Fitchburg State University

Board of Trustees Finance and Administration Committee Meeting with the Foundation Audit Committee

Amended on November 16, 2020 at 10:01 AM EST

Date and Time
Tuesday November 10, 2020 at 8:30 AM EST

The Fitchburg State University Board of Trustees Finance and Administration Committee will meet remotely on Tuesday, November 10, 2020 at 8:30 a.m.

Public view:

Live stream
stream.meet.google.com/stream/05c30515-d9a0-4f3f-aac9-3b87a9639f5f

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Agenda

	Purpose	Presenter	Time
I. Opening Items			**8:30 AM**
Opening Items			
A. Record Attendance and Guests			1 m
B. Call the Meeting to Order			
C. Approve Minutes from the June 24, 2020 Finance Committee - VOTE (06/20-21)	Approve Minutes		1 m
Approve minutes for Board of Trustees Finance and Administration Committee Meeting on June 24, 2020			
II. Presentation by the Auditors			**8:32 AM**
A. Board Presentation Exhibits	Discuss		20 m
B. FY2020 Audit - VOTE (7/20-21)	Vote		5 m
III. Closing Items			**8:57 AM**
A. Adjourn Meeting	Vote		1 m

Cover Sheet

Approve Minutes from the June 24, 2020 Finance Committee - VOTE (06/20-21)

Section: I. Opening Items
Item: C. Approve Minutes from the June 24, 2020 Finance Committee - VOTE (06/20-21)
Purpose: Approve Minutes
Submitted by:
Related Material:
Minutes for Board of Trustees Finance and Administration Committee Meeting on June 24, 2020
VOTE Finance Minutes June 24, 2020.pdf

APPROVED

Fitchburg State University

Minutes

Board of Trustees Finance and Administration Committee Meeting

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Date and Time
Wednesday June 24, 2020 at 1:00 PM

Location
This will be a remote meeting.

The Fitchburg State University Board of Trustees Finance and Administration Committee will meet on Wednesday, June 24, 2020 at 1:00 p.m. This meeting will be held via teleconference as approved by Governor Baker.

Public viewing-only access:
https://stream.meet.google.com/stream/9b9ff509-d4e0-4f41-898f-b75291c9240e

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Committee Members Present
D. Irving (remote), D. Phillips (remote), D. Tiernan (remote), L. Barrieau (remote), M. Nicholson (remote)

Committee Members Absent
None

Guests Present
C. Aneke (remote), G. Doiron (remote), J. Bry (remote), Members of Executive Cabinet (remote), R. Lapidus (remote)

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 Wednesday Jun 24, 2020 @ 1:02 PM.

C. Approve Minutes from November 5, 2019 Finance Committee - VOTE (18-19-20)

D. Irving made a motion to approve the minutes from Board of Trustees Finance and Administration Committee Meeting on 11-05-19.
M. Nicholson seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

G. Doiron	Absent
D. Irving	Aye
C. Aneke	Aye
L. Barrieau	Aye
M. Nicholson	Aye
D. Tiernan	Aye
R. Lapidus	Absent
D. Phillips	Aye

II. FY2021 Budget Discussion

A. FY2021 Budget Narrative

The president updated the board on the actions taken at the Massachusetts Board of Higher Education (BHE) meeting that he attended yesterday. The BHE hired a strategy firm, EY-Parthenon to conduct a study to assess the financial impact of COVID-19. He stated that all institutions will find themselves in an increasingly challenging situation. It is a situation that suggests that we need to be extremely prudent.

He next discussed enrollment and the demographics in the state. Early indications are that that if schools are forced to be fully remote, larger numbers of students may opt to take a gap year. He explained the implication for the residence halls, that have already been showing a declining in occupancy over the past few years. He indicated that state appropriations have not been formalized or received by the university. The president summarized these variables primarily used by Parthenon in their study and the largest inputs to the university budget. The university finished FY20 financially better than anticipated. Given the unprecedent rapid spring departure from campus, which required the issuance of refunds for housing, food service and parking that the university was unable to deliver. The university did receive some CARES act money, that was distributed as soon as it was received. The president stated that we try not to dip too much into our reserves. He commended and thanked Jay Bry, Mary Beth McKenzie, Christian Estrella, and Carin Bullis for their extraordinary work on the budget. There was a discussion on enrollment.

J. Bry noted that the EY-Parthenon study showed that not all institutions across the state university and community college systems are in a good financial position. The university performed better on their analysis than others. He next discussed the summary budget in great detail. He compared the pre-COVID budget to current thinking. A presentation on proposed budget reductions was presented. The university anticipated that housing occupancy would be at approximately 60%, with all rooms considered to be singles. A presentation regarding the Massachusetts State College Building Authority (MSCBA) debt restructuring was presented. He said the dining situation mirrors what happens in the residence halls. He did note that Chartwells provides the services and there are additional fees that students pay that support the university. Assuming that dining services can open, most of the operational costs will be carried by Chartwells.

He next discussed tuition and fees and the enrollment decline amplified by COVID. The freshmen class is relatively flat, but returning and transfer student numbers are down. He discussed tuition for Graduate & Continuing Education (GCE) and accelerated programs.

The university is recommending a fee increase for GCE which would keep us competitive with other institutions. He reminded the board that GCE is self-supported and that state funds cannot be used to support their programs.

He discussed some of the smaller revenue sources, such as the McKay School rental. The university agreed to provide Fitchburg Public Schools a deferment on the rent if needed. There was a discussion on investments.

J. Bry next discussed operational expenses. The majority of the university budget supports personnel. He noted that furlough programs are being discussed along with a number of other cost mitigation measures. There will be a hiring freeze and vacant positions, in most cases, would not be filled. He acknowledged and thanked Christian Estrella and Carin Bullis for all the work they did in collaboration with Human Resources by looking at all the positions.

J. Bry discussed the process regarding furloughs. There was a discussion on departmental operating budgets, and debt service.

There was a discussion on training for faculty in regard to online learning, technology investments, enrollment with the social distancing factor, and low-income students being able to access technology to learn.

There was a discussion on residential suites, singles, and double occupancy.

B. Annual Operating Budgets FY18-FY21

J. Bry reported that budget planning worked to balance the budget with an eye toward not making significant reductions to university reserves. 2 million dollars are being placed in the for anticipated expenses derived from COVID.

C. Summary of Operating Funds FY2021

J. Bry presented and discussed the various operating funds behind the overall operating budget.

D. Budget Narrative Appendix

J. Bry discussed the 6-Year net pricing sheet and the CARES Act.

D. Irving commended J. Bry and his team for putting together the budget with so many variables. He explained the difference between tuition and fees and noted that tuition is fixed. He indicated that voting might result in the need to raise fees. He noted that this budget required the university to take the most money out of the reserves in the school's history and we must remain strong, not only for next year, but the future years ahead.

J. Bry said historically, we don't know what are sister schools are doing in regards to fee increases, but that if proposed fees were to be approved, the university would still on the lower end of the overall cost spectrum relative to sister institutions.

III. FY2021 Fees Discussion

A. University Fee Increase - VOTE (22-19/20)

D. Irving made a motion to to recommend the following technology fee increase, effective for the fall semester 2020: Technology Fee Day Undergraduate Technology Fee: $75.00 per semester increase for FY2021. The new annual total will be $500.00. GCE Undergraduate and Graduate Technology Fee: $2.00 per credit increase for FY2021 for a total fee of $9.00 per credit.
L. Barrieau seconded the motion.

