613,181	5,423,181
MSCBA Series 2012C	12/20/2012	13,864,033	2.00-5.00	5/1/2032	3.27	10,320,000	810,241	11,130,241
MSCBA Series 2014A	1/7/2014	12,235,614	2.00-5.00	5/1/2033	5.00	9,510,000	1,000,226	10,510,226
MSCBA Series 2014C	12/17/2014	10,669,502	3.00-5.00	5/1/2034	4.93	8,235,000	1,320,371	9,555,371
DCAMM CEIP Funds	11/7/2016	5,420,360	3.00	1/1/2039	0.00	5,420,360	-	5,420,360
MSCBA Series 2017A	1/25/2017	4,166,418	3.00-5.00	6/30/2037	3.60	3,835,000	227,105	4,062,105
Total		$ 77,648,251				$ 58,770,973	$ 4,014,695	$ 62,785,668

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of the Interagency payable.

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MDFA Series J-3 bond issuance

On November 22, 1996, the University signed a financing agreement to receive $6,000,000 from a 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. Construction of the athletic facility was completed in August 2000. MDFA retained $502,899 of the bond proceeds for a debt service retirement fund.

The University is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2019 of $310,945 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 debt service retirement fund, are held in an escrow account by MDFA. 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. These debt payments are to be repaid by the University solely from student fees.

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, 2019 and 2018 was 6.452% and 5.943%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.954% (2019) and 0.926% (2018) of the outstanding principal balance, calculated and payable every 35 days when the rate is auctioned.

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 Series 2005A bond issuance

During March 2005, the University signed a financing agreement to receive $5,110,000 from a 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.

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 3.50% 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. The effective interest rate at June 30, 2019 and 2018, respectively, reflects interest savings as a result of bond refundings in prior years.

MSCBA Series 2006A bond issuance

During March 2006, the University signed a financing agreement to receive $2,060,000 from a 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.

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As of June 30, 2019 and 2018, MSCBA held debt service reserve funds in the amount of $144,841 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents.

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 3.50% 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.

MSCBA Series 2010A bond issuance
During December 2010, the University signed a financing agreement to receive $4,856,749 from a 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 was repaid solely by the University through dedicated student fees and operating funds.

During 2018, debt service reserve funds in the amount of $405,288 were released and applied to the final payment on the debt. As of June 30, 2019 and 2018, MSCBA held debt service reserve funds in the amount of $80,326 in both years, which is included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents.

The University was required to make annual principal payments on this debt each May 1. The final principal payment was due on May 1, 2018. Interest on the debt was payable May 1 and November 1 each year. Interest payments were 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. Earnings on the balance in the debt service reserve fund were used to defray debt service costs. During May 2018, the University made the final payment on the 2010A bonds.

MSCBA Series 2010B bond issuance
During December 2010, the University signed a financing agreement to receive $11,078,908 from a 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, 2019 and 2018, MSCBA held debt service reserve funds in the amount of $964,163 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2019. 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 4.89% 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.

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MSCBA Series 2012A bond issuance
During December 2011, the University signed a financing agreement to receive $7,043,416 from a 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 3.00% to 5.00% over the term of the debt to maturity.

MSCBA Series 2012C bond issuance
During December 2012, the University signed a financing agreement to receive $13,864,033 from a 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, 2019 and 2018, MSCBA held debt service reserve funds in the amount of $214,164 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents.

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 2.00% 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.

MSCBA Series 2014A bond issuance
During January 2014, the University signed a financing agreement to receive $12,235,614 from a 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, 2019 and 2018, MSCBA held debt service reserve funds in the amount of $667,799 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents.

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 5.00% 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.

MSCBA Series 2014C bond issuance
During December 2014, the University signed a financing agreement to receive $10,669,502 from a 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

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executed a management agreement with MSCBA whereby MSCBA provided management services to the University for the renovations.

As of June 30, 2019 and 2018, MSCBA held debt service reserve funds in the amount of $596,968 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents.

During fiscal 2018, the remaining unexpended MSCBA bond proceeds from Phase V in the amount of $2,530 were transferred to the Landry Arena renovation project.

The University is required to make annual principal payments on this debt each May 1. 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.

DCAMM Clean Energy Investment Program
In November 2016, the University entered into a Memorandum of Understanding with DCAMM to undertake a Comprehensive Energy Performance Contracting Project (the "Project"). The Project's goal is to upgrade boilers, replace the chiller, lighting, EMS expansion and improvements, HVAC upgrades, and various energy conservation measures.

The total estimated cost for the Project is $9,270,332, including estimated contingency costs of $900,000. The cost of the Project is expected to be funded from Clean Energy Investment Program Funds ("CEIP Funds") in the amount of $5,420,360, capital grants of $3,600,000, and energy incentives from the contractor in the amount of $249,972. CEIP Funds for the Project are to be repaid over 20 years at 3.00% interest. Annual payments of principal and interest for the Project in the amount of $364,333 will commence on January 1, 2020. Additionally, the agreement provides for the University to fund annual maintenance costs to be paid over the first five years of the Project totaling approximately $244,500. These maintenance costs are expected to be offset by energy savings as a result of the Project. As of June 30, 2019 and 2018, Project costs of $8,952,893 and $6,688,481, respectively, have been incurred in construction in progress. The Project was completed and placed into service in August 2019.

MSCBA Series 2017A bond issuance
During January 2017, the University signed a financing agreement to receive $4,166,418 from a 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 is providing management services to the University for the renovations.

As of June 30, 2019 and 2018, MSCBA held debt service reserve funds in the amount of $103,073 each year, which are included in the accompanying statements of net position at June 30, 2019 and 2018 as noncurrent restricted cash and cash equivalents. As of June 30, 2018, unexpended debt proceeds of $191,655 was held by MSCBA, which are included in the accompanying 2018 statement of net position as current restricted cash and cash equivalents. During fiscal 2019, the remaining unexpended MSCBA bond proceeds from the Landry Arena project of $35,394 were transferred to the Holmes Dining Commons project.

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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.

MSCBA Series 2019A bond issuance
During January 2019, the University signed a financing agreement to receive $2,623,145 from a MSCBA bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for renovations to the Holmes Dinning Commons and the Recreation 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 is providing management services to the University for the renovations.

As of June 30, 2019, MSCBA held unexpended debt proceeds in the amount of $1,783,034, of which $636,129 is included in the accompanying 2019 statement of net position as current restricted cash and cash equivalents and $1,146,905 is included in the accompanying 2019 statement of net position as noncurrent restricted cash and cash equivalents

The University is required to make annual principal payments on this debt each June 30 commencing in fiscal 2020. The final principal payment is due June 30, 2039. 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.

Aggregate principal and interest payments due to maturity consist of the following:

Year ending June 30:	Principal	Amortization of bond premium	Total principal	Estimated interest (1)	Total
2020	$ 3,623,669	$ 273,440	$ 3,897,109	$ 2,387,067	$ 6,284,177
2021	3,794,660	273,440	4,068,100	2,205,766	6,273,866
2022	3,971,365	273,440	4,244,805	2,026,484	6,271,289
2023	4,149,860	273,440	4,423,300	1,847,086	6,270,386
2024	4,575,863	273,440	4,849,303	1,664,395	6,513,698
2025 - 2029	20,153,993	1,348,256	21,502,249	5,780,635	27,282,884
2030 - 2034	14,500,691	1,140,745	15,641,436	1,968,881	17,610,318
2035 - 2039	3,255,540	73,540	3,329,080	285,585	3,614,665
Total	$ 58,025,641	$ 3,929,742	$ 61,955,383	$ 18,165,900	$ 80,121,283

(1) The interest rate in effect at June 30, 2019 of 6.452% was used to calculate the estimated interest on the MDFA Series J-3 bond included above.

Other Interagency activity
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 MSCBA, which are then held by MSCBA until used for the payment of the capital project costs. During fiscal 2019, the University provided an equity contribution of $8,000 and DCAMM funds of $511,999 toward the Recreation Center Project, of which $4,835 of these funds was subsequently transferred to the Holmes Dining account at MSCBA for the Holmes Dining renovations project. During fiscal 2019, the University provided equity contributions of $49,500 and $50,000 towards the Holmes Dining Project and Parking Project, respectively. During

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fiscal 2019, the University provided an equity contribution of $510,000 toward the Landry Project, of which $101,297 of these funds was subsequently transferred to the Holmes Dining account at MSCBA for the Holmes Dining renovations project. During fiscal 2019, Theater Project funds of $647 were transferred to the Holmes Dining account at MSCBA for the Holmes Dining renovations project.

During fiscal 2018, the University provided an equity contribution of $1,000,000 toward the Southside Chiller Project, of which $290,598 of these funds was subsequently transferred to the Fitchburg Theatre account at MSCBA for the Fitchburg Theatre renovations project. During fiscal 2018, Landry Arena funds of $350,000 were transferred to the Fitchburg Theatre account at MSCBA for the Fitchburg Theatre renovations project.

As of June 30, 2019, amounts held by MSCBA representing the unexpended portion of the University's contributions are as follows:

	Restricted cash and cash equivalents:	
University Projects	Current	Noncurrent
Holmes Dining	$ -	$ 156,278
Landry	512	-
Parking	1,150	10,300
Recreation Center	182,695	244,250
Southside Chiller	13,671	
Theater	16,000	50,349
	$ 214,028	$ 461,177

As of June 30, 2018, amounts held by MSCBA representing the unexpended portion of the University's contributions are as follows:

	Restricted cash and cash equivalents:	
University Projects	Current	Noncurrent
Landry	$ 3,809	$ -
Southside Chiller	43,257	-
Theater	125,018	535,913
	$ 172,084	$ 535,913

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 both June 30, 2019 and 2018. 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 $693,663 and $441,422 at June 30, 2019 and 2018, respectively. Depreciation expense totaled $252,241 for each of the years ended June 30, 2019 and 2018.

Interest expense incurred on the capital lease totaled $15,068 and $19,530 in fiscal years 2019 and 2018, respectively.

The following is a schedule of future minimum lease payments under this capital lease at June 30, 2019:

Year ending June 30,	Amount
2020	$ 264,966
2021	264,966
2022	132,483
Total minimum lease payments	662,415
Less amount representing interest	(17,612)
Present value of future minimum lease payments	644,803
Less current portion	254,441
Present value of long-term portion	$ 390,362

Note 14 - FSU Foundation's long-term debt

FSU Foundation's long-term debt consists of the following at June 30, 2019 and 2018:

	2019	2018
First mortgage notes payable	$ 3,562,736	$ 3,064,779
Notes payable - bank	494,807	514,276
	4,057,543	3,579,055
Less net debt issuance costs	(17,217)	(20,333)
	4,040,326	3,558,722
Less current portion	(243,950)	(756,909)
	$ 3,796,376	$ 2,801,813

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

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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, 2019 and 2018, the outstanding principal balance of this mortgage note payable amounted to $358,636 and $372,278, 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 DCAMM 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 DCAMM lease.

As of June 30, 2019, the outstanding principal balance of the mortgage note payable of $890,233, less net debt issuance costs of $17,217, amounted to $873,016.

As of June 30, 2018, the outstanding principal balance of the mortgage note payable of $997,414, less net debt issuance costs of $20,333, amounted to $977,081.

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, 2019 and 2018, the Foundation Supporting Organization has total cash balances of $7,527 and $6,935, respectively, held by the lender which serve as additional collateral for the loan.

The mortgage note had 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, 2015 pursuant to the provisions of a loan modification agreement. On February 27, 2019, pursuant to the provisions of a new loan modification agreement, the interest rate was adjusted to 5.25% per annum expiring on February 27, 2024. The note requires monthly installments of principal and interest of $4,517, through February 27, 2024. Commencing thereafter, the interest rate will be adjusted to the FHLB 5 year Classic Advance plus 2.25% until the new maturity date of February 27, 2029 and monthly payments for principal and interest will be determined at that point.

At June 30, 2019 and 2018, the outstanding principal balance of this first mortgage loan amounted to $551,397 and $576,100, 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, 2019 and 2018, the outstanding principal balance of the mortgage note payable amounted to $198,877 and $208,551, respectively.

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

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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 required monthly installments of principal and interest of $376 until the next five-year interval adjustment date of June 26, 2018. The interest rate was adjusted to 5.93% per annum on June 26, 2018 pursuant to the provisions of the loan agreement. The July and August 2018 monthly installments of principal and interest remained at $376. On August 27, 2018, the Foundation Supporting Organization entered into a Change in Terms Agreement with the lender in which the interest rate on the note was modified to a fixed rate of 5.20% per annum until June 26, 2023. At that time, the interest rate will be adjusted pursuant to the terms of the original note described above. All other terms, provisions and conditions of the original note agreement remain in full force and effect. Commencing with the September 2018 monthly installment of principal and interest, the monthly installments shall be $450. 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, 2019 and 2018, the outstanding principal balance of the mortgage note payable amounted to $73,461 and $74,685, 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, 2019 and 2018, the outstanding principal balance of the loan amounted to $107,154 and $111,291, respectively.

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, 2019 and 2018, the outstanding principal balance of the loan amounted to $202,616 and $209,819, respectively.

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 was 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 had a term of 25 years, maturing on November 8, 2041, and provided for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan required 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.

On April 5, 2018, the Foundation Supporting Organization paid off the loan balance in full and related interest with the proceeds from the sale of the 132 Highland Avenue property.

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 10-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, 2019 and 2018, the outstanding principal balance of the loan amounted to $268,081 and $273,003, respectively.

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In September 2017, Webster First Federal Credit Union provided financing to the Foundation Supporting Organization in the form of a commercial note, dated September 22, 2017, in the amount of $250,000. The note is secured by a first mortgage interest in the real estate properties located at 66 and 0 Day Street and 721-725 Main Street, Fitchburg, Massachusetts, and an assignment of leases and rents on the properties. The note has a term of 15 years, maturing on October 1, 2032, and provides for a fixed rate of interest of 3.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate will be adjusted to the Federal Home Loan Bank of Boston Five Year Classic Rate plus 1.5% per annum for the remaining 5 years of the loan term, but no less than a rate of 3.75% per annum. Commencing on November 1, 2017, the loan requires monthly installments of principal and interest of $1,825 based on a 15-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity. The note may be prepaid in whole or in part at any time without penalty.

As of June 30, 2019 and 2018, the outstanding principal balance of the loan amounted to $228,704 and $241,638, respectively.

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 $2,250,000 and $2,253,000 at June 30, 2019 and 2018, respectively. 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, 2019 and 2018, the outstanding principal balance of this note payable amounted to $494,807 and $514,276, respectively.

In November 2018, Enterprise Bank and Trust Company provided financing to the Foundation Supporting Organization in the form of a promissory note, dated November 5, 2018, in the amount of $148,000. The note is secured by a first mortgage interest in and an assignment of leases and rents on a real estate property located at 70-78 North Street in Fitchburg, Massachusetts.

The promissory note has a term of 20 years, maturing on November 5, 2038. The note provides for a fixed rate of interest of 5% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at fiver-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Fiver Year Regular Rate plus 1.95% per annum. The loan will have a minimum floor rate of 5%. Commencing on January 1, 2019, the loan requires monthly installments of principal and interest of $983 based on a 20-year principal amortization schedule. If the note is prepaid in whole or in part during the term of the loan for the purpose of refinancing the loan with another financial institution, the loan provides for a prepayment penalty equal to 3% of any principal reduction. Except for the forgoing, the note may be paid in whole or in part without penalty. The loan is cross-defaulted and cross-

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collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $145,829.

In June 2019, Hometown Bank provided financing to the Foundation Supporting Organization in the form of a commercial note, dated June 18, 2019, in the amount of $312,000. The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the real estate property located at 164 Highland Avenue in Fitchburg, Massachusetts.