The committee **VOTED** to approve the motion.

Roll Call

L. Barrieau	Aye
C. Aneke	No
M. Nicholson	Aye
D. Irving	Aye
D. Phillips	Aye
D. Tiernan	Aye

B. GCE Student Fee - VOTE (21-19/20)

D. Irving made a motion to to recommend the following Graduate and Continuing Education fee increases, effective fall semester 2020: • An increase of $11.00 per credit for the GCE undergraduate program for FY2021; the new total per credit fee will be $319.00. • An increase of $13.00 per credit for the GCE graduate program for FY2021; the new total per credit fee will be $332.00.
L. Barrieau seconded the motion.
There was a discussion on the students that would be impacted by this vote. The committee **VOTED** to approve the motion.

Roll Call

D. Tiernan	Aye
M. Nicholson	Aye
D. Phillips	Aye
C. Aneke	Abstain
D. Irving	Aye
L. Barrieau	Aye

C. ALFA Fee - VOTE (19-19/20)

D. Irving made a motion to to recommend the following fee increase, effective for the fall semester 2020: ALFA Program ALFA Program: an increase of $10.00 per course for FY2021; the new per course fee will be $40.00.
L. Barrieau seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

L. Barrieau	Aye
M. Nicholson	Aye
C. Aneke	Aye
D. Phillips	Aye
D. Tiernan	Aye
D. Irving	Aye

IV. FY2021 Budget VOTES

A. FY2021 Budget - VOTE (23-19/20)

D. Irving made a motion to to recommend the FY2021 Budget as presented by the President.
L. Barrieau seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

D. Irving	Aye
D. Phillips	Aye
L. Barrieau	Aye
D. Tiernan	Aye
C. Aneke	No
M. Nicholson	Aye

B. Roll Forward of Funds to FY2021 Budget - VOTE (24-19/20)

D. Irving made a motion to to recommend that ongoing capital projects roll forward into the FY2021 University Budget.
L. Barrieau seconded the motion.
It was noted that this was only for projects already fully funded. The committee **VOTED** to approve the motion.

Roll Call	
D. Irving	Aye
L. Barrieau	Aye
D. Phillips	Aye
C. Aneke	Abstain
D. Tiernan	Aye
M. Nicholson	Aye

V. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 2:52 PM.

Respectfully Submitted,
D. Phillips

Documents used during the meeting

- VOTE Minutes.pdf
- Budget Narrative FY2021 .pdf
- Summary Budget FY21.pdf
- Summary of Operating Funds FY21.pdf
- 6 Year Net Price_Disount Rate.pdf
- Note on CARES Act aid to Fitchburg State Students in FY2020.pdf
- VOTE Technology Fee Increase.pdf
- VOTE GCE Fee Increase.pdf
- VOTE ALFA Fee Increase.pdf
- VOTE Budget FY2021.pdf
- VOTE Roll forward of funds to FY2021 budget.pdf

Fitchburg State University
REQUEST FOR BOARD ACTION

TO: Finance and Administration Committee	DATE: November 10, 2020
FROM: The President	REQUEST NUMBER: 6-20/21
SUBJECT: June 24, 2020 Finance and Administration Committee Meeting minutes	

It is requested that the Board of Trustees Finance and Administration Committee vote to approve the minutes from the June 24, 2020 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 Revised FY20_Draft - Fitchurg State University Financial Statements.pdf
Attachment B Fitchburg State University Communication Letter.pdf
Attachment C Revised Foundation FS FY20 DRAFT.pdf
Attachment D Fitchburg State Univ Foundation Inc. AU-C260 Communication Letter - Draft.pdf
Attachment E FSU Foundation Supporting Org FS FY20 DRAFT.pdf
Attachment F FSU FOUNDATION SO 260 Communication letter DRAFT.pdf
Attachment G No Management Letter Acknowledgment Letter.pdf
Attachment H Fitchburg State University Executive Summary 2020.pdf
Attachment I Executive Summary FDN Audit June 2020 (1).pdf
Attachment J Executive Summary Supporting Org 2020.pdf
FSU Foundation FY2020 PowerPoint.pptx
Fitchburg State University FY2020 PowerPoint [1].pptx

Attachment A

Fitchburg State University

FY2020 Draft FS

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

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

June 30, 2020 and 2019

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

Index

CohnReznick LLP
cohnreznick.com

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, 2020 and 2019, 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 audits 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, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Restatement

As described in Note 29, the University has restated the accompanying 2019 financial statements to correct amounts allocated to the University by the Commonwealth of Massachusetts. Our opinion is not modified with respect to this matter.

Financial Statements of the Commonwealth of Massachusetts

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, 2020 and 2019, 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 20 and 95 to 99, 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 2020 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 99 to 100 are presented for purposes of additional analysis and are not a required part of the 2020 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 2020 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 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 financial statements or to the 2020 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 2020 financial statements as a whole.

CohnReznick

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, 2020, 2019 and 2018. 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 15 community colleges comprise public higher education in Massachusetts. The University offers more than 30 undergraduate degree programs in 15 academic departments, 22 graduate degree programs and several Graduate Certificates of Advanced Study. During fall 2020, there were approximately 3,542 full-time students and thousands of part-time students enrolled. For fiscal 2020, there was a combined full-time equivalent annual enrollment of approximately 5,398. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education ("DGCE"). The University awarded approximately 1,730 graduate and undergraduate degrees in fiscal 2020. 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 a deficit in its operations in fiscal 2020 resulting in a decrease in net position of approximately 2.75%. 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 $33.3 million in fiscal 2020 as compared with $33 million in fiscal 2019 and $29.5 million in fiscal 2018.

- The University undergraduate fees increased slightly in the fiscal year. Total mandatory fees per semester were $4,767, $4,692 and $4,592 in fiscal 2020, 2019 and 2018, 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 three-credit class were $957 each year in fiscal years 2020, 2019 and 2018, and the fees for the Accelerated Online Programs were $933 to $1,251 per three-credit class in fiscal 2020.

- The University expended $6.7 million from current funds for capital additions in fiscal 2020. Projects completed during the year included the renovations to the following: Percival Hall Phase 3, Windows in Edgerly and Thompson Halls and the Energy/Water Retrofit project. Projects still in process at June 30, 2020 are: Improvements to Holmes Walk in Coolers, Theater Building Phase 2, Recreation Center's Roof, and various projects at the McKay facility.

- Total assets and deferred outflows of resources at the end of fiscal 2020 were $247.8 million and exceeded liabilities and deferred inflows of resources of $125.9 million by $121.9 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 2020 was $117.3 million, while expenses totaled $120.8 million, resulting in a decrease to net position of $3.5 million. The decrease in net position includes a 3.4% increase in operating expenses.

- Governmental Accounting Standards Board ("GASB") Statement No. 75 requires that an allocated portion of the Commonwealth's unfunded post-employment benefits other than pension 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. A prior period restatement was made to fiscal year 2019 assets, liability and expense accounts for GASB 75. The net of this restatement is $930,855 expense. The University's portion of the Commonwealth's unfunded post-employment benefits other than pension ("OPEB") liability after the restatement is calculated at $24.1, $27.3, and $22.2 million at June 30, 2020, 2019 and 2018.

- Governmental Accounting Standards Board ("GASB") Statement No. 68 requires that an allocated portion of the Commonwealth's net pension liability be reported on the financial statements of the individual institutions of higher education. The allocation is based on the actual contributions paid by the institutions through assessed fringe benefit charges. The University's portion of the Commonwealth's net pension liability is calculated at $12.8, $12.5 and $11.4 million at June 30, 2020, 2019 and 2018.

- Unrestricted net position (before benefits adjustments of $35.9 million at June 30, 2020) available to support short-term operations totaling $24.4 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, is incorporated throughout this document. These financial ratios are shown before unfunded benefits adjustments. Net assets benefits adjustments amounts after the restatement are $35.9 million in 2020, $34.2 million in 2019 and $31.4 million in 2018.

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 accounting. All relevant fiscal years and ratios are 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 $30.1 million are sufficient to cover current liabilities of $22.8 million. The University's current ratio at June 30 is 1.5 to 1 for 2020, 1.7 to 1 for 2019, and 1.8 to 1 for 2018.

- **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, 2020, 2019 and 2018 was -1.0%, 3.0% and 2.7%, respectively. The decrease in 2020 return on net position ratio is primarily the result of the increase in expenses related to COVID-19 and a slight decrease in tuition income from the on-ground program. The increase in 2019 return on net position

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

Management's Discussion and Analysis
(Unaudited)

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.

- **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, 2020, 2019 and 2018 was 27.1%, 32.3% and 33.8%, 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, 2020, 2019 and 2018 was 105.5%, 106.3% and 111.7%, 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, 2020, 2019 and 2018 was 0.9, 1.8 and 1.9, 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 Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements are prepared in accordance with *Governmental Accounting Standards*.

Statements 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, 2020, 2019 and 2018, are as follows:

	2020	2019	2018
Assets			
Current assets	$ 30,142	$ 34,855	$ 32,590
Capital assets, net	181,470	182,821	181,449
Other	27,877	26,767	24,652
Total assets	239,489	244,443	238,691
Deferred outflows of resources	8,276	8,913	5,580
Liabilities			
Current liabilities	22,779	20,799	17,950
Long-term liabilities	94,742	102,753	98,125
Total liabilities	117,521	123,552	116,075
Deferred inflows of resources	8,417	4,526	4,808
Net position			
Net investment in capital assets	125,002	121,719	118,282
Restricted			
Nonexpendable	504	523	520
Expendable	7,779	8,559	9,089
Unrestricted			
Designated	16,867	18,462	16,218
Undesignated (deficit)	(28,325)	(23,985)	(20,721)
Total net position	$ 121,827	$ 125,278	$ 123,388

Current assets consist primarily of cash and cash equivalents (92.0%). Other assets include non-current restricted cash and cash equivalents, investments in marketable securities and loans receivable. Capital assets are used to provide services to students, faculty and staff. These assets are not available for current or future spending. Current liabilities primarily include trade accounts and salaries payable, accounts payable - construction, the current portion of compensated absences and accrued faculty payroll. In the normal course of events and based on a consistent past history in this regard, it is anticipated that obligations due to employees will be funded by state appropriations. Deferred inflows and outflows of resources represent either the acquisition or use of net assets applicable to future periods and are distinct from assets and liabilities. The change in fiscal year 2019 unrestricted net position, deferred inflows and deferred outflows of resources from prior year financial statement is a result of a restatement of GASB 75. The decrease in net position in fiscal year 2020 compared to increases in fiscal years 2019 and 2018 is primarily the result of the pandemic. The pandemic increased our cash outflow – partial refund of room and board and extracurricular payments plus increased our non-budgeted and non-billable expenditures, and decreased investment income. On the other hand, increases in net position in prior years were primarily the result of an increase in online graduate tuition and rental income. 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)

Statements 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, 2020, 2019 and 2018. 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).

	2020	2019	2018
Operating revenues			
Tuition and fees (net)	$ 43,717	$ 44,253	$ 41,820
Grants	13,986	9,370	9,513
Sales and service of educational department	1,299	1,456	1,523
Auxiliary	10,628	14,915	15,305
Other operating revenue	1,154	831	779
Total operating revenue	70,784	70,825	68,940
Operating expenses			
Instruction	38,623	38,610	37,154
Research and public service	1,076	952	660
Academic support	8,830	8,596	7,158
Student services	15,365	13,603	10,124
Scholarships	3,256	2,841	2,690
Institutional support	14,499	13,632	11,744
Operations and maintenance	11,553	11,757	11,030
Depreciation	11,032	10,442	9,991
Auxiliary	14,563	15,322	15,169
Total operating expenses	118,797	115,755	105,720
Net operating loss	(48,013)	(44,930)	(36,780)
Non-operating revenue and expenses			
State appropriations	44,088	43,795	39,404
Investment income	867	1,218	1,030
Interest expense and debt issue costs	(1,967)	(2,008)	(1,851)
State capital appropriations	1,318	3,558	439
Capital gifts and grants	256	257	503
Total non-operating revenue	44,562	46,820	39,525
Increase in net position	(3,451)	1,890	2,745
Net position, beginning of the year	125,278	123,388	120,643
Net position, end of the year	$ 121,827	$ 125,278	$ 123,388

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State appropriations are reported net of the amount of in-state day school tuition collected by the University on behalf of the Commonwealth. The tuition collected (for in-state supported courses taught by state employees) is then remitted to the Commonwealth as required by Massachusetts General Law. The following schedule details the Commonwealth appropriations received by the University. Included in appropriations are the fringe benefit costs for University employees, which are paid by the Commonwealth. The Commonwealth appropriates general funds to cover the cost of fringe benefits for state employees, but these funds are not appropriated directly to the University. Employees who are paid from local trust funds, grants or other sources receive the same fringe benefits. Generally, the University reimburses the Commonwealth for the benefit costs associated with these employees. In 2012, legislation was passed that allowed the state universities to retain out-of-state day tuition. The legislation further mandated that the Commonwealth would fund the fringe benefits for any employee paid from this funding source. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2020, 2019 and 2018 was 35.48%, 34.89% and 34.86%, respectively. The current fringe benefit rate includes group medical insurance (20.17%); retirement (14.08%) and terminal leave (1.23%).

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

	2020	2019	2018
Commonwealth general appropriations	$ 33,297	$ 31,242	$ 29,473
Commonwealth special appropriations	30	1,746	-
Appropriations to cover fringe benefits provided to employees of the Commonwealth	11,637	11,596	10,605
	44,964	44,584	40,078
Tuition remitted back to the Commonwealth	(876)	(789)	(674)
Net appropriations	44,088	43,795	39,404
Additional state capital appropriations	1,318	3,558	439
Total appropriations	$ 45,406	$ 47,353	$ 39,843

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

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The following schedule (condensed, in thousands) illustrates the University's incurred losses from operations for the fiscal years ended June 30, 2020, 2019 and 2018.

	2020	2019	2018
Tuition and fees revenue, net	$ 43,717	$ 44,252	$ 41,820
Other operating revenue	27,067	26,573	27,120
Total operating revenue	70,784	70,825	68,940
Operating expenses	(118,797)	(115,755)	(105,720)
Operating loss	(48,013)	(44,930)	(36,780)
Total state appropriations	44,088	43,795	39,404
Other revenue (expense), net	474	3,025	121
Increase in net position	$ (3,451)	$ 1,890	$ 2,745

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, 2020, 2019 and 2018, the University's net operating revenues ratio was -2.8%, 0.7% and 2.8%, respectively.