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2019, the loan requires monthly installments of principal and interest of $1,752 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $312,000.

In June 2019, Hometown Bank provided financing to the Foundation Supporting Organization in the form of a commercial note, dated June 18, 2019, in the amount of $138,400. The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the real estate property located at 174 Highland Avenue in Fitchburg, Massachusetts.

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2019, the loan requires monthly installments of principal and interest of $777 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $138,400.

In April 2019, Fitchburg Historical Society provided financing to the Foundation Supporting Organization in the form of a promissory note, dated April 4, 2019, in the amount of $90,000. The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the real estate property located at 0 Main Street in Fitchburg, Massachusetts.

The commercial note has a term of 5 years, maturing on April 1, 2024, and provides for a fixed rate of interest of 5.00% per annum. Commencing on May 1, 2019, the loan requires monthly installments of principal and interest of $1,694 based on a 5-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $87,348.

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

Year ending June 30:	Principal	Interest (1)	Total
2020	$ 243,950	$ 141,303	$ 385,253
2021	254,180	156,632	410,812
2022	264,609	146,205	410,814
2023	275,478	135,333	410,811
2024	283,198	124,219	407,417
2025-2029	2,187,261	406,601	2,593,862
2030-2034	390,847	83,632	474,479
2035-2039	158,020	11,266	169,286
Total	$ 4,057,543	$ 1,205,191	$ 5,262,734

(1) The interest rates in effect at June 30, 2019 on the first mortgage notes payable and the note payable - bank were used to calculate the estimated interest on these debt obligations.

Note 15 - FSU Foundation lines of credit

On August 23, 2017, the Foundation renewed, under substantially the same terms, its existing demand revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. 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 renewed line of credit provided for interest at 5.25% through September 1, 2017 and, thereafter, at The Wall Street Journal Prime Rate (currently 5%) plus 1%. The interest rate charged to the Foundation may not exceed a rate of 18%. On January 31, 2019, the line of credit agreement was modified to change the interest rate to The Wall Street Journal Prime Rate plus 0%. At June 30, 2019 and 2018, the effective interest rate was 5.25% and 6.00%, respectively, per annum. In fiscal 2019, the line of credit was repaid in full. Accordingly, as of June 30, 2019, there was no outstanding liability under the line of credit. In fiscal 2018, the line of credit was drawn down in the amount of $170,000 and advanced to the Foundation Supporting Organization. As of June 30, 2018, the outstanding borrowings payable under the line of credit amounted to $170,000. For the years ended June 30, 2019 and 2018, interest expense incurred on borrowings under this line of credit amounted to $10,339 and $830, respectively. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Foundation Supporting Organization.

Borrowings under the line are secured by investments with an equivalent fair value of approximately $9,634,000 and $9,085,000, respectively, at June 30, 2019 and 2018. The line is also collateralized by all funds held by the lender. At June 30, 2019 and 2018, the Foundation has total cash balances of $58,801 and $58,583, respectively, 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 rates of 5.25% at June 30, 2019 and 4.75% at June 30, 2018). For the years ended June 30, 2019 and 2018, interest expense incurred on borrowings under

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this line of credit amounted to $4,477 and $3,440, respectively. The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, and again through November 30, 2018, under the same terms and conditions of the previous agreement. On November 30, 2018, the line of credit was renewed through November 30, 2019. 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 ratio, 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, 2019, the Foundation Supporting Organization has made payments of $150,000 and borrowings of $250,000 under the line of credit agreement. The balance outstanding as of June 30, 2019 is $250,000. As of June 30, 2018, the Foundation Supporting Organization has made payments of $250,000 and borrowings of $150,000 under the line of credit agreement. The balance outstanding as of June 30, 2018 was $150,000.

Note 16 - Long-term liabilities

Long-term liability activity of the University for the year ended June 30, 2019 included the following:

				Totals June 30, 2019	
	Totals June 30, 2018	Additions	Reductions	Ending balance	Current portion
Interagency payables	$ 62,785,668	$ 2,623,145	$ 3,453,430	$ 61,955,383	$ 3,897,109
Total	62,785,668	2,623,145	3,453,430	61,955,383	3,897,109
Other liabilities:					
Capital lease obligation	894,702	-	249,899	644,803	254,441
Workers' compensation	648,771	83,467	141,432	590,806	128,796
Compensated absences	5,341,281	3,339,202	3,175,133	5,505,350	3,337,642
Loan payable - federal financial assistance	1,845,365	49,506	22,905	1,871,966	-
Net pension liability	11,430,648	1,053,764		12,484,412	-
Net OPEB liability	22,232,674		304,239	21,928,435	-
Total other liabilities	42,393,441	4,525,939	3,893,608	43,025,772	3,720,879
Long-term obligations	$ 105,179,109	$ 7,149,084	$ 7,347,038	$ 104,981,155	$ 7,617,988

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Long-term liability activity of the University for the year ended June 30, 2018 included the following:

	Totals June 30, 2017	Additions	Reductions	Totals June 30, 2018 Ending balance	Totals June 30, 2018 Current portion
Interagency payables	$ 60,732,776	$ 5,420,360	$ 3,367,468	$ 62,785,668	$ 3,487,348
Total	60,732,776	5,420,360	3,367,468	62,785,668	3,487,348
Other liabilities:					
Capital lease obligation	1,140,137	-	245,435	894,702	249,898
Workers' compensation	581,018	194,415	126,662	648,771	141,432
Compensated absences	5,161,246	3,375,331	3,195,296	5,341,281	3,175,133
Loan payable - federal financial assistance	2,037,912	39,227	231,774	1,845,365	-
Net pension liability	12,580,841	-	1,150,193	11,430,648	-
Net OPEB liability	22,384,199	-	151,525	22,232,674	-
Total other liabilities	43,885,353	3,608,973	5,100,885	42,393,441	3,566,463
Long-term obligations	$ 104,618,129	$ 9,029,333	$ 8,468,353	$ 105,179,109	$ 7,053,811

Long-term liability activity of FSU Foundation for the year ended June 30, 2019 included the following:

	Totals June 30, 2018	Additions	Reductions	Totals June 30, 2019 Ending balance	Totals June 30, 2019 Current portion
First mortgage notes payable	$ 3,044,446	$ 688,400	$ 187,327	$ 3,545,519	$ 223,798
Notes payable - bank	514,276	-	19,469	494,807	20,152
Long-term obligations	$ 3,558,722	$ 688,400	$ 206,796	$ 4,040,326	$ 243,950

Long-term liability activity of FSU Foundation for the year ended June 30, 2018 included the following:

	Totals June 30, 2017	Additions	Reductions	Totals June 30, 2018 Ending balance	Totals June 30, 2018 Current portion
First mortgage notes payable	$ 3,099,522	$ 250,000	$ 305,076	$ 3,044,446	$ 737,411
Notes payable - bank	533,121	-	18,845	514,276	19,498
Long-term obligations	$ 3,632,643	$ 250,000	$ 323,921	$ 3,558,722	$ 756,909

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 $18,461,714 and $16,218,303 at June 30, 2019 and 2018, respectively. Undesignated unrestricted net position was $(23,054,499) and $(20,721,479) at June 30, 2019 and 2018, respectively.

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At June 30, 2019 and 2018, the net investment in capital assets amount of $121,718,509 and $118,281,520, 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, 2019 and 2018, $1,232,174 and $1,478,610, 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, 2019 and 2018 reflect a restricted net position of $17,416,084 and $17,441,084, respectively. Of these amounts, $2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

Note 19 - Operating expenses

The University's operating expenses for the years ended June 30, 2019 and 2018, on a natural classification basis, are comprised of the following:

	2019	2018
Salaries		
Faculty	$ 24,412,113	$ 23,802,795
Exempt wages	4,591,378	3,964,775
Non-exempt wages	21,176,475	19,155,607
Benefits	17,010,860	15,414,523
Scholarships	3,233,205	2,731,812
Utilities	4,437,825	4,608,699
Supplies and other services	29,344,843	25,725,591
Depreciation	10,442,249	9,990,725
Bad debt expense	175,145	325,079
Total operating expenses	$ 114,824,093	$ 105,719,606

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.

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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, 2019, 2018, and 2017 were as follows (see State appropriations under Note 24):

	2019	2018	2017
Commonwealth's retirement system contributions	$ 4,427,126	$ 3,893,971	$ 3,280,700
Employers share of health care premium	$ 7,169,153	$ 6,711,016	$ 6,904,977

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 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.

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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

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

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 2019, 2018 and 2017 was $4,427,126, $3,893,971 and $3,280,700, respectively. The total amount of funding by the University related to the University's employees compensated from a trust fund or other source during 2019, 2018 and 2017 was $868,517, $862,928, and $696,825, respectively. Annual covered payroll was approximately 81%, 80%, and 81% of annual total payroll for the University in 2019, 2018 and 2017, respectively.

At June 30, 2019 and 2018, the University reported a liability of $12,484,412 and $11,430,648, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2018 and 2017, 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, 2019, the University's proportion was 0.0944% which was an increase of 0.0053% from its proportion measured as of June 30, 2018. At June 30, 2018, the University's proportion was 0.0891%, which was a decrease of 0.0021% from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the University recognized pension expense of $6,845,422 and $5,321,863, respectively.

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At June 30, 2019, 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	$ 1,265,218	$ -
Net difference between projected and actual earnings on pension plan investments	-	433,945
Difference between expected and actual experience	395,900	254,433
Changes in proportion due to internal allocation	1,085,296	164,542
Changes in proportion from Commonwealth	33,670	2,373
University contributions subsequent to the measurement date	868,517	-
Total	$ 3,648,601	$ 855,293

The $868,517 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, 2020. 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:	
2020	$ 1,524,359
2021	684,057
2022	(382,482)
2023	22,334
2024	76,523
Total	$ 1,924,791

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At June 30, 2018, 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	$ 1,189,533	$ -
Net difference between projected and actual earnings on pension plan investments	-	136,196
Difference between expected and actual experience	441,955	310,999
Changes in proportion due to internal allocation	970,572	228,439
Changes in proportion from Commonwealth	39,150	4,075
University contributions subsequent to the measurement date	862,928	-
Total	$ 3,504,138	$ 679,709

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

1. (a) 7.35% investment rate of return (7.50% investment rate of return for the year ended June 30, 2017), (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year on the first $13,000 of allowance each year.

2. Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.

3. Mortality rates were as follows:

   (i) Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward 1 year for females.

   (ii) Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year for females.

   (iii) Disability - the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year (RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) for the year ended June 30, 2017).

4. Experience studies were performed as follows:

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

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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, 2018 and 2017 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	2018	2017	2018	2017
Global equity	39.00%	40.00%	5.00%	5.00%
Portfolio completion strategies	13.00%	13.00%	3.70%	3.60%
Core fixed income	12.00%	12.00%	0.90%	1.10%
Private equity	12.00%	11.00%	6.60%	6.60%
Real estate	10.00%	10.00%	3.80%	3.60%
Value added fixed income	10.00%	10.00%	3.80%	3.80%
Timberland/natural resources	4.00%	4.00%	3.40%	3.20%
Total	100.00%	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2018 and 2017 was 7.35% and 7.50%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the University's contributions will be made at rates equal to the difference between actuarially determined 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 rates of 7.35% and 7.50%, respectively, for the measurement years ended June 30, 2018 and 2017, 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 (6.35%, 2018, and 6.50%, 2017) or 1-percentage-point higher (8.35%, 2018, and 8.50%, 2017) than the current rates:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2018	$ 16,826,900	$ 12,484,412	$ 8,773,923
June 30, 2017	$ 15,568,067	$ 11,430,648	$ 8,097,858

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

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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. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs, which are comparable to contributions required from employees.

The Commonwealth administers a single employer defined benefit Postemployment Benefits Other Than Pensions ("OPEB") Plan. Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The State Retirement Benefits Trust Fund ("SRBT") is set up solely to pay for OPEB benefits and the cost to administer those benefits. Management of the SRBT is vested with a board of trustees, which consists of 7 members. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report. 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.

During the fiscal years ended on June 30, 2019 and 2018, 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).

Employer and employee contribution rates are set in Massachusetts General Law. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2018 and 2017 and as of the valuation date (January 1, 2018), Commonwealth participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status.

At June 30, 2019 and 2018, the University reported a liability of $21,928,435 and $22,232,674, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of January 1, 2018, and the Commonwealth's total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability was based on an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on an employer's share of total

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covered payroll. At June 30, 2019, the University's proportion was 0.1471%, which was an increase of 0.0199% from its proportion measured as of June 30, 2018. As of June 30, 2018, the University's proportion was 0.1272%, which was an increase of 0.0091% from its proportion measured as of June 30, 2017.

The amount of funding by the University related to benefits other than OPEB for the years ended June 30, 2019, 2018 and 2017 were $16,585,573, $15,031,796, and $14,961,048, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program. The total amount of current funding by the State related to the OPEB portion of fringe benefits for the University's employees during 2019, 2018 and 2017 was $2,922,864, $2,713,264 and $2,429,837, respectively. The total amount of funding by the University related to the OPEB portion of fringe benefits for the University's employees compensated from a trust fund or other source during 2019, 2018, and 2017 was $633,318, $653,339, and $559,677, respectively.

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of $4,952,090 and $4,338,091, respectively.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ -	$ 6,737,357
Net differences between projected and actual investment earnings on OPEB plan investments	-	54,756
Difference between expected and actual experience	266,340	46,805
Changes in proportion due to internal allocation	4,267,706	-
Changes in proportion from Commonwealth	70,472	-
University contributions subsequent to the measurement date	633,318	-
Total	$ 5,237,836	$ 6,838,918

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The $633,318 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the University's requirement to contribute to the Plan will be recognized in expense as follows:

Year ending June 30:	
2020	$ (512,272)
2021	(512,272)
2022	(512,272)
2023	(463,980)
2024	(233,604)
Total	$ (2,234,400)

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ -	$ 2,518,080
Net differences between projected and actual investment earnings on OPEB plan investments	-	40,563
Difference between expected and actual experience	-	51,117
Changes in proportion due to internal allocation	1,375,639	-
Changes in proportion from Commonwealth	46,530	-
University contributions subsequent to the measurement date	653,339	-
Total	$ 2,075,508	$ 2,609,760

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

1. The following annual healthcare cost trend rates: (1) 8.0%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for medical (9.0%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for medical for the year ended June 30, 2017) and 5.0% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver Plans ("EGWP"), which are assumed to increase 5.0% per year.

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

3. Participation rates:

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(i) 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.

(ii) All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.

(iii) 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.

(iv) Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

Investment assets of the Plan are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. 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, 2018 and 2017 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	2018	2017	2018	2017
Global equity	39.00%	40.00%	5.00%	5.00%
Portfolio completion strategies	13.00%	13.00%	3.70%	3.60%
Core fixed income	12.00%	12.00%	0.90%	1.10%
Private equity	12.00%	11.00%	6.60%	6.60%
Real estate	10.00%	10.00%	3.80%	3.60%
Value added fixed income	10.00%	10.00%	3.80%	3.80%
Timberland/natural resources	4.00%	4.00%	3.40%	3.20%
Total	100.00%	100.00%		

The discount rates used to measure the OPEB liability as of June 30, 2018 and 2017 were 3.95% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rates of 3.87% and 3.58%, respectively, as of the measurement dates June 30, 2018 and 2017, respectively, and the expected rates of return on plan investments of 7.35% and 7.50%, respectively. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets

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is 2025. Therefore, the long-term expected rate of return on plan investments was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018 and 2017.

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

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2018 (a)	$ 25,893,720	$ 21,928,435	$ 18,758,250
June 30, 2017 (b)	26,391,962	22,232,674	18,925,716

(a) The discount rates as of June 30, 2018 are as follows: 3.95% (current); 2.95% (1% decrease) and 4.95% (1% increase).