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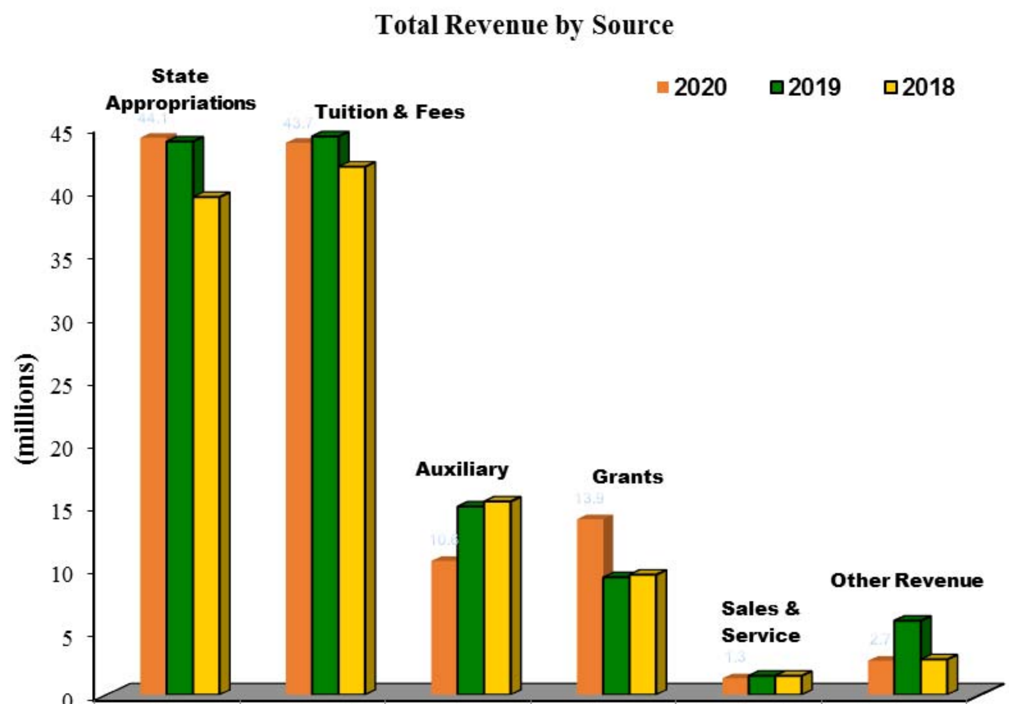
The following is a graphic illustration of total revenue (operating, non-operating and capital) by source. Total revenue for the fiscal years ended June 30, 2020, 2019 and 2018 was $116.3, $119.6, and $110.3 million, respectively.



	State Appropriations	Tuition & Fees	Auxiliary	Grants	Sales & Service	Other Revenue
2020	44.1	43.7	10.6	13.9	1.3	2.7
2019	43.8	44.2	14.9	9.3	1.5	5.86
2018	39.4	41.8	15.3	9.5	1.5	2.8

For the fiscal year ended June 30, 2020, general appropriations increased 3.48% from 2019 funding level, while for fiscal year ended 2019, the increase was 10.4% from the 2018 funding level. This 2020 increase was mainly due to the increase in salaries which occurred after 2018 collective bargaining agreements were ratified in 2019. The increase in 2019 was mainly due to a one-time payment of retroactive salaries. Over the last twenty years, general appropriations (including fringe benefits) that support the operating costs of the University have decreased to 36.51% 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 2020 was the University fee which was increased by $75.00 per semester. Because of our robust online program, total tuition and fee revenue had only a moderate decrease of 2.9% in fiscal year 2020, even though we had a challenging year due to the pandemic, compared to a 5.8% increase in fiscal year 2019. During fiscal year 2020, 2019 and 2018, in-state tuition, fees and room & board for full time resident students were $10,578, $10,492 and $10,347 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2020, 2019 and 2018 was $5,261, $5,177 and $5,077 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

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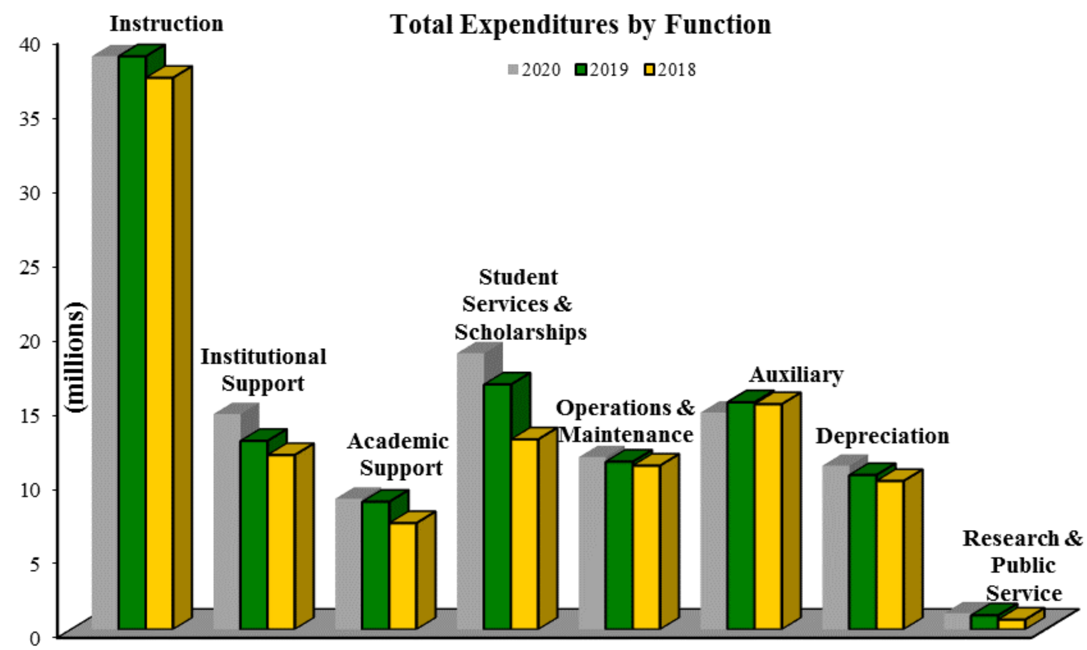
by the FSU Supporting Organization, Inc. (the "Supporting Organization"). The average residence hall occupancy rate for the year was 76.2% of capacity versus 89.4% capacity in fiscal year 2019.

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) by function. Total expenditures for the fiscal years ended June 30, 2020, 2019 and 2018 were $118.8, $115.8 and $105.7 million, respectively.



Expenditures, exclusive of depreciation, increased by 3.37% in FY2020 versus 9.0% in fiscal year 2019. The fiscal year 2020 increase was primarily due to COVID related expenses. While the 2019 increase was primarily due to payment of retroactive increases for fiscal year 2018 and 2019, mandated increase in benefits payments, increases in resident hall debt payments to MSCBA and increase in commission payment arising from the accelerated online program. The most significant area of expense remains Instruction, which represents 32.5% of total operating expenses in fiscal year 2020 and 33.05% of total expenses in fiscal year 2019. In fiscal year 2020 faculty payroll ($25.4 million) and related benefits ($9. million) represent approximately 89.2% of instructional expenditures. But in fiscal year 2019, faculty payroll ($24.4 million) and related benefits ($8.5 million) represent 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 $11.0, $10.4 and $10.0 million in depreciation expense for 2020, 2019 and 2018, respectively.