(b) The discount rates as of June 30, 2017 are as follows: 3.63% (current); 2.63% (1% decrease) and 4.63% (1% increase).

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

Measurement year ended	1% decrease (b)	Healthcare cost trend rates (a)	1% increase (c)
June 30, 2018	$ 18,218,744	$ 21,928,435	$ 26,771,269
June 30, 2017	18,394,710	22,232,674	27,283,202

(a) The current healthcare cost trend rates are as follows: 8.0% (June 30, 2018) and 9.0% (June 30, 2017) for medical and 5.0% for both fiscal years 2018 and 2017 Employer Group Waiver Plan and administration costs.

(b) The healthcare cost trend rates after a 1% decrease are as follows: 7.0% (June 30, 2018) and 8.0% (June 30, 2017) for medical and 4.0% for both fiscal years 2018 and 2017 Employer Group Waiver Plans and administration costs.

(c) The healthcare cost trend rates after a 1% increase are as follows: 9.0% (June 30, 2018) and 10.0% (June 30, 2017) for medical and 6.0% for both fiscal years 2018 and 2017 Employer Group Waiver Plans and administration costs.

Detailed information about the OPEB plan's changes in net OPEB liability, fiduciary net position, and employees covered by benefit terms separately identified by a) Inactive employees currently receiving benefit payments, b) Inactive employees entitled to but not yet receiving benefit payments, and c) Active employees is available in the Commonwealth's financial statements.

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Note 23 - Lease and license agreements

As disclosed in Note 14, the Foundation Supporting Organization entered into a long-term operating lease agreement with DCAMM 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, 2019 and 2018, 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.

The following is a schedule of future minimum rental income under the operating lease agreement at June 30, 2019:

Year ending June 30,	Amount
2020	$ 165,000
2021	165,000
2022	165,000
2023	165,000
2024	165,000
Later years	350,625
	$ 1,175,625

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 (biannual installments of $15,316). 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

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of the property. For the years ended June 30, 2019 and 2018, rent expense amounted to $30,632 each year.

As of June 30, 2019, the University extended the lease term for one additional year and is in the process of negotiating a new long-term lease with the Foundation Supporting Organization. The approximate future minimum rental payments under this one year extension is $30,632 for the fiscal year ending June 30, 2020.

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. Effective July 1, 2017, the lease agreement was amended to extend the term of the lease until June 30, 2023 and modify the lease payment provisions to be in biannual installments of $2,848. 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, 2019 and 2018, 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, 2019:

Year ending June 30,	Amount
2020	$ 5,696
2021	5,696
2022	5,696
2023	5,696
	$ 22,784

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 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, 2019 and 2018, license fee income for the Foundation Supporting Organization amounted to $205,427 and $193,272, 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.

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On June 22, 2018, the Foundation Supporting Organization entered into a 3-year operating lease agreement with an unrelated third party to lease a minor portion of a building acquired in fiscal year 2018. The lease agreement provides for monthly lease payments of $1,600 commencing on July 1, 2018. For the year ended June 30, 2019, rental income amounted to $16,614.

The following is a schedule of future minimum rental income under this operating lease agreement at June 30, 2019:

Year ending June 30,	Amount
2020	$ 19,200
2021	19,200
	$ 38,400

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, 2019 and 2018:

	2019	2018
Gross State appropriations	$ 36,545,708	$ 29,912,499
Add: Fringe benefits for benefited employees on the Commonwealth payroll	11,596,279	10,604,987
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(788,853)	(674,450)
Net State appropriations	$ 47,353,134	$ 39,843,036

$43,794,742 and $39,403,569 represent appropriations for maintenance and payroll and other noncapital appropriations during 2019 and 2018, respectively, and $3,558,392 and $439,467 represent appropriations for capital improvements for 2019 and 2018, 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, 2019 and 2018.

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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 DCAMM. The Projects generally consist of renovations and improvements and have been recorded in the respective accounts.

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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, 2019 and 2018 were $860,487 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 DCAMM 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. DCAMM, 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.

On February 1, 2009, the Commonwealth of Massachusetts acting by and through DCAMM 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

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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. For fiscal 2019, the percentage rent incurred by FMC was not material to the financial statements.

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

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Schedule of the University's Proportionate Share of the Net Pension Liability and Schedule of University Contributions
Year Ended June 30, 2019

	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability (asset)	0.0944%	0.0891%	0.0912%	0.0878%	0.0684%	0.0695%
University's proportionate share of the net pension liability (asset)	$ 12,484,412	$ 11,430,648	$ 12,580,841	$ 9,995,092	$ 5,078,817	$ 6,192,668
University's covered payroll	$ 40,564,017	$ 37,747,018	$ 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	30.78%	30.28%	33.63%	26.89%	14.35%	18.32%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%	70.31%

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

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 5,295,643	$ 4,756,899	$ 3,977,525	$ 3,799,572	$ 3,946,690	$ 2,912,032
Contributions in relation to the contractually required contribution	$ (5,295,643)	$ (4,756,899)	$ (3,977,525)	$ (3,799,572)	$ (3,946,690)	$ (2,912,032)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 40,564,017	$ 37,747,018	$ 37,408,274	$ 37,167,634	$ 35,389,121	$ 33,794,553
Contributions as a percentage of covered payroll	13.06%	12.60%	10.63%	10.22%	11.15%	8.62%

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

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Notes to Required Supplementary Information - Pension
June 30, 2019

Note 1 - Changes in Pension Plan Benefit Terms and Assumptions

FY2018 Changes in Actuarial Assumptions

Changes of assumptions:

Changes in the investment rate of return

MSERS changed its discount rate to 7.35% from 7.50%.

Change in mortality

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

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

FY2017 Changes in Actuarial Assumptions

Changes in benefit terms

Chapter 79 of the Acts of 2014 established an early retirement incentive ("ERI") program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to the automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during FY2017. As a result, the total pension liability of MSERS increased by approximately $10 million as of June 30, 2017.

Changes in assumptions:

Change in mortality

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Employees table projected generationally with scale BB and a base year of 2009 (gender distinct).
- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Disabled members - 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), and is unchanged from the prior valuation.

Note 2 - Other information

This schedule is intended to present 10 years of data. Additional years will be presented when available.

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Schedule of the University's Proportionate Share
of the Net OPEB Liability and Schedule of University Contributions
Year Ended June 30, 2019

	2019	2018	2017
University's proportion of the net OPEB liability (asset)	0.1471%	0.1272%	0.1181%
University's proportionate share of the total OPEB liability (asset)	$ 23,675,110	$ 23,499,661	$ 23,406,837
Less: University's proportionate share of Plan fiduciary net position	1,746,675	1,266,987	1,022,638
University's proportionate share of the net OPEB liability (asset)	$ 21,928,435	$ 22,232,674	$ 22,384,199
University's covered payroll	$ 40,564,017	$ 37,747,018	$ 37,408,274
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	54.06%	58.90%	59.84%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%	4.37%

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

	2019	2018	2017
Contractually required contribution	$ 3,556,181	$ 3,366,603	$ 2,989,514
Contributions in relation to the contractually required contribution	$ (3,556,181)	$ (3,366,603)	$ (2,989,514)
Contribution deficiency (excess)	$ -	$ -	$ -
University's covered payroll	$ 40,564,017	$ 37,747,018	$ 37,408,274
Contributions as a percentage of covered payroll	8.77%	8.92%	7.99%

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

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Notes to Required Supplementary Information - OPEB
June 30, 2019

Note 1 - Changes in OPEB plan benefit terms and assumptions

FY2018 Changes in Actuarial Assumptions

Changes of assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is preformed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

Change in trend of future costs

The healthcare trend rate decreased from 9.0% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax.

Change in mortality

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

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

Change in discount rate

The discount rate was increased to 3.95% (based on a blend of the Bond Buyer Index rate (3.87%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74.

FY2017 Changes in Actuarial Assumptions

Changes of assumptions:

Change in discount rate

The discount rate was increased to 3.63% (based on a blend of the Bond Buyer Index rate (3.58%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. The June 30, 2016 discount rate was calculated to be 2.88%.

Note 2 - Other information

This schedule is intended to present 10 years of data. Additional years will be presented when available.

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Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2019

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2019 are as follows:

Statements of Net Position

	Residence Hall Fund	Residence Hall Damage Fund
Assets		
Cash	$ 869,641	$ 133,388
Cash held by State Treasurer	433,315	-
Investments	1,062,839	108,806
Prepaid expenses	5,037	-
Accounts receivable, net	99,932	27,863
Total assets	2,470,764	270,057
Liabilities		
Accounts payable	116,174	17,974
Deposits	289,150	-
Salaries payable	57,394	-
Compensated absences	83,879	-
Deferred rental income	-	-
Total liabilities	546,597	17,974
Net position	$ 1,924,167	$ 252,083

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Residence Hall Fund and Residence Hall Damage Fund Activity
Year Ended June 30, 2019

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, 2019 are as follows:

	Residence Hall Fund	Residence Hall Damage Fund
Revenues		
Student fees	$ 10,121,543	$ -
Interest	45,321	2,598
Investment income	37,305	2,139
Commissions	44,964	-
Rentals	134,149	-
Room damage assessments	-	23,739
Miscellaneous	62,714	-
Total revenues	10,445,996	28,476
Expenses		
Regular employee compensation	1,165,290	-
Regular employee related expenses	3,362	-
Special employee/contract services	192,541	-
Pension and insurance	425,287	-
Facility operating supplies and related expenses	60,759	-
Administrative expenses	7,735	-
Energy and space rental	1,114,288	-
Operational services	21,410	-
Equipment purchases	41,121	35,948
Equipment lease - purchase, lease, rent, repair	3,101	-
Purchased client services and programs	3,514	-
Construction and improvements	405,791	-
Benefit program	46,124	-
Loans and special payments	7,325,967	-
Other - bad debt expense (recovery)	18,587	659
Information technology expenses	39,007	-
Total expenses	10,873,884	36,607
Transfers (in)/out		
Interdepartmental rental income	(150,236)	-
Total transfers	(150,236)	-
Total expenses and transfers	10,723,648	36,607
Increase (decrease) in net position	(277,652)	(8,131)
Net position - beginning of year	2,205,408	260,214
Net position - end of year	$ 1,927,756	$ 252,083

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

Residence Hall Fund and Residence Hall Damage Fund Activity
Year Ended June 30, 2019

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, 2019, 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 as indicated on page 3, expressed unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the 2019 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 2019 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 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the 2019 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 2019 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, 2019

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Education			
Direct Programs			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	$ -	$ 245,710
Federal Work-Study Program	84.033	-	167,671
Federal Perkins Loan Program	84.038	-	1,469,209
Federal Pell Grant Program	84.063	-	6,969,095
Federal Direct Student Loans	84.268	-	27,823,070
Nursing Student Loans	93.364	-	397,556
Total Student Financial Assistance Cluster			37,072,311
TRIO Cluster:			
TRIO - Student Support Services	84.042A	-	269,185
TRIO - Upward Bound	84.047A	-	362,073
TRIO - Upward Bound Math and Science	84.047M	-	321,489
Total TRIO Cluster			952,747
Subtotal Direct Programs			38,025,058
Total U.S. Department of Education			$ 38,025,058
Total Federal Expenditures			$ 38,025,058

See Independent Auditor's Report on Supplementary Information Required by the Uniform Guidance on Page 100 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
June 30, 2019

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, 2019. 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 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 2019 activity included loan funds disbursed of $0. The outstanding liability to the federal government under this loan program at June 30, 2019 totaled $1,486,071.

Note 7 - Nursing Student Loans

The Nursing Student Loan Program ("CFDA 93.364") is administered by Fitchburg State University. Fiscal year 2019 activity included loan funds disbursed of $21,400. The outstanding liability to the federal government under this loan program at June 30, 2019 totaled $385,895.

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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 the 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, 2019, 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*.

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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, 2019. 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 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, 2019.

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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, 2019

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
TRIO Cluster:		
U.S. Department of Education	TRIO - Student Support Services	84.042A
U.S. Department of Education	TRIO - Upward Bound	84.047A
U.S. Department of Education	TRIO - Upward Bound Math and Science	84.047M

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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.

B. Findings - Audit of Financial Statements

None

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

None

Attachment B

Fitchburg State University

Communication Letter

Fitchburg State University

Communication with Those Charged with Governance

June 30, 2019

CohnReznick

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, 2019, 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. We have communicated such information in our meeting with you on June 17, 2019. Professional standards also require that we communicate to you the following information related to the audit.

Significant Audit Matters

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, 2019, Fitchburg State University adopted the following new Governmental Accounting Standards ("GASB"):

- Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.

Adoption by the University of GASB Statement No. 88 resulted in additional disclosures as required by the new standards as disclosed in Notes 12, 14 and 15.

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 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 and OPEB disclosures found in Notes 21 and 22, respectively, to the financial statements.

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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 schedule attached here too 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 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 each opinion unit's 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.

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, pension benefit schedules and OPEB 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.

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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.

Restriction on Use

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,

Attachment C

Foundation Draft FS

Fitchburg State University Foundation, Inc.

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

June 30, 2019

Index

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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, 2019, and the related consolidated statements of activities, functional expenses 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, 2019, 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.

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Emphasis-of-Matter

As discussed in Note 1, of Fitchburg State University Foundation, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter

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 6, 2018. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2018 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, 2019. 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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

Assets

	2019	2018
Cash and equivalents	$ 1,236,311	$ 1,304,617
Investments	20,061,150	18,789,504
Accrued investment income receivable	35,794	34,179
Accounts receivable	7,645	2,981
Contributions receivable, net	273,985	106,469
Prepaid expenses and other current assets	30,318	28,195
Property and equipment, net of accumulated depreciation	6,561,694	6,043,323
Other assets	103,636	91,381
Total assets	$ 28,310,533	$ 26,400,649

Liabilities and Net Assets

	2019	2018
Liabilities		
Bank lines of credit	$ 250,000	$ 320,000
Accounts payable, trade	326,418	239,810
Accrued expenses	825	9,342
Accrued interest payable	7,988	6,888
Agency fund	53,901	-
Deferred revenue	58,519	43,475
Notes payable - bank	494,807	514,276
First mortgage notes payable	3,545,519	3,044,446
Total liabilities	4,737,977	4,178,237
Net assets		
Without donor restriction	5,049,474	4,779,703
With donor restrictions	18,523,082	17,442,709
Total net assets	23,572,556	22,222,412
Total liabilities and net assets	$ 28,310,533	$ 26,400,649

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Without donor restrictions	With donor restrictions	2019 Total	2018 Total
Revenue and support				
Program revenues				
Gifts and donations	$ 164,720	$ 734,581	$ 899,301	$ 886,755
Grants and contracts	-	510	510	98,042
Sales and services	77,978	7,090	85,068	131,363
Rental income	190,614		190,614	165,000
Residence hall income	270,854		270,854	262,981
License fee income	205,427		205,427	193,272
Contribution in kind income	179,787	-	179,787	153,182
Other revenue				
Interest and dividends	99,226	248,535	347,761	342,781
Gain (loss) on investments, net of investment expenses of $113,548 and $107,210, respectively	275,507	995,866	1,271,373	1,555,752
Net assets released from restrictions	906,209	(906,209)	-	-
Total revenue and support	2,370,322	1,080,373	3,450,695	3,789,128
Expenses				
Program services	1,738,698	-	1,738,698	2,492,202
Management and general	262,673	-	262,673	220,436
Fundraising	99,180	-	99,180	103,182
Total expenses	2,100,551	-	2,100,551	2,815,820
Increase (decrease) in net assets	269,771	1,080,373	1,350,144	973,308
Net assets at beginning of year	4,779,703	17,442,709	22,222,412	21,249,104
Net assets at end of year	$ 5,049,474	$ 18,523,082	$ 23,572,556	$ 22,222,412