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

Expense	2020	2019	2018
Instruction	33.40%	33.30%	34.00%
Institutional Support	12.50%	11.00%	11.20%
Academic Support	7.60%	7.40%	6.60%
Student Services & Scholarships	16.10%	14.20%	11.80%
Operations & Maintenance	10.00%	10.10%	10.10%
Auxiliary	12.60%	13.20%	13.90%
Depreciation	9.50%	9.00%	9.10%

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).

The following are the University's statements of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2020, 2019 and 2018:

	2020	2019	2018
Cash received from operations	$ 70,669	$ 71,023	$ 68,331
Cash expended for operations	(93,843)	(89,436)	(82,002)
Net cash used in operations	(23,174)	(18,413)	(13,671)
Net cash provided by noncapital financing activities	32,451	32,198	28,799
Net cash used in capital and related financing activities	(13,085)	(10,525)	(17,351)
Net cash provided by (used in) investing activities	(377)	273	29
Net increase (decrease) in cash and equivalents	(4,185)	3,533	(2,194)
Cash and equivalents, beginning of the year	39,645	36,112	38,306
Cash and equivalents, end of the year	$ 35,460	$ 39,645	$ 36,112

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The University's cash and cash equivalents decreased by approximately $4.2 million during fiscal 2020, resulting in the cash and cash equivalents balance of $35.5 million at the fiscal year-end. The decrease in fiscal year 2020 is primarily due to an increase in coronavirus expenses and federal grants and slight reduction in tuition and fees with negligible corresponding increase in accounts receivable. Fiscal year 2019 had an increase which was primarily due to the increase in tuition and fees with negligible corresponding increase in accounts receivable and state and general 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, 2020, net capital assets decreased to $181.5 million net of current depreciation expense of $11.0 million. At June 30. 2019 net capital assets increased to $182.8 million net of depreciation expense of $10.4 million. During the current fiscal year there were $9.7 million in additions to capital assets and $11.8 million in 2019. Major capital initiatives either continuing or undertaken during 2020 include:

- Percival Hall, Phases 2 & 3 $2.5 million (to date)
- McKay projects, $4.4 million (to date)
- Energy/Water Retrofit project, $9.5 million (to date)
- Holmes Dish Renovation, $1.3 million (to date)
- Recreation Center Roof, $1.5 million (to date)

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

Physical Asset Renewal Ratio: The extent to which capital renewal is occurring as compared to physical usage (depreciation) can be measured by the physical asset renewal ratio. A ratio above 1:1 indicates increasing investment in plant facilities. The University's physical asset renewal ratio for fiscal years ended June 30, 2020, 2019 and 2018 was 1.6, 1.1 and 1.8, 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").

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The following table summarizes the various debt vehicles, interest rates, debt service and debt outstanding at June 30, 2020 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	6.03%	$ 484,478	$ 1,601,094	2023
MSCBA	Holmes Dining Hall Renovations	2005	$ 1,090,000	DSF	4.01%	$ 78,296	$ 360,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	$ 4,020,000	DSF	4.01%	$ 294,759	$ 1,315,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	$ 2,060,000	DSF	4.39%	$ 152,528	$ 857,204	2026
MSCBA	Hammond Campus Center Renovations	2011	$ 15,935,656	DSF & operating funds	3.39%	$ 1,144,207	$ 9,549,184	2030
MSCBA	Hammond Campus Center Renovations	2012	$ 7,043,416	DSF & operating funds	5.05%	$ 490,401	$ 4,733,226	2031
MSCBA	Hammond Campus Center Renovations	2013	$ 11,300,906	DSF & operating funds	3.12%	$ 743,275	$ 8,013,625	2032
MSCBA	Parking Expansion	2013	$ 2,563,127	DSF & operating funds	3.12%	$ 171,337	$ 1,814,212	2032
MSCBA	Hammond Campus Center Renovations	2014	$ 12,235,614	DSF & operating funds	5.00%	$ 918,500	$ 9,476,165	2033
MSCBA	Hammond Campus Center Renovations	2015	$ 10,669,503	DSF & operating funds	5.00%	$ 759,250	$ 8,679,921	2034
MSCBA	Landry Arena Refurbishment	2017	$ 4,166,418	DSF & operating funds	3.93%	$ 281,761	$ 3,766,663	2037
DCAMM	CEIP Funds	2017	$ 5,420,360	DCAMM	3.00%	$ 364,333	$ 5,218,638	2039
JP Morgan	Campus wireless project	2017	$ 1,261,206	DSF & operating funds	1.81%	$ 264,966	$ 390,363	2021
MSCBA	Holmes Dining	2019	$ 1,516,022	DSF	3.69%	$ 101,054	$ 1,478,512	2039
MSCBA	Recreation Center Roof	2019	$ 1,107,123	DSF & operating funds	3.69%	$ 76,883	$ 1,076,660	2039
Total			$ 86,389,351			$ 6,326,028	$ 58,330,467	

For the fiscal years ended June 30, 2020, 2019 and 2018, the total debt (current and long term) attributable to interagency payments, bond premiums and capital lease payments amounted to $58.3, $62.6 and $63.7 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.

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Viability Ratio: The availability of expendable net assets to cover debt (the viability ratio) is a basic determinant of financial health. Expendable net assets are those assets not required to be retained in perpetuity, i.e. those assets available for use for operations. A ratio of 1:1 or greater would indicate, as of the balance sheet date, an institution has sufficient expandable net assets 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 .58:3 for June 30, 2020, .61:7 for 2019 and .58:1 for 2018.

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, 2020, 2019 and 2018, the University's debt burden was 5.5%, 5.2% and 5.6%, respectively.

On July 1, 2020, the MSCBA closed on $395,735,000 of Refunding Revenue Bonds Series 2020A (Federally Taxable) for the purpose of providing budgetary relief to the nine State Universities in fiscal year 2021 and fiscal year 2022. These bonds were issued to refund/ restructure approximately $338 million of debt outstanding from multiple series of bonds. The spreadsheet below shows the effect of this restructuring of bonds paid by Fitchburg State University for a ten year period between fiscal year 2021 to fiscal year 2030.

FITCHBURG STATE UNIVERSITY

RESTRUCTURING OF BONDS THRU MSCBA

	RESIDENT LIFE BONDS:								
	PRE 20A RESTRUCTURING				POST 20A RESTRUCTURING			DSRF	CHANGE
FY	PRINCIPAL	INTEREST	TOTAL		PRINCIPAL	INTEREST	TOTAL		
2021	$3,404,513	$3,139,769	$6,544,281		$ 474,490	$2,702,830	$3,177,319	$ (924,817)	$(4,291,778)
2022	3,539,902	3,033,453	6,573,355		1,989,976	2,820,731	4,810,707		(1,762,648)
2023	3,949,664	2,929,035	6,878,698		3,949,664	2,787,988	6,737,651		(141,047)
2024	3,080,458	2,785,136	5,865,594		3,080,458	2,644,089	5,724,547		(141,047)
2025	3,285,428	2,693,243	5,978,671		3,285,428	2,552,195	5,837,623		(141,047)
2026	3,512,482	2,590,939	6,103,420		3,407,482	2,449,891	5,857,373		(246,047)
2027	3,501,271	2,474,517	5,975,788		3,391,271	2,338,719	5,729,991		(245,797)
2028	3,830,689	2,731,380	6,562,068		3,710,689	2,601,082	6,311,771		(250,297)
2029	3,484,207	1,347,849	4,832,057		4,629,239	1,223,552	5,852,791		1,020,735
2030	3,374,411	1,199,280	4,573,691		4,806,756	1,058,359	5,865,115		1,291,424