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019				2018
	Program services	Management and general	Fundraising	Total	Total
Scholarships	$ 351,864	$ -	$ -	$ 351,864	$ 309,738
Community services	34,578	-	-	34,578	32,417
Speakers and cultural programs	28,799	-	-	28,799	38,619
Outside services	2,135	-	-	2,135	1,884
Accounting and audit	-	15,504	-	15,504	21,318
Insurance	78,189	24,721	-	102,910	98,948
Affiliate personnel costs		119,038	57,824	176,862	153,182
Supplies	5,005	-	44	5,049	3,107
Postage	32	-	-	32	-
Equipment and maintenance	1,884	43,315	-	45,199	90,770
Printing and publications	7,614	-	7,703	15,317	33,710
Travel	3,505	-	-	3,505	4,923
Meetings and conferences	12,967	-	33,513	46,480	63,287
Professional and consulting services	6,733	6,324	-	13,057	5,407
Awards and grants	514,750	-	-	514,750	437,207
Contribution made to University	266,000	-	-	266,000	266,000
Fees, fines, licenses, permits	-	-	-	-	6,311
Repairs and maintenance	44,381	-	-	44,381	33,352
Rent	36,328	-	-	36,328	36,328
Utilities	24,568	-	-	24,568	26,180
Interest	151,327	15,820	-	167,147	158,341
Miscellaneous	484	14,327	96	14,907	14,261
Other financial fees	2,194	10,827	-	13,021	6,796
Credit card fees	-	1,526	-	1,526	-
Real estate and other taxes	1,080	-	-	1,080	-
Losses on transfers and sale of land and building interest	-	-	-	-	724,376
Landscaping	9,886	-	-	9,886	
Depreciation	154,395	11,271	-	165,666	249,358
Total expenses	$ 1,738,698	$ 262,673	$ 99,180	$ 2,100,551	$ 2,815,820

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flow
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Increase in net assets	$ 1,350,144	$ 973,308
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
(Gain) loss on investments	(1,384,921)	(1,662,962)
Contribution of property and equipment	(3,000)	-
Losses on transfers and sale of land and buildings	-	724,376
Depreciation	165,666	249,358
Discount on pledges	(1,900)	(516)
Bad debt expense	-	3,665
Amortization of debt issuance costs	3,114	3,468
Contributions restricted for long-term purposes	(255,475)	(427,010)
Contributions of investment securities	-	(6,216)
Contributions of investment securities used for operations	-	6,216
Contributions of investment securities restricted for long term	-	(156,452)
Changes in assets and liabilities		
(Increase) decrease in assets		
Cash surrender value of life insurance	3,939	3,227
Accounts receivable	(7,681)	13,953
Accrued investment income receivable	(1,615)	(1,874)
Contributions receivable	(244,796)	95,958
Prepaid expenses and other current assets	(18,317)	30,234
Agency fund	53,901	-
Increase (decrease) in liabilities		
Accounts payable, trade	163,615	(12,792)
Due to affiliate	79,683	-
Accrued interest payable	1,083	910
Deferred revenue	15,869	26,275
Net cash provided by (used in) operating activities	(80,691)	(136,874)
Cash flows from investing activities		
Payments for property and equipment	(690,378)	(376,909)
Change in deposits for purchases of property	-	2,000
Proceeds from sale of investments	3,148,457	3,231,959
Purchase of investments	(3,035,182)	(3,496,596)
Proceeds from sale of land and buildings	-	133,196
Net cash used in investing activities	(577,103)	(506,350)

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flow
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
Cash flows from financing activities		
Proceeds of first mortgage notes payable	688,400	250,000
Proceeds (payments) of bank lines of credit	100,000	70,000
Payments on first mortgage notes payable	(190,443)	(308,544)
Payments on notes payable - bank	(19,469)	(18,845)
Advances from affiliate	830	-
Advances to affiliate	(260,895)	-
Collections of contributions restricted for long-term purposes	-	437,619
Proceeds from sale of donated securities restricted for permanent endowment	271,065	156,452
Net cash provided by financing activities	589,488	586,682
Net increase (decrease) in cash and equivalents	(68,306)	(56,542)
Cash and equivalents, beginning of year	1,304,617	1,361,159
Cash and equivalents, end of year	$ 1,236,311	$ 1,304,617

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2019

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, 2019, 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.

Accounting pronouncements adopted

During 2019, the Foundation adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statement of Not-for-Profit Entities (“ASU 2016-14”). The amendments in this update are required to be applied retrospectively to the comparative period presented. The major changes include:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. Unrestricted net asset class has been renamed net assets without donor restrictions.
- Presentation of expense by function and nature in either the statement of activities, a separate statement of functional expenses, or in the notes along with a disclosure of the methods used to allocate costs (not required to be presented retrospectively).
- Investment return is required to be reported net of external and direct internal investment expense.
- Disclosure of quantitative and qualitative information about liquidity and availability of resources.
- Modification to the presentation of underwater funds and related disclosures.

The changes have the following effect on net assets and gain(loss) on investments at June 30, 2018**:**

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2019

	As originally presented	After adoption of ASU 2016-14
Unrestricted net assets	$ 4,779,703	$ -
Temporarily restricted net assets	7,239,743	-
Permanently restricted net assets	10,202,966	-
Net assets without donor restrctions	-	4,779,703
Net assets with donor restrictions	-	17,442,709
Gain (loss) on investments	1,662,962	1,555,752
Investment management fees	(107,210)	-
Total net assets	$ 23,778,164	$ 23,778,164

Note 2 - 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.

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 two classes of net assets based on the existence or absence of donor or board-imposed restrictions. The two categories are differentiated as follows:

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2019

Without donor restrictions
Net assets without donor restrictions represent funds available for support of the Foundation's functions and operations that are not externally restricted for identified purposes by donors. Net assets without donor restrictions include resources that the governing board may use for any designated purposes and resources whose use is limited by agreement between the Foundation and outside party other than a donor.

With donor restrictions
Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific period or purpose. Some donor imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions, or when the stipulated time has passed. 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. Other donor-imposed restrictions on net assets are permanent in nature. These net assets have been restricted by donors to be maintained in perpetuity.

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 on management's judgement, 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. Contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for general 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 net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2019

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 without donor restricted net assets and with donor 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 without donor restricted 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.

Endowments

The Organization's endowments consist of approximately 109 and 110 individual funds at June 30, 2019 and 2018, respectively, that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. During 2018, the Board of Directors voted to earmark a board-designated fund entitled The Fund for Fitchburg State to function as an endowment fund. The fund will be invested and generate earnings which will be

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used to fill the gap for students with financial need. During fiscal 2018, $25,000 of without donor restricted net assets were board-designated to function as an endowment (Note 4). 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 assets with donor restriction (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 funds will remain in net assets with donor restriction 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. 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.

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.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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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 net assets with donor restrictions. As of June 30, 2019 and 2018, 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.

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

Fitchburg State University Foundation, Inc.

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business income. The Foundation has unrelated business income for the years ended June 30, 2019 and 2018. The income and related income taxes thereon, which are not material, are included in the accompanying consolidated financial statements. The Supporting Organization did not have any material unrelated business income for the years ended June 30, 2019 and 2018. Accordingly, no provision for income taxes has been made for the Supporting Organization in the accompanying consolidated 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 consolidated financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of June 30, 2019. 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, 2019 and 2018 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, 2016, 2017, and 2018.

Functional allocation of expenses
The costs related to various activities of the Organization have been summarized on a functional basis in the accompanying statements of activities and functional expenses. The financial statements report certain categories of expense that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include affiliate personnel costs, printing and publications, meetings and conferences, and other costs, which have been allocated among the program and supporting services benefited based on specific identification.

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, 2018, from which the summarized information was derived.

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

Note 2 - Cash and equivalents

Cash and equivalents consist of the following at June 30:

	2019	2018
Cash and other demand deposits	$ 437,419	$ 471,462
Money market funds	798,892	833,155
	$ 1,236,311	$ 1,304,617

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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Money market funds include the SSGA US Government Money Market Fund in the aggregate amount of $252,979 and $112,880 at June 30, 2019 and June 30, 2018, 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, 2019 and 2018, the fund's investment securities had a weighted average maturity of 34 days and 22 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2019 and 2018, respectively.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $29,894 and $104,726 at June 30, 2019 and June 30, 2018, respectively. 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, 2019 and 2018, the fund's investment securities had a weighted average maturity of 30 days and 32 days respectively. The fund had an average credit quality rating of AAAm at June 30, 2019 and June 30, 2018, respectively.

Money market funds include the RWM Cash Management Money Market account in the aggregate amount of $45,676 and $146,615 at June 30, 2019 and 2018, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management Money Market account with a balance of $470,343 and $468,934 at June 30, 2019 and 2018, respectively.

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, 2019 and 2018, the Organization's uninsured cash and cash equivalent balances, including the SSGA US Government Money Market Fund, Goldman Sachs Financial Square Government Fund, Fidelity Bank LifeDesign Business Cash Management Money Market account and RWM Cash Management Money Market account, amounted to approximately $503,400 and $554,900, 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.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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Note 3 – Liquidity and availability

Financial assets available for general expenditure within one year consist of the following:

Financial assets at year end		
Cash (excluding agency fund)	$	1,182,410
Accounts receivable		7,465
Pledges receivable		273,985
Investments (net of donor restricted endowment)		9,584,736
Total financial assets	$	11,048,596
Financial assets available to meet general expenditures within one year	$	11,048,596

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources.

The Foundation has various sources of liquidity at its disposal including cash, investments and a steady revenue stream from gifts and donations.

Note 4 - Investments

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

	2019		2018	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,808,658	$ 10,081,587	$ 5,956,602	$ 9,755,423
Preferred stocks	72,338	72,879	72,335	73,216
Mutual funds	4,750,849	5,369,109	4,546,413	5,207,596
Corporate bonds	1,904,978	1,939,586	1,795,019	1,751,921
U.S. government securities	2,581,185	2,597,989	2,056,409	2,001,348
	$ 15,118,008	$ 20,061,150	$ 14,426,778	$ 18,789,504

At June 30, 2019 and 2018, net unrealized gains in the Organization's investment portfolio amounted to $4,943,142 and $4,362,726 , respectively.

At June 30, 2019 and 2018, equities include securities in the consumer goods sector which represent 15% and 17% of the fair value of the Organization's investment portfolio.

At June 30, 2019 and 2018, equities include securities in the technology sector which represent 9% and 10%, respectively, of the fair value of the Organization's investment portfolio.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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At June 30, 2019 and 2018, 5% and 8% of the fair value, respectively, of the Organization's investment portfolio represents foreign investments.

Investments with an equivalent fair value of $11,882,323 at June 30, 2019 collateralize certain debt agreements (see Notes 8 and 10).

At June 30, 2019, 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	$ 26,464	$ 1,600,327	$ 312,795	$ -	$ 1,939,586
U.S. government securities	-	2,184,458	413,531	-	2,597,989
	$ 26,464	$ 3,784,785	$ 726,326	$ -	$ 4,537,575

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, 2019 and 2018 are as follows:

	2019	2018
Net realized gains	$ 804,873	$ 705,301
Net unrealized gains	580,048	957,661
Net gains on investments	$ 1,384,921	$ 1,662,962

The Organization incurred investment management fees of $113,548 in 2019 and $107,210 in 2018, which are included as a reduction of gain on investments 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, 2019.

	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	$ 479,398	$ 53,380	$ 260,254	$ 111,981	$ 739,652	$ 165,361
Preferred stocks	12,675	63	15,414	238	28,089	301
Mutual funds	1,071,428	27,669	782,044	32,857	1,853,472	60,526
Corporate bonds	50,164	219	357,759	2,521	407,923	2,740
U.S. government securities	-	-	1,075,662	20,447	1,075,662	20,447
Total	$ 1,613,665	$ 81,331	$ 2,491,133	$ 168,044	$ 4,104,798	$ 249,375

Fitchburg State University Foundation, Inc.

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June 30, 2019

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, 2018.

	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	$ 796,356	$ 94,162	$ 121,075	$ 16,183	$ 917,431	$ 110,345
Preferred stocks	6,383	30	21,491	549	27,874	579
Mutual funds	332,751	15,564	1,238,480	62,443	1,571,231	78,007
Corporate bonds	934,286	17,636	604,577	27,662	1,538,863	45,298
U.S. government securities	901,604	9,731	1,001,189	45,404	1,902,793	55,135
Total	$ 2,971,380	$ 137,123	$ 2,986,812	$ 152,241	$ 5,958,192	$ 289,364

Equities and preferred stocks
The Organization has 92 investments in equities, of which 12 were in an unrealized loss position at June 30, 2019. The Organization also has 12 investments in preferred stocks, of which 5 were in an unrealized loss position at June 30, 2019. 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, 2019.

Mutual funds
The Organization has 30 mutual fund investments, of which 11 were in an unrealized loss position at June 30, 2019. 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, 2019.

Corporate bonds
At June 30, 2019, the Organization's investments in corporate debt securities were in the form of interest-bearing securities of top-rated corporate issuers. The Organization has 40 corporate debt security investments, of which 8 are in an unrealized loss position at June 30, 2019. 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, 2019.

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U.S. government obligations

The Organization has 23 U.S. government investment securities at June 30, 2019, of which 10 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, 2019.

The following table represents the composition of the Organization's endowment net asset by type of fund at June 30, 2019:

Fund type	Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$ -	$ 7,022,932	$ 7,022,932
Donor restricted amounts required to be held in perpetuity		10,476,414	10,476,414
Board-designated for endowment fund	25,000	-	25,000
Total funds	$ 25,000	$ 17,499,346	$ 17,524,346

The Board-designated endowment as of June 30, 2019 and 2018, represents funds designated for students with financial needs to be awarded financial aid scholarships.

Changes in the endowment net assets for the year ended June 30, 2019 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 25,000	$ 16,403,604	$ 16,428,604
Investment return			
Investment income	-	247,759	247,759
Appreciation (depreciation), realized and unrealized	-	992,765	992,765
Total investment return	-	1,240,524	1,240,524
Contributions	-	275,315	275,315
Appropriation of endowment assets for expenditure	-	(298,417)	(298,417)
Investment management fees	-	(81,179)	(81,179)
Reclassification of net assets	-	(38,601)	(38,601)
Other changes			
Transfers to create board-designated endowment funds	-	-	-
Transfer upon removal of donor restrictions	-	(1,900)	(1,900)
Endowment net assets, end of year	$ 25,000	$ 17,499,346	$ 17,524,346

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The endowment net asset composition by type of fund at June 30, 2018 is as follows:

Fund type	Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$ -	$ 6,200,638	$ 6,200,638
Donor restricted amounts required to be held in perpetuity	-	10,202,966	10,202,966
Board-designated for endowment fund	25,000	-	25,000
Total funds	$ 25,000	$ 16,403,604	$ 16,428,604

Changes in the endowment net assets for the year ended June 30, 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ -	$ 14,842,450	$ 14,842,450
Investment return			
Investment income	-	244,587	244,587
Appreciation (depreciation), realized and unrealized	-	1,195,940	1,195,940
Total investment return	-	1,440,527	1,440,527
Contributions	-	440,985	440,985
Other income	-	-	-
Appropriation of endowment assets for expenditure	-	(218,165)	(218,165)
Investment management fees	-	(77,283)	(77,283)
Reclassification of net assets	-	(23,560)	(23,560)
Other changes			
Transfers to create board-designated			
Transfer upon removal of donor restrictions	-	-	-
endowment funds	25,000	-	25,000
Transfer upon removal of donor restrictions	-	(1,350)	(1,350)
Endowment net assets, end of year	$ 25,000	$ 16,403,604	$ 16,428,604

Note 5 - 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.

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Contributions receivable consist of the following at June 30:

	2019	2018
Receivable in less than one year	$ 80,240	$ 106,585
Receivable in one to five years	95,645	400
Receivable in more than five years	100,000	-
	275,885	106,985
Discount on pledges	(1,900)	(516)
	$ 273,985	$ 106,469

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%.

Note 6 - Fair value measurements

FASB's guidance on fair value measurements established a 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.

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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, 2019 and 2018, 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.

The fair value of assets measured on a recurring basis at June 30, 2019 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	$ 10,081,587	$ 10,081,587	$ -	$ -
Preferred stocks	72,879	-	72,879	-
Mutual funds	5,369,109	5,369,109	-	-
Corporate bonds	1,939,586	-	1,939,586	-
U.S. government securities	2,597,989	-	2,597,989	-
Total	$ 20,061,150	$ 15,450,696	$ 4,610,454	$ -

The fair value of assets measured on a recurring basis at June 30, 2018 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	$ 9,755,423	$ 9,755,423	$ -	$ -
Preferred stocks	73,216	-	73,216	-
Mutual funds	5,207,596	5,207,596	-	-
Corporate bonds	1,751,921	-	1,751,921	-
U.S. government securities	2,001,348	-	2,001,348	-
Total	$ 18,789,504	$ 14,963,019	$ 3,826,485	$ -

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Note 7 - Property and equipment

Property and equipment at June 30, 2019 and 2018 consist of the following:

	2019	2018
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	133,619	18,766
Building	533,508	82,099
	667,127	100,865
Other		
Land	1,815,705	1,697,931
Land improvements	158,127	158,127
Buildings	1,297,818	1,297,818
Building improvements	1,109,006	1,109,006
Equipment	117,429	117,429
Computer software	641,878	641,878
Furniture and fixtures	60,773	60,773
Library materials	6,570	6,570
	5,207,306	5,089,532
	8,651,652	7,967,616
Less accumulated depreciation	2,089,958	1,924,293
Property and equipment, net	$ 6,561,694	$ 6,043,323

Accumulated depreciation on real estate under lease amounted to $560,878 and $516,912 at June 30, 2019 and 2018, respectively. Accumulated depreciation on real estate used for student housing amounted to $145,234 and $132,948 at June 30, 2019 and 2018, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $9,236 and $7,184 at June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, property and equipment with a cost of approximately $507,033 were fully depreciated and still in service.

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On August 24, 2018, 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 $393,780. The Supporting Organization intends to use this property for faculty/staff housing. The acquisition was financed, in part, with a mortgage note on the property in the amount of $312,000 (see Note 11).

On July 4, 2018, 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 $172,481. The Supporting Organization intends to use this property for faculty/staff housing. The acquisition was financed, in part, with a mortgage note on the property in the amount of $138,400 (see Note 11).

On December 6, 2018, the Supporting Organization received donation of a property in close proximity to the Fitchburg State University from the City of Fitchburg. The property, which includes land only, was recorded at fair market value of $3,000 at the time of the donation. The Supporting Organization intends to use this property for faculty/staff housing.

On March 12, 2019, 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 $114,774. The Supporting Organization intends to use this property for parking space. The acquisition was financed, in part, with a mortgage note on the property in the amount of $90,000 (see Note 11).

In fiscal 2018, 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 $172,106. The Supporting Organization, currently, has not made a final determination for the use of this property. The Supporting Organization is also considering a sale of the property to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The acquisition was funded with operating cash of the Organization and the proceeds of $150,000 drawn on the Organization's bank line of credit (see Note 10).

In fiscal 2018, 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 $153,096. A minor portion of the building is currently being leased to an unrelated third-party tenant, effective July 1, 2018, pursuant to a commercial lease agreement dated June 22, 2018. The rental income from this lease is not material to the Supporting Organization's operations and consists of $1,600 per month through the lease termination date of June 30, 2021. The Supporting Organization eventually intends to either raze the building and create a parking lot or renovate the building to support the operations of the University. The acquisition was funded with operating cash of the Supporting Organization and the proceeds of an advance of $170,000 from the Foundation used to reimburse the Organization for the acquisition (see Note 11).

In fiscal 2018, the Supporting Organization transferred seven properties, consisting solely of land, to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. On the date the properties were transferred, the seven properties collectively had a net book value of $678,470. A loss of $678,470 was recorded from the transfers of the properties and recognized in losses on transfers and sale of land and buildings in the accompanying statement of activities for the year ended June 30, 2018.

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In fiscal 2018, 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 $51,708. As of the report date, the Supporting Organization leased the land to Fitchburg Housing Authority (FHA) to be used for parking for their employees (see Note 12). The Supporting Organization intends to renovate the property and use it for academic support and a day care facility in the near future. Renovations are not expected to commence until fiscal 2020.

In fiscal 2017, 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 acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 11). The Supporting Organization is planning a major renovation and expansion of the property which, when completed, is expected to cost approximately $25,000,000 and consist of a multi-phased project providing academic space, student support services space, retail and community space and a theatre renovation. The space is expected to be used by the University and the Fitchburg and surrounding communities. Fitchburg State University will be responsible for the costs of the project's development and construction pursuant to the terms of the license agreement between the University and the Supporting Organization. Funding for the project is expected to come from a variety of sources including, but not limited to, New Market Tax Credits, Historic Tax Credits, bonds, grants and philanthropy. The project is in the very early stages of development and is estimated to require four years to completion. At some point during that period, the property will be transferred to a new entity. The Supporting Organization will pay for certain legal services incurred in connection with the project which the Supporting Organization currently estimates to be approximately $148,000 for the entire project. The Supporting Organization expects to fund these costs through operating cash. For the year ended June 30, 2019, the Organization has incurred $25,536 of legal costs related to the project which have been recorded in prepaid expenses and other assets and in the accompanying 2019 statement of financial position.

Note 8 - Other assets

Other assets at June 30, 2019 and 2018 consist of the cash surrender value of life insurance in the amount of $39,075 and $43,014, respectively, an art collection in the amount of $39,025 in both years, and legal costs related to a development project in the amount of $16,194 and $9,342, respectively.

Note 9 – Agency fund

The Supporting Organization is part of a collaboration, called Re-imagine North of Main, of local businesses and non-profit organizations located in Fitchburg, Massachusetts committed to making a collective impact and dedicated to improving the quality of life in Fitchburg. The Organization is holding monies for the benefit of North of Main projects and disbursing that as needed to specific vendors identified by the members of the coalition. For the year ended June 30, 2019, the Organization collected $66,401 of contributions and disbursed $12,500 in connection with this collaboration. At June 30, 2019, the Supporting Organization is currently holding $53,901 of funds that is to be used exclusively by the members of the coalition.

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Note 10 - Lines of credit

Foundation

On August 23, 2017, the Foundation renewed, under substantially the same terms, its existing demand revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. The line of credit agreement which expired on March 17, 2017 provided for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. 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 renewed line of credit provides for interest at 5.25% through September 1, 2017 and, thereafter, at the Wall Street Journal Prime Rate plus 1%. The interest rate charged to the Foundation may not exceed a rate of 18%. On January 31, 2019, the line of credit agreement was modified to change the interest rate to Wall Street Journal Prime Rate plus 0%. At June 30, 2019 and 2018, the effective interest rate was 5.25% and 6%, respectively, per annum. In fiscal 2019, the line of credit was repaid in full. Accordingly as of June 30, 2019 there were no outstanding liability under the line of credit. In fiscal 2018 the line of credit was drawn down in the amount of $170,000 and advanced to the Supporting Organization. As of June 30, 2018, the outstanding borrowings payable under the line of credit amounted to $170,000. For the years ended June 30, 2019 and 2018, interest expense incurred on borrowings under this line of credit amounted to $10,339 and $830, respectively. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Supporting Organization.

Borrowings under the line are secured by investments with an equivalent fair value of approximately $9,634,000 at June 30, 2019. The line is also collateralized by all funds held by the lender. At June 30, 2019, the Foundation has total cash balances of $58,801 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 rates of 5.25% at June 30, 2019 and 4.75% at June 30, 2018). For the years ended June 30, 2019 and 2018, interest expense incurred on borrowings under this line of credit amounted to $4,477 and $3,440, respectively. The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, and again through November 30, 2018, under the same terms and conditions of the previous agreement. On November 30, 2018, the line of credit was renewed through November 30, 2019. 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 ratio, 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, 2019, the Supporting Organization has made payments of $150,000 and borrowings of $250,000 under the line of credit agreement. The balance outstanding as of June 30, 2019 is $250,000 (see Note 18). As of June 30, 2018, the Supporting Organization has made payments of $250,000 and borrowings of $150,000 under the line of credit agreement. The balance outstanding as of June 30, 2018 was $150,000.

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Note 11 - 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, 2019 and 2018, the outstanding principal balance of this mortgage note payable amounted to $358,636 and $372,278, respectively.

For the years ended June 30, 2019 and 2018, interest expense on this mortgage note payable amounted to $15,820 and $16,410, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

Year	Amount
2020	$ 14,205
2021	14,833
2022	15,488
2023	16,172
2024	16,886
Thereafter	281,052
Total balance due	$ 358,636

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 13). 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

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$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.

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

As of June 30, 2019, the outstanding principal balance of the loan of $890,233, less net debt issuance costs of $17,217, amounted to $873,016.

As of June 30, 2018, the outstanding principal balance of the mortgage note payable of $997,414, less net debt issuance costs of $20,333, amounted to $977,081.

Debt issuance costs, net of accumulated amortization, totaled $17,217 and $20,333 as of June 30, 2019 and 2018, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2019 and 2018.

For the years ended June 30, 2018 and 2017, interest expense (including amortization of debt issuance costs) on the mortgage note payable amounted to $36,788 and $41,112, 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, 2019, are estimated to be as follows:

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Year	Amount
2020	$ 110,984
2021	115,067
2022	119,217
2023	123,518
2024	127,940
Thereafter	293,507
Total balance due	$ 890,233

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, 2019 and 2018, the Supporting Organization has total cash balances of $7,527 and $6,935, respectively, held at WCU which serve as additional collateral for the loan.

The mortgage note had an original 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, 2015 pursuant to the provisions of a loan modification agreement. On February 27, 2019, the interest rate was adjusted to 5.25% per annum expiring on February 27, 2024 pursuant to the provisions of a loan modification agreement. The note requires monthly installments of principal and interest of $4,517 through February 27, 2024. Commencing thereafter, the interest rate will be adjusted to the FHLB 5 year Classic Advance plus 2.25% until the maturity date of February 27, 2029 and monthly payments for principal and interest will be determined at that point.

As of June 30, 2019 and 2018, the outstanding principal balance of the mortgage loan amounted to $551,397 and $576,100, respectively.

For the years ended June 30, 2019 and 2018, interest expense on this mortgage note amounted to $28,740 and $30,392, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019, are as follows:

Year	Amount
2020	$ 25,796
2021	27,261
2022	28,727
2023	30,272
2024	31,839
Thereafter	407,502
Total balance due	$ 551,397

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

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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, 2019 and 2018, the outstanding principal balance of the mortgage loan amounted to $198,877 and $208,551, respectively.

For the years ended June 30, 2019 and 2018, interest expense on this mortgage note amounted to $6,728 and $7,055, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

Year	Amount
2020	$ 9,980
2021	10,331
2022	10,678
2023	11,035
2024	11,389
Thereafter	145,464
Total balance due	$ 198,877

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 required monthly installments of principal and interest of $376 through June 26, 2018. The interest rate was adjusted to 5.93% per annum on June 26, 2018 pursuant to the provisions of the loan agreement. The July and August 2018 monthly installments of principal and interest remained at $376. On August 27, 2018, the Supporting Organization entered into a Change in Terms Agreement with the lender in which the interest rate on the note was modified to a fixed rate of 5.20% per annum until June 26, 2023. At that time, the interest rate will be adjusted pursuant to the terms of the original note described above. All other terms, provisions and conditions of the original note agreement remain in full force and effect. Commencing with the September 2018 monthly installment of principal and interest, the monthly installments shall be $450. 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,

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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, 2019 and 2018, the outstanding principal balance of the mortgage loan amounted to $73,461 and $74,685, respectively.

For the years ended June 30, 2019 and 2018, interest expense on this mortgage note amounted to $3,692 and $2,685, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

Year	Amount
2020	$ 1,564
2021	1,659
2022	1,748
2023	1,843
2024	1,933
Thereafter	64,714
Total balance due	$ 73,461

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 fiscal 2016. 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, 2019 and 2018, the outstanding principal balance of the loan amounted to $107,154 and $111,291, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $4,568 and $4,732, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

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Year		Amount
2020	$	4,306
2021		4,501
2022		4,692
2023		4,891
2024		5,089
Thereafter		83,675
Total balance due	$	107,154

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 fiscal 2017. 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, 2019 and 2018, the outstanding principal balance of the loan amounted to $202,616 and $209,819, respectively.

For the years ended June 30, 2019 and 2018, interest expense on this mortgage note amounted to $9,712 and $10,319, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

Year	Amount
2020	$ 7,504
2021	7,901
2022	8,291
2023	8,700
2024	9,107
Thereafter	161,113
Total balance due	$ 202,616

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. The note was 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 provided for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan required 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.

On April 5, 2018, the Supporting Organization paid off the loan balance in full and related interest with the proceeds from the sale of the 132 Highland Avenue property (see Note 7).

In June, 2019, Hometown Bank provided financing to the Supporting Organization in the form of a commercial note, dated June 18, 2019, in the amount of $312,000. The proceeds of the loan were used for the acquisition, at a cost of $393,780, of a real estate property located at 164 Highland Avenue in Fitchburg, Massachusetts (see Note 7). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property. In addition, the loan agreement requires the Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of no less than 1.10 to 1 to be measured annually at the end of the fiscal year. The loan agreement also requires the Supporting Organization to maintain a Loan-to-Value Ratio of no more than 80% at any time during the term of the loan.

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2019, the loan requires monthly installments of principal and interest of $1,752 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019 the outstanding principal balance of the loan amounted to $312,000.

For the year ended June 30, 2019 interest expense on this mortgage note amounted to $0.

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Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2019, are estimated to be as follows:

Year	Amount
2019	$ 6,855
2020	7,136
2021	7,471
2022	7,822
2023	8,190
Thereafter	274,526
Total balance due	$ 312,000

In June, 2019, Hometown Bank provided financing to the Supporting Organization in the form of a commercial note, dated June 18, 2019, in the amount of $138,400. The proceeds of the loan were used for the acquisition, at a cost of $172,481, of a real estate property located at 174 Highland Avenue in Fitchburg, Massachusetts (see Note 7). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property. In addition, the loan agreement requires the Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of no less than 1.10 to 1 to be measured annually at the end of the fiscal year. The loan agreement also requires the Supporting Organization to maintain a Loan-to-Value Ratio of no more than 80% at any time during the term of the loan.

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2019, the loan requires monthly installments of principal and interest of $777 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $138,400.

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For the year ended June 30, 2019 interest expense on this mortgage note amounted to $0.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2019, are estimated to be as follows:

Year	Amount
2019	$ 3,041
2020	3,165
2021	3,314
2022	3,470
2023	3,633
Thereafter	121,777
Total balance due	$ 138,400

In April, 2019, Fitchburg Historical Society provided financing to the Supporting Organization in the form of a promissory note, dated April 4, 2019, in the amount of $90,000. The proceeds of the loan were used for the acquisition, at a cost of $114,774, of a real estate property located at 0 Main Street in Fitchburg, Massachusetts (see Note 7). 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 5 years, maturing on April 1, 2024, and provides for a fixed rate of interest of 5.00% per annum. Commencing on May 1, 2019, the loan requires monthly installments of principal and interest of $1,694 based on a 5-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019 the outstanding principal balance of the loan amounted to $87,348.