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	FITCHBURG STATE UNIVERSITY BONDS:								
	PRE 20A RESTRUCTURING				POST 20A RESTRUCTURING			DSRF	CHANGE
FY	PRINCIPAL	INTEREST	TOTAL		PRINCIPAL	INTEREST	TOTAL		
2021	$6,795,544	$5,300,405	$12,095,949		$ 474,490	$4,404,620	$4,879,109	$(1,662,950)	$(8,879,789)
2022	7,083,295	5,029,820	12,113,116		3,759,463	4,578,822	8,338,285		(3,774,831)
2023	7,651,654	4,751,208	12,402,862		7,651,654	4,459,093	12,110,747		(292,115)
2024	6,909,639	4,456,541	11,366,180		6,909,639	4,164,426	11,074,065		(292,115)
2025	7,264,176	4,207,516	11,471,692		7,264,176	3,915,401	11,179,577		(292,115)
2026	7,250,451	3,947,093	11,197,545		7,025,451	3,654,978	10,680,430		(517,115)
2027	7,232,090	3,666,346	10,898,437		7,172,090	3,403,421	10,575,512		(322,925)
2028	7,715,309	3,750,962	11,466,271		7,160,309	3,515,453	10,675,763		(790,509)
2029	7,519,501	2,187,579	9,707,080		8,569,501	1,988,068	10,557,568		850,489
2030	7,576,874	1,851,459	9,428,333		8,881,874	1,678,143	10,560,017		1,131,684

Looking Forward

After an unexpected spring lock down because of the coronavirus pandemic, fiscal year 2021 started out with a few pleasant surprises. Even though our resident hall students were told that because of safety precautions those living in the resident halls would still have to social distance, they returned to campus in higher numbers than were expected. After a long hiatus, when we all learned how to zoom, google meet and hangout, life returned to campus again, even if we still have to maintain our distance from each other. During this ongoing pandemic, we owe a debt of gratitude to all who are working tirelessly to ensure the success of the campus community. We are also thankful to all in the Fitchburg State University community who have risen to the Coronavirus challenge by wearing face masks, staying 6 feet apart and constantly washing hands. Your diligence has been reflected in the low amounts of positive coronavirus cases on campus. The coronavirus has created challenges for us as a University and this challenge is reflected in our budget. In fiscal year 2020, the University had approximately $6.7 million in Coronavirus ("COVID") related expenses but only $4 million in corresponding grant income. The lesson that COVID has reinforced once again is that our world is interconnected and as such our actions have the potential to affect others.

Because of our interconnectedness, our changing demographics, and our need to break down barriers for our current students and faculty to be equipped to work and teach in the global economy, the University is working diligently on its outreach programs to students and businesses internationally and in the wider community. The University will hopefully in 2022 resume its invaluable Study Abroad programs. We are also working in collaboration with AUIA to provide summer programs in Shanghai, China. This program provides credit-bearing undergraduate summer courses, taught in English by Fitchburg State University instructors, to students visiting China. Students use the summer session to keep their English language skills sharp and to catch-up while visiting family in China. Others choose this opportunity to take classes while traveling the world. These courses are considered Fitchburg State University courses and thereby carry Fitchburg State University credits. This program has been approved by our regional accrediting agency, NECHE. These programs not only contribute monetarily to the university but it also has a positive effect on those participating. According to a Professor who participated in an overseas program, "It took long-standing assumptions about the world and made me reconsider them."

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The willingness of the community to support the vision of the university is dependent on a number of factors. There are clear indicators that the community believes in the mission of Fitchburg State and is willing to assist the University in fulfilling its mission. Because of this, we are starting to see an upward trend in the number of businesses donating to the University. The latest is that of Fidelity Bank who, after relocating their branch, donated their land and building situated in downtown Fitchburg to the University. The University also received a one for one matching donation incentive from the state of MA for approximately a quarter of a million dollars and small dollar donors have made contributions to make this match possible.

Another current topic of interest which is very important in a student dominated arena such as a university, is that of race relations. Before the uptick in the race relation furor across the country, the University was tackling this problem in its own 10-year strategic plan, which was completed this summer. In this plan, the University articulated "that an inclusive, integrated, and equitable university is the clearest path to social and economic prosperity for all, and therefore, the ultimate public good that we, as a University, can offer. The Strategic Plan embraces the Massachusetts Department of Higher Education's Equity Agenda, particularly for those that have historically been underserved and underrepresented, especially students of color. The principal of education, justice, and inclusive excellence are pillars of this agenda."

U. S. News & World Report has once again recognized and ranked Fitchburg State University among colleges and universities that contributes to upward social mobility. "According to President Lapidus, access and affordability are at the very foundation of the university's mission. The university is very proud of its track record of creating opportunities for all students, and assist them to complete their studies and move forward with their lives and careers. The university's success in creating upward social mobility is tied to the work Fitchburg State is doing in its newest strategic plan, whose three pillars are educational justice, being a student-ready campus, and inclusive excellence."

The University continues to invest in its mission of improve the well-being of its students on and off campus. One way of doing this is by its commitment to gradually reduce its carbon footprint on campus. Accordingly, the University with the assistance of the Massachusetts Division of Capital Asset Management and Maintenance invested $9.5 million in a much needed energy and water retrofit project on campus. The offset of this should be immediately seen in energy savings campus wide. The University has also added to this reduction in our carbon footprint by investing $1.5 million to replace windows in Edgerly and Thompson Halls. The added benefit to the replacement of these windows should be a more comfortable working and studying environment for its occupants.

ReImagine North of Main project ("RNOM") which is under the leadership of Fitchburg State University is continuing to aid in the development of downtown Fitchburg. While the COVID pandemic caused many small businesses across the U.S. to shut their doors forever, RNOM stepped in the gap locally and helped this community by securing grant funding which was used to assist some of our small businesses. Fitchburg State University is still committed to the upgrading of the Theater facility which will not only aid the community of Fitchburg, but as President Lapidus says is a way "to create a different front door for ourselves and a way to plant a flag downtown". As a community resource, the institution continues to provide leadership and support for the economic, environmental, social and cultural needs of Fitchburg, north central Massachusetts and the Commonwealth.

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Requests for Information

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

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

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Statements of Net Position
June 30, 2020 and 2019

Assets

	2020	Component Unit Fitchburg State University Foundation, Inc. 2020	2019	Component Unit Fitchburg State University Foundation, Inc. 2019
Current assets				
Cash and equivalents	$ 20,103,032	$ 1,866,947	$ 24,703,959	$ 1,236,311
Restricted cash and cash equivalents	6,863,394	-	7,471,350	-
Investments	-	9,033,514	-	9,584,736
Accounts receivable, net	2,963,457	32,495	2,370,621	35,794
Contributions receivable, net	-	403,375	-	80,240
Loans receivable - current portion	1,055	-	1,754	-
Other current assets	209,713	121,355	307,456	74,877
Total current assets	30,140,651	11,457,686	34,855,140	11,011,958
Noncurrent assets				
Restricted cash and cash equivalents	8,494,542	-	7,470,358	-
Investments	17,161,427	-	16,783,815	-
Endowment investments	892,728	12,220,628	894,216	10,476,414
Accounts receivable, net of current portion	47,032	-	94,175	-
Contributions receivable, net	-	348,529	-	193,745
Loans receivable, net of current portion	1,273,489	-	1,481,419	-
Capital assets, net	181,470,066	6,737,875	182,820,730	6,561,694
Other noncurrent assets	8,895	146,788	43,100	66,722
Total noncurrent assets	209,348,179	19,453,820	209,587,813	17,298,575
Total assets	239,488,830	30,911,506	244,442,953	28,310,533
Deferred outflows of resources				
Deferred outflow-OPEB	5,014,453	-	5,264,002	-
Deferred outflow for pensions	3,262,016	-	3,648,601	-
Total deferred outflows of resources	$ 8,276,469	$ -	$ 8,912,603	$ -