For the year ended June 30, 2019 interest expense on this mortgage note amounted to $744.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

Year	Amount
2020	$ 16,386
2021	17,224
2022	18,105
2023	19,031
2024	16,602
Thereafter	-
Total balance due	$ 87,348

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. The note is secured by a first mortgage interest in the property and an assignment or rents on the property.

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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, 2019 and 2018, the outstanding principal balance of the loan amounted to $268,081 and $273,003, respectively.

For the years ended June 30, 2019 and 2018, interest expense on this mortgage note amounted to $11,888 and $11,574, 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, 2019, are estimated to be as follows:

Year	Amount
2020	$ 5,143
2021	5,374
2022	5,614
2023	5,866
2024	6,128
Thereafter	239,956
Total balance due	$ 268,081

In November 2018, Enterprise Bank and Trust Company provided financing to the Supporting Organization in the form of a promissory note, dated November 5, 2018, in the amount of $148,000. The note is secured by a first mortgage interest in and an assignment of leases and rents on a real estate property located at 70 – 78 North Street in Fitchburg, Massachusetts.

The promissory note has a term of 20 years, maturing on November 5, 2038. The note provides for a fixed rate of interest of 5% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Five Year Regular Rate plus 1.95% per annum. The loan will have a minimum floor rate of 5%. Commencing on January 1, 2019, the loan requires monthly installments of principal and interest of $983 based on a 20-year principal amortization schedule. If the note is prepaid in whole or in part during the term of the loan for the purpose of refinancing the loan with another financial institution, the loan 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.

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As of June 30, 2019 the outstanding principal balance of the loan amounted to $145,829.

For the year ended June 30, 2019 interest expense on this mortgage note amounted to $4,253.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at November 5, 2018, are estimated to be as follows:

Year	Amount
2019	$ 4,483
2020	4,736
2021	4,982
2022	5,240
2023	5,495
Thereafter	120,893
Total balance due	$ 145,829

In September, 2017, Webster First Federal Credit Union provided financing to the Supporting Organization in the form of a commercial note, dated September 22, 2017, in the amount of $250,000. The proceeds of the loan were used to reimburse the Supporting Organization for the acquisition at a cost of $50,000, of a real estate property located at 66 Day Street and a property at a cost of $126,926 located at 721-725 Main Street both in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the real estate properties located at 66 and 0 Day Street and 721 - 725 Main Street, Fitchburg, Massachusetts, and an assignment of leases and rents on the properties. The note has a term of 15 years, maturing on October 1, 2032, and provides for a fixed rate of interest of 3.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate will be adjusted to the Federal Home Loan Bank of Boston Five Year Classic Rate plus 1.5% per annum for the remaining 5 years of the loan term, but no less than a rate of 3.75% per annum. Commencing on November 1, 2017, the loan requires monthly installments of principal and interest of $1,825 based on a 15-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity. The note may be prepaid in whole or in part at any time without penalty.

As of June 30, 2019 and 2018, the outstanding principal balance of the loan amounted to $228,704 and 241,638 respectively.

For the years ended June 30, 2019 and 2018, interest expense on this mortgage note amounted to $8,964 and $6,395, 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, 2019, are estimated to be as follows:

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Year	Amount
2020	$ 13,551
2021	14,068
2022	14,605
2023	15,162
2024	15,741
Thereafter	155,577
Total balance due	$ 228,704

Note 12 - 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 $2,250,000 and $2,253,000 at June 30, 2019 and 2018, 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 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, 2019 and 2018, the outstanding principal balance of the loan amounted to $494,807 and $514,276, respectively.

For the years ended June 30, 2019 and 2018, interest expense on the note amounted to $18,032 and $18,489, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2019, are estimated to be as follows:

Year	Amount
2020	$ 20,152
2021	20,924
2022	21,677
2023	22,456
2024	23,226
Thereafter	386,372
Total balance due	$ 494,807

Note 13 - Lease and license agreements

As disclosed in Note 11, 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, 2019 and 2018, rental income amounted to $165,000 in each year.

The following is a schedule of future minimum rental income under the operating lease agreement at June 30, 2019:

Year	Amount
2020	$ 165,000
2021	165,000
2022	165,000
2023	165,000
2024	165,000
Later years	350,625
	$ 1,175,625

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

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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 (biannual installments of $15,316). 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, 2019 and 2018, rent expense amounted to $30,632 and $30,632 respectively.

The future minimum rental payments under this operating lease agreement at June 30, 2018 are $30,632 for the fiscal year ending June 30, 2019.

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. The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. Effective July 1, 2017, the lease agreement was amended to extend the term of the lease until June 30, 2023 and modify the lease payment provisions to be in biannual installments of $2,848. 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 . For the years ended June 30, 2019 and 2018, 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, 2019:

Year	Amount
2020	$ 5,696
2021	5,696
2022	5,696
2023	5,696
	$ 22,784

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 four equal quarterly installments. All costs to operate and maintain the property, including any capital improvements

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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, 2019 and 2018, license fee income amounted to $205,427 and $193,272, respectively.

On June 22, 2018 the Supporting Organization entered into a 3-year operating lease agreement with an unrelated third party after purchasing a property for a total cost of $153,096 located in Fitchburg, Massachusetts (see Note 7). The lease agreement provides for monthly lease payment of $1,600 commencing on July 1, 2018. For the year ended June 30, 2019, rental income amounted to $16,614.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2019:

Year	Amount
2020	$ 19,200
2021	19,200
	$ 38,400

Note 14 - Restricted net assets

Net assets with donor restrictions in the amount of $8,416,515, as of June 30, 2019, are available as follows: equipment which use is restricted in the amount of $689; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $8,415,826. Net asset with donor restrictions in the amount of $7,239,743, as of June 30, 2018, are available as follows: equipment which use is restricted in the amount of $1,625; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $7,238,118.

Remaining net assets with donor restrictions in the amounts of $10,476,414 and $10,202,966 as of June 30, 2019 and 2018, 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.

Net assets released from restrictions during 2019 represent the satisfaction of program restrictions in the amount of $553,409; the satisfaction of scholarship-related restrictions in the amount of $351,864 and the satisfaction of equipment donation restrictions in the amount of $936.

During 2019, $0 was reclassified from without donor restricted net assets to donor restricted net assets.

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Note 15 - Transactions with a related party

Fitchburg State University renders certain administrative services to the Foundation and Supporting Organization. These services, with a value of $179,787 and $153,182, 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, 2019 and 2018.

Repairs and maintenance expense in the accompanying 2019 and 2018 consolidated statements of activities include $21,740 and $33,352, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing. At June 30, 2019 and 2018, none of the balance remained unpaid.

During fiscal 2019 and 2018, the Foundation made an unrestricted contribution to Fitchburg State University in the amount of $266,000 each year to support the activities and further the mission of the University. The Foundation currently expects to make unrestricted contributions to the University in future years in amounts that shall be determined each year.

As of June 30, 2019 and 2018, the Supporting Organization had miscellaneous accounts receivable totaling $0 and $2,981 from the Fitchburg State University, respectively, which are reflected as accounts receivable in the accompanying consolidated statements of financial position.

As of June 30, 2019 and 2018, the Supporting Organization has miscellaneous payables in the amount of $16,194 and $3,117, respectively, to the Fitchburg State University, which are included in accounts payable, trade in the accompanying 2019 consolidated statement of financial position.

At June 30, 2019 and 2018, the Foundation has miscellaneous payables to Fitchburg State University in the amounts of $109,522 and $200,417, respectively, which are included in accounts payable, trade in the accompanying consolidated statements of financial position.

Note 16 - Major donors

During fiscal 2019, the Organization received restricted gift and grant donations totaling $500,000 from one donor which represents approximately 39% of total gifts, donations and grant revenue during 2019.

During fiscal 2018, the Organization received restricted grant donations totaling $361,479 from two donors which represents approximately 37% of total gifts, donations and grant revenue during 2018.

Note 17 - Supplemental cash flow information

	2019	2018
Cash paid for interest during the year	$ 163,763	$ 153,959

Schedule of noncash investing and financing activities:

	2019	2018
Donations of publicly traded common stock at their readily determinable fair value	$ -	$ 162,668

In fiscal 2018, the Supporting Organization sold property consisting of land and a building with an

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original cost of $183,915 and a net book value of $179,102 for a net sales price of $133,196 resulting in a loss of $45,906.

In fiscal 2018, the Supporting Organization transferred seven properties consisting of land only to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The seven properties collectively had a net book value of $678,470 resulting in a net loss on the transfers in that amount.

During fiscal 2018, the Supporting Organization incurred costs of $9,342 for another asset associated with a development project which remained unpaid at June 30, 2018 and is reflected as an accrued expense in the accompanying 2018 consolidated statement of financial position.

During fiscal 2019, cash paid for property additions is as follows:

Costs incurred for purchase of property	$ 684,036
Amounts funded through contribution income	(3,000)
Amounts included in accounts payable at the beginning of the year	9,342
	$ 690,378

Note 18 - Foundation revenue and expenses

Commencing with the year ended June 30, 2018, the Foundation and Fitchburg State University determined that it would be more efficient and effective for certain activities and functions previously managed, budgeted and recorded on the books of the Foundation to be recorded on the University's books. The expenses and costs, substantially all program services, associated with these activities, meetings and conferences, programs and printed materials were previously reflected within the functional expenses of the Foundation.

During fiscal 2018, the Foundation and Fitchburg State University determined that the University's Booster Clubs' donations and activities each year should be transferred to and then accounted for on the books of the University. During fiscal 2018, amounts transferred to the University consisted of donations received in fiscal 2018 in the amount of $59,391 and accumulated Booster Clubs' fund balances at July 1, 2017 in the amount of $67,157. The donations are included as revenue in with donor restricted net assets. The transfer of the funds to the University in the aggregate amount of $126,548 is included in net assets released from restrictions and within awards and grants expense in program services in the accompanying 2018 consolidated statement of activities. Beginning with fiscal 2019, Booster Clubs' donations are accounted for as revenue in net assets with donor restrictions of the foundation and upon transfer to the University each year, as net assets released from donor restrictions and awards and grants expense.

Note 19 - Subsequent events

Effective on August 6, 2019 the Organization entered into a lease agreement with Fitchburg Housing Authority (“FHA”) to lease the land located at 66 Day Street to be used for parking by FHA employees. The Supporting Organization is leasing the property solely for convenience to FHA, no revenue is being generated by this lease agreement.

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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, 2019, 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*.

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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 D

Foundation Communication Letter

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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, 2019, 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 May 31, 2019, 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.

Our responsibility for the supplementary information accompanying the consolidated financial statements, 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 consolidated financial statements as a whole.

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 consolidated 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 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 2019.

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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.

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 Foundation are described in Note 1 to the financial statements. As discussed in Note 1, Fitchburg State University Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented as if the policy had always been there.

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.

The consolidated 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. The schedule attached to the management representation letter summarizes uncorrected misstatements of the consolidated financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the consolidated financial statements 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 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.

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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

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 E
FSU Supporting Org. FS
Draft as of 10.1.19

FSU Foundation Supporting Organization, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2019 and 2018

FSU Foundation Supporting Organization, Inc.

Index

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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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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.

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Emphasis-of-Matter

As discussed in Note 1, FSU Foundation Supporting Organization, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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, 2019. 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, 2019 and 2018

Assets

	2019	2018
Cash and cash equivalents	$ 125,913	$ 32,894
Due from affiliate	7,646	2,981
Prepaid expenses and other assets	32,762	17,841
Property and equipment, net of accumulated depreciation	6,096,696	5,556,083
Total assets	$ 6,263,017	$ 5,609,799

Liabilities and Net Assets

	2019	2018
Liabilities		
Accounts payable, trade	$ 3,584	$ 5,518
Accrued expenses	-	9,342
Due to affiliates	16,194	173,117
Deposits received	825	-
Agency fund	53,901	-
Accrued interest payable	7,435	6,352
Bank line of credit	250,000	150,000
Note payable - bank	494,807	514,276
First mortgage notes payable	3,186,883	2,672,168
Total liabilities	4,013,629	3,530,773
Net assets		
Without donor restriction	2,249,388	2,079,026
Total net assets	2,249,388	2,079,026
Total liabilities and net assets	$ 6,263,017	$ 5,609,799

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Revenue and support		
Program revenues		
Rental income	$ 190,614	$ 165,000
Residence hall income	270,854	262,981
License fee income	205,427	193,272
Contribution in kind income	13,537	9,191
Contribution income	11,196	-
Other income		
Interest income	978	940
Total revenue, gain and support	692,606	631,384
Expenses and losses		
Program services	498,208	1,243,468
Management and general	24,036	19,597
Total expenses	522,244	1,263,065
Increase (decrease) in net assets	170,362	(631,681)
Net assets at beginning	2,079,026	2,710,707
Net assets at end	$ 2,249,388	$ 2,079,026

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019				2018
	Program services	Management and general	Fundraising	Total	Total
Affiliate personnel costs	$ -	$ 10,612	$ -	$ 10,612	$ 9,191
Insurance	78,189	-	-	78,189	73,610
Rent	36,328	-	-	36,328	36,328
Professional services	6,733	6,324	-	13,057	11,177
Landscaping	9,886	-	-	9,886	13,307
Other costs	2,194	7,100	-	9,294	5,936
Supplies and equipment	99	-	-	99	99
Utilities	24,568	-	-	24,568	26,180
Real estate and other taxes	1,080	-	-	1,080	5,215
Depreciation	143,423	-	-	143,423	141,551
Repairs and maintenance	44,381	-	-	44,381	74,164
Losses on transfers and sale of land and buildings	-	-	-	-	724,376
Interest	151,327	-	-	151,327	141,931
	$ 498,208	$ 24,036	$ -	$ 522,244	$ 1,263,065

FSU Foundation Supporting Organization, Inc.

Statement of Functional Expenses
Year Ended June 30, 2018

	2018			
	Program services	Management and general	Fundraising	Total
Affiliate personnel costs	$ -	$ 9,191	$ -	$ 9,191
Insurance	73,610	-	-	73,610
Rent	36,328	-	-	36,328
Professional services	5,057	6,120	-	11,177
Landscaping	13,307	-	-	13,307
Other costs	1,650	4,286	-	5,936
Supplies and equipment	99	-	-	99
Utilities	26,180	-	-	26,180
Real estate and other taxes	5,215	-	-	5,215
Depreciation	141,551	-	-	141,551
Repairs and maintenance	74,164	-	-	74,164
Losses on transfers and sale of land and buildings	724,376	-	-	724,376
Interest	141,931	-	-	141,931
	$ 1,243,468	$ 19,597	$ -	$ 1,263,065

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	$ 170,362	$ (631,681)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Losses on transfers and sale of land and buildings	-	724,376
Depreciation	143,423	141,551
Amortization of debt issuance costs	3,114	3,468
Donation of fixed assets	(3,000)	
Changes in assets and liabilities		
(Increase) decrease in assets		
Due from affiliate	(4,665)	13,953
Prepaid expenses and other assets	(14,921)	26,683
Increase (decrease) in liabilities		
Accounts payable, trade	(1,932)	1,224
Agency fund	53,901	-
Deposits received	825	-
Accrued expenses (other)	-	-
Due to affiliate	13,077	(29,030)
Accrued interest payable	1,083	1,014
Net cash provided by operating activities	361,267	251,558
Cash flows from investing activities		
Payments for property and equipment	(690,378)	(376,909)
Proceeds from sale of land and buildings	-	133,196
Change in deposits for purchases of property	-	2,000
Net cash used in investing activities	(690,378)	(241,713)
Cash flows from financing activities		
Proceeds of first mortgage notes payable	688,400	250,000
Payments on first mortgage notes payable	(176,801)	(295,611)
Payments on note payable - bank	(19,469)	(18,845)
(Payments) proceeds on bank line of credit	100,000	(100,000)
Advances from affiliates	-	170,000
Payments on advances from affiliates	(170,000)	-
Net cash provided by financing activities	422,130	5,544
Net increase in cash and cash equivalents	93,019	15,389
Cash and cash equivalents, beginning	32,894	17,505
Cash and cash equivalents, end	$ 125,913	$ 32,894

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

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, 2019, 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").

Accounting pronouncement adopted

During 2019, the Organization adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The amendments in this update are required to be applied retrospectively to the comparative period presented. The major changes include:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The unrestricted net asset class has been renamed net assets without donor restrictions.
- Presentation of expense by function and nature in either the statement of activities, a separate statement of functional expenses, or in the notes along with a disclosure of the methods used to allocate costs (not required to be presented retrospectively).
- Investment return is required to be reported net of external and direct internal investment expense.
- Disclosure of quantitative and qualitative information about liquidity and availability of resources.
- Modification to the presentation of underwater funds and related disclosures.

The changes have the following effect on net assets at June 30, 2019:

	As originally presented	After adoption of ASU 2016-14
Unrestricted net assets	$ 2,079,026	$ -
Temporarily restricted net assets	-	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	2,079,026
Net assets with donor restrictions	-	-
Total net assets	$ 2,079,026	$ 2,079,026

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.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

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 two classes of net assets based on the existence or absence of donor- or board-imposed restrictions. The two categories are differentiated as follows:

Without donor restrictions

Net assets without donor restrictions represent funds available for support of the Organization's functions and operations that are not externally restricted for identified purposes by donors. Net assets without donor restrictions include resources that the governing board may use for any designated purposes and resources whose use is limited by agreement between the Foundation and outside party other than a donor.

With donor restrictions

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific period or purpose. Some donor imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions, or when the stipulated time has passed.

As of June 30, 2019 and 2018, the Organization's net assets are not subject to donor-imposed restrictions; accordingly, all of the net assets are accounted for as net assets without donor restrictions.

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 only 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 contributions with donor restrictions or contributions without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. All donor-restricted contributions are recorded as increases in donor restricted net assets. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions 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

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

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.

Statement of cash flows
For purposes of the statements 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 did not have any material unrelated business

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

income for the years ended June 30, 2019 and 2018. 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, 2019. 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, 2019 and 2018 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, 2016, 2017 and 2018.

Functional expenses

The costs related to various activities of the Organization have been summarized on a functional basis in the accompanying statements of activities and functional expenses. The financial statements report certain categories of expense that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include affiliate personnel costs, professional services, and other costs, which have been allocated among the program and supporting services benefited based on specific identification.

Subsequent events

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

Note 2 - Cash and cash equivalents

The Organization maintains its operating cash and cash equivalent balances in several accounts in various 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, 2019 and 2018.

Note 3 - Liquidity and availability

Financial assets available for general expenditure within one year consist of the following:

Financial assets at year end	
Cash (excluding agency fund)	$ 72,012
Due from affiliate	7,646
Total financial assets	79,658
Financial assets available to meet general expenditures within one year	$ 79,658

The Organization regularly monitors liquidity required to meets operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Organization has various sources of liquidity at its disposal including cash and a steady revenue stream from license fee and residence hall revenues.

Note 4 - Property and equipment

Property and equipment at June 30, 2019 and 2018 consist of the following:

	2019	2018
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	133,619	18,766
Building	533,508	82,099
	667,127	100,865
Other		
Land	1,681,415	1,563,641
Building	870,443	870,443
Land improvements	158,127	158,127
Building improvements	1,069,437	1,069,437
Furniture and fixtures	28,446	28,446
	3,807,868	3,690,094
	7,252,214	6,568,178
Less accumulated depreciation	1,155,518	1,012,095
Property and equipment, net	$ 6,096,696	$ 5,556,083

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Accumulated depreciation on real estate under lease amounted to $560,878 and $516,912 at June 30, 2019 and 2018, respectively. Accumulated depreciation on real estate used for student housing amounted to $145,234 and $132,948 at June 30, 2019 and 2018, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $9,236 and $7,184 at June 30, 2019 and 2018, respectively.

On August 24, 2018, 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 $393,780. The Organization intends to use this property for faculty/staff housing. The acquisition was financed, in part, with a mortgage note on the property in the amount of $312,000 (see Note 6).

On July 4, 2018, 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 $172,481. The Organization intends to use this property for faculty/staff housing. The acquisition was financed, in part, with a mortgage note on the property in the amount of $138,400 (see Note 6).

On December 6, 2018, the Organization received donation of a property in close proximity to the Fitchburg State University from the City of Fitchburg. The property, which includes land only, was recorded at fair market value of $3,000 at the time of the donation. The Organization intends to use this property for faculty/staff housing.

On March 12, 2019, 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 $114,774. The Organization intends to use this property for parking space. The acquisition was financed, in part, with a mortgage note on the property in the amount of $90,000 (see Note 6).

In fiscal 2018, 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 $172,106. The Organization, currently, has not made a final determination for the use of this property. The Organization is also considering a sale of the property to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The acquisition was funded with operating cash of the Organization and the proceeds of $150,000 drawn on the Organization's bank line of credit (see Note 9).

In fiscal 2018, 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 $153,096. A minor portion of the building is currently being leased to an unrelated third-party tenant, effective July 1, 2018, pursuant to a commercial lease agreement dated June 22, 2018. The rental income from this lease is not material to the Organization's operations and consists of $1,600 per month through the lease termination date of June 30, 2021. The Organization eventually intends to either raze the building and create a parking lot or renovate the building to support the operations of the University. The acquisition was funded with operating cash of the Organization and the proceeds of an advance of $170,000 from the Foundation used to reimburse the Organization for the acquisition (see Note 10).

In fiscal 2018, the Organization transferred seven properties, consisting solely of land, to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. On the date the properties were transferred, the seven properties collectively had a net book value of $678,470. A loss of $678,470 was recorded from the transfers of the properties and recognized in losses on transfers and sale of land and buildings in the accompanying statement of functional expenses for the year ended June 30, 2018.

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In fiscal 2018, 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 $51,708. As of the report date, the Organization leased the land to Fitchburg Housing Authority ("FHA") to be used for parking for its employees. The Organization intends to renovate the property and use it for academic support and a day care facility in the near future. Renovations are not expected to commence until fiscal 2020.

In fiscal 2017, 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 acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 6). The Organization is planning a major renovation and expansion of the property which, when completed, is expected to cost approximately $25,000,000 and consist of a multi-phased project providing academic space, student support services space, retail and community space and a theatre renovation. The space is expected to be used by the University and the Fitchburg and surrounding communities. Fitchburg State University will be responsible for the costs of the project's development and construction pursuant to the terms of the license agreement between the University and the Organization. Funding for the project is expected to come from a variety of sources including, but not limited to, New Markets Tax Credits, Historic Tax Credits, bonds, grants and philanthropy. The project is in the very early stages of development and is estimated to require four years to completion. At some point during that period, the property will be transferred to a new entity. The Organization will pay for certain legal services incurred in connection with the project which the Organization currently estimates to be approximately $148,000 for the entire project. The Organization expects to fund these costs through operating cash. For the year ended June 30, 2019, the Organization has incurred $25,536 of legal costs related to the project which have been recorded in prepaid expenses and other assets in the accompanying 2019 statement of financial position.

Note 5 - Agency fund

The Organization is part of a collaboration, called Re-imagine North of Main, of local businesses and non-profit organizations located in Fitchburg, Massachusetts committed to making a collective impact and dedicated to improving the quality of life in Fitchburg. The Organization is holding monies for the benefit of North of Main projects and disbursing that as needed to specific vendors identified by the members of the coalition. For the year ended June 30, 2019, the Organization collected $66,401 of contributions and disbursed $12,500 in connection with this collaboration. At June 30, 2019, the Organization is currently holding $53,901 of funds that is to be used exclusively by the members of the coalition.

Note 6 - 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 8). 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

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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 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, 2019, the outstanding principal balance of the loan of $890,233, less net debt issuance costs of $17,217, amounted to $873,016.

As of June 30, 2018, the outstanding principal balance of the mortgage note payable of $997,414, less net debt issuance costs of $20,333, amounted to $977,081.

Debt issuance costs, net of accumulated amortization, totaled $17,217 and $20,333 as of June 30, 2019 and 2018, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2019 and 2018.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2019, are estimated to be as follows:

2020	$	110,984
2021		115,067
2022		119,217
2023		123,518
2024		127,940
Thereafter		293,507
Total balance due	$	890,233

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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, 2019 and 2018, the Organization has total cash balances of $7,527 and $6,935, respectively, held at WCU which serve as additional collateral for the loan.

The mortgage note had an original 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, 2015 pursuant to the provisions of a loan modification agreement. On February 27, 2019, the interest rate was adjusted to 5.25% per annum expiring on February 27, 2024 pursuant to the provisions of a loan modification agreement. The note requires monthly installments of principal and interest of $4,517 through February 27, 2024. Commencing thereafter, the interest rate will be adjusted to the FHLB 5-year Classic Advance plus 2.25% until the maturity date of February 27, 2029 and monthly payments for principal and interest will be determined at that point.

As of June 30, 2019 and 2018, the outstanding principal balance of the mortgage loan amounted to $551,397 and $576,100, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019, are as follows:

2020	$	25,796
2021		27,261
2022		28,727
2023		30,272
2024		31,839
Thereafter		407,502
Total balance due	$	551,397

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, 2019 and 2018, the outstanding principal balance of the mortgage loan amounted to $198,877 and $208,551, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019, are as follows:

2020	$	9,980
2021		10,331
2022		10,678
2023		11,035
2024		11,389
Thereafter		145,464
Total balance due	$	198,877

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 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 required monthly installments of principal and interest of $376 through June 26, 2018. The interest rate was adjusted to 5.93% per annum on June 26, 2018 pursuant to the provisions of the loan agreement. The July and August 2018 monthly installments of principal and interest remained at $376. On August 27, 2018, the Organization entered into a Change in Terms Agreement with the lender in which the interest rate on the note was modified to a fixed rate of 5.20% per annum until June 26, 2023. At that time, the interest rate will be adjusted pursuant to the terms of the original note described above. All other terms, provisions and conditions of the original note agreement remain in full force and effect. Commencing with the September 2018 monthly installment of principal and interest, the monthly installments shall be $450. 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, 2019 and 2018, the outstanding principal balance of the mortgage loan amounted to $73,461 and $74,685, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rates in effect at June 30, 2019 and August 27, 2018, are estimated to be as follows:

2020	$	1,564
2021		1,659
2022		1,748
2023		1,843
2024		1,933
Thereafter		64,714
Total balance due	$	73,461

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 fiscal 2016. 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, 2019 and 2018, the outstanding principal balance of the loan amounted to $107,154 and $111,291, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

2020	$	4,306
2021		4,501
2022		4,692
2023		4,891
2024		5,089
Thereafter		83,675
Total balance due	$	107,154

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

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used to reimburse the Organization for the acquisition, at a cost of $222,472, of two real estate properties in fiscal 2017. 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, 2019 and 2018, the outstanding principal balance of the loan amounted to $202,616 and $209,819, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

2020	$	7,504
2021		7,901
2022		8,291
2023		8,700
2024		9,107
Thereafter		161,113
Total balance due	$	202,616

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 4). The note was secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

The commercial note had a term of 25 years, maturing on November 8, 2041, and provided for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan required 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.

On April 5, 2018, the Organization paid off the loan balance in full and related interest with the proceeds from the sale of the 132 Highland Avenue property.

In June, 2019, Hometown Bank provided financing to the Organization in the form of a commercial note, dated June 18, 2019, in the amount of $312,000. The proceeds of the loan were used for the acquisition, at a cost of $393,780, of a real estate property located at 164 Highland Avenue in

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Fitchburg, Massachusetts (see Note 4). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property. In addition, the loan agreement requires the Organization to maintain a Debt Service Coverage Ratio, as defined, of no less than 1.10 to 1 to be measured annually at the end of the fiscal year. The loan agreement also requires the Organization to maintain a Loan-to-Value Ratio of no more than 80% at any time during the term of the loan.

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2019, the loan requires monthly installments of principal and interest of $1,752 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $312,000.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

2020	$	6,855
2021		7,136
2022		7,471
2023		7,822
2024		8,190
Thereafter		274,526
Total balance due	$	312,000

In June, 2019, Hometown Bank provided financing to the Organization in the form of a commercial note, dated June 18, 2019, in the amount of $138,400. The proceeds of the loan were used for the acquisition, at a cost of $172,481, of a real estate property located at 174 Highland Avenue in Fitchburg, Massachusetts (see Note 4). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property. In addition, the loan agreement requires the Organization to maintain a Debt Service Coverage Ratio, as defined, of no less than 1.10 to 1 to be measured annually at the end of the fiscal year. The loan agreement also requires the Organization to maintain a Loan-to-Value Ratio of no more than 80% at any time during the term of the loan.

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2019, the loan requires monthly installments of principal and interest of $777 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $138,400.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2019 are as follows:

2020	$	3,041
2021		3,165
2022		3,314
2023		3,470
2024		3,633
Thereafter		121,777
Total balance due	$	138,400

Fitchburg Historical Society

In April, 2019, Fitchburg Historical Society provided financing to the Organization in the form of a promissory note, dated April 4, 2019, in the amount of $90,000. The proceeds of the loan were used for the acquisition, at a cost of $114,774, of a real estate property located at 0 Main Street in Fitchburg, Massachusetts (see Note 4). 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 5 years, maturing on April 1, 2024, and provides for a fixed rate of interest of 5.00% per annum. Commencing on May 1, 2019, the loan requires monthly installments of principal and interest of $1,694 based on a 5-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2019, the outstanding principal balance of the loan amounted to $87,348.

Aggregate principal maturities on the loan for each of the next five years at June 30, 2019 are as follows:

2020	$	16,386
2021		17,224
2022		18,105
2023		19,031
2024		16,602
Total balance due	$	87,348

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 Main Street in Fitchburg, Massachusetts (see Note 4). 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

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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, 2019 and 2018, the outstanding principal balance of the loan amounted to $268,081 and $273,003, 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, 2019, are estimated to be as follows:

2020	$	5,143
2021		5,374
2022		5,614
2023		5,866
2024		6,128
Thereafter		239,956
Total balance due	$	268,081

In November 2018, Enterprise Bank and Trust Company provided financing to the Organization in the form of a promissory note, dated November 5, 2018, in the amount of $148,000. The note is secured by a first mortgage interest in and an assignment of leases and rents on a real estate property located at 70 - 78 North Street in Fitchburg, Massachusetts.

The promissory note has a term of 20 years, maturing on November 5, 2038. The note provides for a fixed rate of interest of 5% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Five Year Regular Rate plus 1.95% per annum. The loan will have a minimum floor rate of 5%. Commencing on January 1, 2019, the loan requires monthly installments of principal and interest of $983 based on a 20-year principal amortization schedule. If the note is prepaid in whole or in part during the term of the loan for the purpose of refinancing the loan with another financial institution, the loan 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, 2019, the outstanding principal balance of the loan amounted to $145,829.