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Statements of Net Position
June 30, 2020 and 2019

Liabilities and Net Position

	2020	Component Unit Fitchburg State University Foundation, Inc. 2020	2019	Component Unit Fitchburg State University Foundation, Inc. 2019
Current liabilities				
Interagency payables - current portion	$ 4,038,987	$ -	$ 3,897,109	$ -
Long-term debt - current portion	-	254,180	-	243,950
Bank lines of credit	-	250,000	-	250,000
Capital lease obligations - current portion	259,038	-	254,441	-
Accounts payable and accrued liabilities	4,213,648	102,705	4,600,467	335,231
Accounts payable - construction	1,369,689	100,000	2,514,558	-
Accrued workers' compensation - current portion	104,231	-	128,796	-
Compensated absences - current portion	3,584,425	-	3,337,642	-
Faculty payroll accrual	4,231,311	-	3,993,800	-
Revenue received in advance	4,534,790	32,500	1,734,573	58,519
Deposits	371,150	-	289,150	-
Other current liabilities	71,254	31,080	47,986	53,901
Total current liabilities	22,778,523	770,465	20,798,522	941,601
Noncurrent liabilities				
Interagency payables, net of current portion	53,901,118	-	58,058,274	-
Accrued workers' compensation, net of current portion	373,893	-	462,010	-
Compensated absences, net of current portion	2,157,318	-	2,167,708	-
Long-term debt, net of current portion	-	3,544,808	-	3,796,376
Capital lease obligations, net of current portion	131,325	-	390,362	-
Loan payable - federal financial assistance program	1,354,371	-	1,871,966	-
Net OPEB liability	24,061,207	-	27,318,264	-
Net pension liability	12,763,415	-	12,484,412	-
Total noncurrent liabilities	94,742,647	3,544,808	102,752,996	3,796,376
Total liabilities	117,521,170	4,315,273	123,551,518	4,737,977
Deferred inflows of resources				
Service concession arrangement	1,011,672	-	1,264,590	-
Deferred inflow - OPEB	6,233,735	-	2,406,140	-
Deferred inflow for pensions	1,171,344	-	855,293	-
Total deferred inflows of resources	$ 8,416,751	$ -	$ 4,526,023	$ -

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Statements of Net Position
June 30, 2020 and 2019

Net Position

	2020	Component Unit Fitchburg State University Foundation, Inc. 2020	2019	Component Unit Fitchburg State University Foundation, Inc. 2019
Net investment in capital assets	$ 125,001,606	$ 2,983,093	$ 121,718,509	$ 2,271,367
Restricted for:				
Nonexpendable				
Scholarships and fellowships	504,243	6,194,533	523,524	5,505,575
Cultural programs	-	4,230,397	-	3,233,944
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	202,725	-	143,921
Expendable				
Scholarships and fellowships	412,403	4,587,274	458,337	4,277,835
Cultural programs	-	3,498,687	-	3,219,263
Loans	197,348	-	261,675	-
Capital projects	50,000	-	675,205	-
Debt service	6,905,505	-	7,077,552	-
Other	214,661	665,653	86,883	549,569
Unrestricted (deficit)	(11,458,388)	2,640,897	(5,523,670)	2,778,108
Total net position	$ 121,827,378	$ 26,596,233	$ 125,278,015	$ 23,572,556

See Notes to Financial Statements.

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	Component Unit Fitchburg State University Foundation, Inc. 2020	2019	Component Unit Fitchburg State University Foundation, Inc. 2019
Operating revenues				
Student tuition and fees	$ 44,917,493	$ -	$ 45,864,620	$ -
Student fees restricted for repayment of Interagency payables	5,591,162	-	5,915,182	-
Less: Scholarship allowances	(6,792,063)	-	(7,527,347)	-
Net student tuition and fees	43,716,592	-	44,252,455	-
Federal grants and contracts	11,982,884	-	8,351,649	-
State and local grants and contracts	962,732	45,000	389,824	510
Nongovernmental grants and contracts	1,040,326	-	628,798	-
Sales and services of educational departments	1,299,234	814,328	1,455,829	481,109
Gifts and contributions	-	903,788	-	823,613
Auxiliary enterprises:				
Residential life	7,450,821	263,623	10,474,472	270,854
Dining hall	3,157,802	-	4,411,690	-
Alcohol awareness and other programs	19,698	-	29,050	-
Other operating revenues	1,154,130	-	831,040	-
Total operating revenues	70,784,219	2,026,739	70,824,807	1,576,086
Operating expenses				
Educational and general				
Instruction	38,622,968	2,442	38,609,419	600
Research	76,841	14,008	93,572	157,502
Public service	998,932	70,509	858,701	73,611
Academic support	8,830,350	14,269	8,595,843	4,629
Student services	15,365,053	117,550	13,603,158	85,329
Institutional support	14,498,712	715,303	13,632,180	649,887
Operations and maintenance of plant	11,552,991	95,566	11,757,230	247,925
Depreciation and amortization	11,032,465	166,693	10,442,249	165,666
Scholarships and awards	3,255,634	446,743	2,840,881	484,035
Auxiliary enterprises		-		
Residential life	11,319,050	58,487	10,910,641	64,220
Dining hall	3,237,249	-	4,394,622	-
Alcohol awareness and other programs	7,052	-	16,482	-
Total operating expenses	118,797,297	1,701,570	115,754,978	1,933,404
Operating income (loss)	(48,013,078)	325,169	(44,930,171)	(357,318)

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	Component Unit Fitchburg State University Foundation, Inc. 2020	2019	Component Unit Fitchburg State University Foundation, Inc. 2019
Nonoperating revenues (expenses)				
State appropriations	$ 44,088,228	$ -	$ 43,794,742	$ -
Gifts	-	-	200	-
Investment income (loss), net of investment expense	717,555	383,194	1,030,332	456,282
Investment income (loss) on restricted assets, net of investment expense	149,260	1,037,071	187,462	1,162,852
Interest expense on Interagency payables and capital asset related debt	(1,966,664)	(171,277)	(1,985,157)	(167,147)
Debt issuance costs	-	-	(23,145)	-
Net nonoperating revenues (expenses)	42,988,379	1,248,988	43,004,434	1,451,987
Income (loss) before capital and endowment additions	(5,024,699)	1,574,157	(1,925,737)	1,094,669
State capital appropriations	1,318,286	-	3,558,392	-
Capital grants	255,776	-	257,226	-
Private gifts for endowment purposes	-	1,449,520	-	255,475
Total capital and endowment additions	1,574,062	1,449,520	3,815,618	255,475
Increase (decrease) in net position	(3,450,637)	3,023,677	1,889,881	1,350,144
Net position - beginning of year	125,278,015	23,572,556	123,388,134	22,222,412
Net position - end of the year	$ 121,827,378	$ 26,596,233	$ 125,278,015	$ 23,572,556

See Notes to Financial Statements.