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Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at November 5, 2018, are estimated to be as follows:

2020	$	4,483
2021		4,736
2022		4,982
2023		5,240
2024		5,495
Thereafter		120,893
Total balance due	$	145,829

Webster First Federal Credit Union

In September 2017, Webster First Federal Credit Union provided financing to the Organization in the form of a commercial note, dated September 22, 2017, in the amount of $250,000. The proceeds of the loan were used to reimburse the Organization for the acquisition at a cost of $50,000, of a real estate property located at 66 Day Street and a property at a cost of $126,926 located at 721-725 Main Street both in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the real estate properties located at 66 and 0 Day Street and 721 - 725 Main Street, Fitchburg, Massachusetts, and an assignment of leases and rents on the properties. The note has a term of 15 years, maturing on October 1, 2032, and provides for a fixed rate of interest of 3.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate will be adjusted to the Federal Home Loan Bank Boston Classic Advance Five-Year Rate plus 1.5% per annum for the remaining 5 years of the loan term, but no less than a rate of 3.75% per annum. Commencing on November 1, 2017, the loan requires monthly installments of principal and interest of $1,825 based on a 15-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity. The note may be prepaid in whole or in part at any time without penalty.

As of June 30, 2019 and 2018, the outstanding principal balance of the loan amounted to $228,704 and 241,638, 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, 2019, are estimated to be as follows:

2020	$	13,551
2021		14,068
2022		14,605
2023		15,162
2024		15,741
Thereafter		155,577
Total balance due	$	228,704

Note 7 - 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

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

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 $2,250,000 and $2,253,000 at June 30, 2019 and 2018, 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, 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, 2019 and 2018, the outstanding principal balance of the loan amounted to $494,807 and $514,276, 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, 2019, are estimated to be as follows:

2020	$ 20,152
2021	20,924
2022	21,677
2023	22,456
2024	23,226
Thereafter	386,372
Total balance due	$ 494,807

Note 8 - Lease and license agreements

As disclosed in Note 6, 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, 2019 and 2018, rental income amounted to $165,000 in each year.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

The following is a schedule of future minimum rental income under the operating lease agreement at June 30, 2019:

2020	$	165,000
2021		165,000
2022		165,000
2023		165,000
2024		165,000
Later years		350,625
	$	1,175,625

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 expired 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. Effective 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 extended 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 increased by 7.5% to $30,632 (biannual installments of $15,316). 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, 2019 and 2018, rent expense amounted to $30,632 in each year.

The future minimum rental payments under this operating lease agreement at June 30, 2019 are $30,632 for the fiscal year ending June 30, 2019.

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. Effective July 1, 2017, the lease agreement was amended to extend the term of the lease until June 30, 2023 and modify the lease payment provisions to be in biannual installments of $2,848. 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, 2019 and 2018, rent expense amounted to $5,696 in each year.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2019:

2020	$	5,696
2021		5,696
2022		5,696
2023		5,696
	$	22,784

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, 2019 and 2018, license fee income amounted to $205,427 and $193,272, respectively.

On June 22, 2018, the Organization entered into a three-year operating lease agreement with an unrelated third party after purchasing a property for a total cost of $153,096 located in Fitchburg, Massachusetts (see Note 4). The lease agreement provides for monthly lease payment of $1,600 commencing on July 1, 2018. For the year ended June 30, 2019, rental income amounted to $16,614.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2019:

2020	$	19,200
2021		19,200
	$	38,400

Note 9 - 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 rates of 5.25% at June 30, 2019 and 4.75% at June 30, 2018). The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, and again through November 30, 2018, under the same terms and conditions of the previous agreement. On November 30, 2018, the line of credit was renewed through November 30, 2019. 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 ratio, 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, 2019, the Organization has made payments of $150,000 and borrowings of

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

$250,000 under the line of credit agreement. The balance outstanding as of June 30, 2019 is 250,000. As of June 30, 2018, the Organization has made payments of $250,000 and borrowings of $150,000 under the line of credit agreement. The balance outstanding as of June 30, 2018 was $150,000.

Note 10 - Transactions with related parties

Fitchburg State University and the Foundation render certain administrative services to the Organization. For the years ended June 30, 2019 and 2018, these services with a value of $10,612 and $9,191, 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 2019 and 2018 statements of activities includes $21,740 and $33,352, respectively, paid to Fitchburg State University for maintenance services provided to the Organization for the real estate used for student housing. At June 30, 2019 and 2018, none of the balance remained unpaid.

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, 2019 and 2018, the effective interest rate was 5.50% and 5.75% per annum, respectively. Interest expense incurred by the Organization on advances amounted to $10,339 and $830 in fiscal 2019 and 2018, respectively. Accrued interest payable to the Foundation at June 30, 2019 and 2018 amounted to $0 and $830, respectively. During fiscal 2019, the Foundation made advances of $150,000 to the Organization. During fiscal 2018, the Foundation made advances of $170,000 to the Organization. As of June 30, 2019 and 2018, outstanding advances payable to the Foundation amounted to $0 and $170,000, respectively.

As of June 30, 2019 and June 30, 2018, the Organization has miscellaneous accounts receivable totaling $7,646 and $2,981 from the University, respectively, which are reflected as due from affiliate in the accompanying statements of financial position.

As of June 30, 2019 and 2018, the Organization has miscellaneous payables in the amount of $16,194 and $3,117, respectively, to the University, which are included in due to affiliates in the accompanying 2019 statement of financial position.

Note 11 - Supplemental cash flow information

	2019	2018
Cash paid for interest during the year	$ 147,130	$ 137,447

During fiscal 2018, the Organization sold a property consisting of land and a building with an original cost of $183,915 and a net book value of $179,102 for a net sales price of $133,196 resulting in a loss of $45,906.

During fiscal 2018, the Organization transferred seven properties consisting of land only to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The seven properties collectively had a net book value $678,470, resulting in a net loss on the transfers

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

in that amount.

During fiscal 2018, the Organization incurred costs of $9,342 for another asset associated with a development project which remained unpaid at June 30, 2018 and is reflected as an accrued expense in the accompanying 2018 statement of financial position.

During fiscal 2019, cash paid for property additions is as follows:

Costs incurred for purchase of property	$	684,036
Amounts funded through contribution income		(3,000)
Amounts included in accounts payable at the beginning of the year		9,342
	$	690,378

Note 12 - Subsequent events

Effective on August 6, 2019, the Organization entered into a lease agreement with Fitchburg Housing Authority ("FHA") to lease the land located at 66 Day Street to be used for parking by FHA employees. The Organization is leasing the property solely for convenience to FHA; no revenue is being generated by this lease agreement.

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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, 2019, and the related statement of activities, cash flows, and functional expense 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*.

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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 F

FSU Supporting Org Communication Letter

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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, 2019 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 May 31, 2019, 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 on June 19, 2019.

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.

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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 the appropriate accounting policies. The significant accounting policies used by The Organization are described in Note 1 to the financial statements. As discussed in Note 1, The Organization adopted the Financial Accounting Standards Board's Accounting Standard Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods 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. There were no disclosures deemed particularly sensitive.

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. The schedule attached to the management representation letter 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.

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.

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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 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 G

No Management Letter

Acknowledgement Letter

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DATE

Dr. Richard S. Lapidus,
President
Fitchburg State University
160 Pearl Street
Fitchburg, MA 01420

Dear President Lapidus:

This letter serves to confirm that CohnReznick LLP did not issue a separate management letter in connection with its audits of the financial statements of Fitchburg State University, Fitchburg State University Foundation, Inc. and FSU Foundation Supporting Organization, Inc. for the fiscal year ended June 30, 2019.

If I can be of any further assistance, please do not hesitate to call me.

Sincerely yours,

CohnReznick LLP

Karen K. Smith, CPA
Partner

Attachment H

University Executive Summary 2019

Fitchburg State University
Executive Summary
Report on Audits of Financial Statements and Supplemental Information
Years Ended June 30, 2019 and 2018

- The University received an unqualified report from its auditors and there were no issues or findings that arose during the audit.
- The Management's Discussion and Analysis, beginning on page 5, provides a broad overview of the financial position and fiscal activities of the University and includes ratio analysis in key areas.

Statements of Net Position (pages 18-20):

- Total assets and deferred outflows increased by $9.06 million to $253.3 million in fiscal year 19. This increase was mainly due to $3.5 million increase in cash and cash equivalents, $3.2 million in deferred output-opeb, $1.4 million and $1 million increase in net capital asset and investments respectively. Total liabilities and deferred inflows increased to $127.1 million, which is a net increase of $6.2 million. $3.7 million is due to deferred inflow-opeb, $1.9 million due to increase in payables, and $1 million to increase in pension liability.
- As at June 30, 2019, current unrestricted cash was $24.7, current restricted cash $7.5 million and noncurrent restricted cash $7.5 million.
- Capital assets increased by $11.8 million to $182.8 million net of current period depreciation of $10.4 million.
- Total debt from bond issues is $62.6 million. The bonds were issued for various construction projects. See Note 12, beginning on page 56. A total of $2.6 million new debt was issued in fiscal year 19.
- Invested in capital assets; net of related debt increased by $3.4 million.

Statement of Revenues, Expenses and Changes in Net Position (pages 21-22):

- Total revenue for the year was $119.7 million.
- Tuition and fee revenue increased by 5.8%. Scholarships and scholarship allowances was $10.4 million.
- Auxiliary dorm revenue, which represents operation of the residence halls totaled $10.5 and does not include fees charged for the student housing facility owned and operated by the FSU Supporting Organization, Inc.
- State appropriations increased a little more than 11%, over the prior period due mainly to retroactive payroll payments. Capital appropriations received totaled $3.6 million – of which $2.3 million was for the energy/water retrofit program.
- Total expenditures, exclusive of depreciation, increased by 9% to $106.4 million due primarily to increased payroll and benefits retroactive payments, increases in resident hall debt payments to MSCBA and increase in commission paid for the accelerated online program.
- Instructional expenditures represent 38% of total operating expenditures, exclusive of depreciation and scholarships. 85.2% of Instructional expenditures relate to payroll and benefit costs.
- Institutional support consist of the day to day operational support of the institution, excluding plant operations and represents 12.5% of total operating expenses exclusive of depreciation and scholarships.
- Operations and maintenance of plant expenditures totaled $11.8 million an increase of $.7 million.
- There was an overall increase in net position of $2.8 million for the fiscal year.

Statement of Cash Flows (pages 23-25):

- Total cash at June 30, 2019 was $39.6 million.
- Cash received from operations (before appropriations) was $71 million. Cash expended for operations was $89.4 million, resulting in an operating loss of $18.4 million, which was offset by appropriations of $32.2 million net of tuition amounts reverted to the state.
- Acquisitions of property and equipment totaled $11 million.

Notes to the Financials Statements (pages 26 - 108):

Most of the notes are standard disclosures. Note 1, which outlines the University's significant accounting policies, spans pages 26 through 34.

- Note 5, beginning on page 48, details the property and equipment held by the University.
- Details relating to University debt (capital leases and bond issues) are in Note 12, beginning on page 56.

Attachment I

Executive Summary FDN Audit June 2019

Fitchburg State University Foundation, Inc.
Executive Summary
Report on Audit of Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

The Foundation received an *unqualified report* from its auditors and there were no issues or findings that arose during the audit.

Consolidated Statement of Financial Position (page 4):

- Total assets were $28.3 million at June 30, 2019.
- Property & equipment totaled $6.6 million.
- Total debt outstanding at June 30, 2019 was $4 million.
- Net assets are now classified as with or without donor restrictions based on a new accounting pronouncement Accounting Standard Update 2016-14 (see notes 1 and 2)

Consolidated Statement of Activities/Functional Expenses (page 5 - 6):

- There was an overall increase in net assets of $1,350,000. Total gifts and donations were $899,302 of which approximately $164,720 was unrestricted and $255,475 of the balance is endowed.
- Rental income, license fees and residence hall fees totaled $667,000 and are made up of rents and fees paid by the University for the use of various properties and fees paid by students for the North Street residence hall.
- Interest and dividends totaled $348,000. Investment gains totaled $1,272,000 million.
- Total income decreased by $338,433 over the prior year. While rental income increased slightly in 2019, the decrease mainly stemmed from a decrease in investment gain of $284,000 and a decrease in grant income of $98,000.
- Program expenses were $1.7 million in 2019. Management and general expenses were $263,000 and Fundraising expenses were $100,000. Total expenses were $2.1 million, a decrease of approximately $715,000 over the prior year. The decrease was mainly because of the losses we had in prior year when we transferred property to the commonwealth.

Consolidated Statement of Cash Flows (pages 7 - 8):

- There was an overall net decrease in cash of approximately $68,000 primarily due to operating activities. Total cash at June 30, 2019 was $1.24 million.
- Proceeds from the sale of investments totaled $3.1 million. Acquisition of investments totaled $3 million.
- Cash paid for interest was $164,000 (see note 17, page 43).

Notes to the Financials Statements (pages 9 - 46):

- Most of the notes are standard disclosures.
- Financial assets available for general expenditure within one year is disclosed in Note 3, page 17.
- Detail on investments is disclosed in Note 4 beginning on page 17, as well as, Note 6 beginning on page 22.
- Detail on property and equipment and its related debt is disclosed in Note 7 beginning on page 24 and Notes 11 and 12 beginning on page 28. Detail on lease and license agreements is disclosed in Note 13 beginning on page 40.
- Related party transactions are disclosed in Note 14 on page 42.

Attachment J

Executive Summary SO June 2019

FSU Foundation Supporting Organization, Inc.
Executive Summary
Report on Audit of Financial Statements
Years Ended June 30, 2019 and 2018

The Supporting Organization received an *unqualified report* from its auditors and there were no issues or findings that arose during the audit. The information contained in these financial statements is consolidated into the financial statements of the Fitchburg State University Foundation, Inc.

Statements of Financial Position (page 4):

- Total assets are $6.3 million and total liabilities are $4 million at June 30, 2019.
- Property and equipment, net of depreciation totaled $6.1 million.
- Total debt outstanding at June 30, 2019 was $3.9 million.
- Net assets was changed to reflect change in accounting pronouncements – net asset without donor restrictions – see Notes 1-2, page 9 - Accounting Standard Update 2016-14.

Statements of Activities/Statement of Functional Expenses (pages 5 - 7):

- There was an overall increase in net assets of $170,000.
- Rental income, license fees and residence hall fees totaled $667,000 and are made up of rents and fees paid by the University for the use of various properties and fees paid by students for the North Street residence hall.
- Interest expense relative to financing property acquisitions totaled $151,000.
- Program expenses totaled $498,000, management and general expenses totaled $24,000. In the prior year, $724,000 program expense arose because of losses on transfer and sale of properties to the commonwealth.

Statements of Cash Flows (page 8):

- There was positive cash flows from operating activities of $361,000. There was an overall net increase in cash of approximately $93,000.
- Acquisition of property and equipment totaled $690,000.
- Net cash provided by financing activities totaled $422,000.

Notes to the Financials Statements (pages 9 - 31):

- Most of the notes are standard disclosures.
- Financial assets available for general expenditure within one year is disclosed in Note 3, page 12.
- Details on property and equipment is disclosed in Note 4 beginning on page 10.
- Mortgage and notes payable agreements are disclosed in Notes 6 and 7 beginning on page 15.
- Lease and license agreements between the Supporting Organization and the University are disclosed in Note 8 beginning on page 25.
- Related party transactions are disclosed in Note 10 beginning on page 28.

Cover Sheet

FY2019 Audit - VOTE (07-19/20)

Section:	II. Presentation by the Auditors
Item:	B. FY2019 Audit - VOTE (07-19/20)
Purpose:	Vote
Submitted by:	
Related Material:	Finance Committee FY2019 Audit Vote 11-5-19.pdf

Fitchburg State University
REQUEST FOR BOARD ACTION

TO: **Board of Trustees Finance Committee**	DATE: October 30, 2018
FROM: The President	REQUEST NUMBER: 07-19/20
SUBJECT: FY2019 Audit	

It is requested that the Board of Trustees Finance Committee accept the FY2019 audit.