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Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Tuition and fees	$ 43,389,728	$ 43,878,800
Research grants and contracts	13,936,558	9,814,022
Payments to suppliers	(27,883,481)	(29,685,635)
Payments to utilities	(4,514,308)	(4,342,904)
Payments to employees	(51,484,225)	(48,666,644)
Payments for benefits	(4,340,208)	(3,483,320)
Payments for scholarships	(5,616,414)	(3,233,205)
Loans issued to students	(4,189)	(24,751)
Collection of loans to students	209,373	233,847
Auxiliary enterprise receipts		
Residential life	7,322,006	10,461,785
Dining hall	3,157,802	4,411,690
Alcohol awareness program	19,732	29,050
Receipts from sales and services of educational departments	1,388,826	1,411,875
Other receipts	1,244,380	782,096
Net cash provided by (used in) operating activities	(23,174,420)	(18,413,294)
Cash flows from noncapital financing activities		
State appropriations	33,326,949	32,987,316
Tuition remitted to State	(875,959)	(788,853)
Gifts from grants for other than capital purposes	-	200
Net cash provided by (used in) noncapital financing activities	32,450,990	32,198,663
Cash flows from capital and related financing activities		
State capital appropriations	1,574,062	3,558,392
Loan programs net funds received	32,808	30,413
Capital grants	2,224,395	-
Interagency payable proceeds received	-	2,623,145
Payments for capital assets	(10,712,891)	(11,020,946)
Principal paid on capital debt	(3,996,280)	(3,435,230)
Interest paid on capital debt	(2,206,812)	(2,257,803)
Debt issuance costs	-	(23,145)
Net cash provided by (used in) capital and related financing activities	(13,084,718)	(10,525,174)

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Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from investing activities		
Purchase of investments	$ (6,925,155)	$ (5,427,479)
Proceeds from sale of investments	6,816,394	5,045,974
Earnings on investments	(267,790)	654,729
Net cash provided by (used in) investing activities	(376,551)	273,224
Net increase (decrease) in cash and cash equivalents	(4,184,699)	3,533,419
Cash and equivalents, beginning of year	39,645,667	36,112,248
Cash and equivalents, end of year	$ 35,460,968	$ 39,645,667

Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (48,013,078)	$ (44,930,171)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Bad debt expense	176,593	175,145
Depreciation and amortization	11,032,465	10,442,249
Fringe benefits paid by the Commonwealth of Massachusetts	11,637,238	11,596,279
Change in net pension liability	981,639	1,084,885
Change in net OPEB liability	820,088	1,693,476
Changes in assets and liabilities:		
Receivables	(991,259)	(303,566)
Other current and noncurrent assets	345,108	15,296
Accounts payable and accrued liabilities	(397,503)	744,432
Accrued workers' compensation	(112,682)	(57,965)
Compensated absences	236,393	164,069
Accrued faculty payroll	237,511	483,441
Revenue received in advance	575,821	317,020
Other current liabilities	10,062	(12,930)
Deposits	82,000	(34,050)
Loans to students	205,184	209,096
Net cash used in operating activities	$ (23,174,420)	$ (18,413,294)

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Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Schedule of noncash investing and financing activities		
Acquisition of capital assets	$ 9,681,801	$ 11,813,454
Accounts payable thereon:		
Beginning of year	2,514,558	1,752,153
End of year	(1,369,689)	(2,514,558)
Net interest earned and incurred, capitalized in construction in progress	(113,779)	(30,103)
Payments for capital assets	$ 10,712,891	$ 11,020,946
Unrealized gain (loss) on investments	$ (18,841)	$ 442,174
Fringe benefits paid by the Commonwealth of Massachusetts	$ 11,637,238	$ 11,596,279
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	$ 20,103,032	$ 24,703,959
Restricted cash and cash equivalents	6,863,394	7,471,350
Noncurrent assets		
Restricted cash and cash equivalents	8,494,542	7,470,358
Total cash and cash equivalents	$ 35,460,968	$ 39,645,667

See Notes to Financial Statements.

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Notes to Financial Statements
June 30, 2020 and 2019

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, 2020, 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 2020, FSU Foundation distributed scholarships and awards in the amount of $446,743 directly to students and faculty of the University, and incurred an additional $1,426,104 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 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.

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 2019, the University had $411,868 and $457,803, 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 cash 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 113 and 109 individual funds at June 30, 2020 and 2019, 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, 2020 and 2019, 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 with donor restrictions. As of June 30, 2020 and 2019, 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 $92,556 and $89,254 for the years ended June 30, 2020 and 2019, respectively. FSU Foundation's investment expense amounted to $118,160 and $113,548 for the years ended June 30, 2020 and 2019, 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 $1,106,069 and $1,486,071 for Perkins and $248,302 and $385,895 for NSL at June 30, 2020 and 2019, 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, 2020 and 2019 were $7,747,542 and $7,325,967, 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 that is, those with a measurable performance or other barrier, and right of return, 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, 2020 and 2019.

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 2020 and 2019, total interest costs incurred were accounted for as follows:

	2020	2019
Total interest costs incurred	$ 2,365,449	$ 2,302,225
Less: Interest income on unused funds from tax exempt borrowings	(11,566)	(22,683)
Bond premium amortization	(273,440)	(264,282)
	2,080,443	2,015,260
Less: Capitalized portion of net interest earned and incurred	(113,779)	(30,103)
Interest expense	$ 1,966,664	$ 1,985,157

Pension plan

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

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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 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 2019 financial statements to conform to the 2020 presentation.

Impact of COVID-19 Crisis
Due to the global viral outbreak caused by a novel coronavirus (COVID-19) in 2020, there have been resulting effects which have negatively impacted the University's financial condition. The University was forced to lock down the campus during March 2020 for the remainder of the Spring semester and move all classes to an online format. The effects included students being required to move out of the residence halls during the Spring semester, resulting in the reimbursement of approximately $2,550,000 in student dormitory fee revenue, and approximately $1,000,000 in dining hall revenue. During 2020, the University incurred approximately $6,700,000 in COVID-19 related expenses. The University received grant revenue of approximately $4,000,000 under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act during 2020 to help cover these expenses. Other effects include a slight decrease in returning students, reduced capacity in residence halls when the Campus reopened and significant stock market exchange volatility. The ultimate impact of these matters to the University and its financial condition is presently unknown.

In response, the University reduced its fiscal 2021 operating budget by approximately $15,000,000. Additionally, MSCBA closed on a bond refunding in July 2020 and agreed to distribute debt service reserves as part of a multi-faceted plan to reduce expenses in response to the impact of COVID-19 on the nine State Universities, including Fitchburg State University (see Note 12). Management of the University anticipates that additional CARES funding and state assistance may be available in fiscal 2021.

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Note 2 - Cash and cash equivalents, and investments

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

	2020		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts	$ 9,401,327	$ 3,746,140	$ 4,769,555
Cash equivalents held by MDFA *	-	329,602	216,384
Cash equivalents held by MSCBA **	-	198,574	3,389,012
Massachusetts Municipal Depository Trust	6,201,338	-	119,592
Massachusetts State Treasurer ***	4,499,682	2,589,078	-
Petty cash	685	-	-
	$ 20,103,032	$ 6,863,394	$ 8,494,542

	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

* 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 $4,499,682 and $4,899,290 at June 30, 2020 and 2019, respectively, for University funds and $2,589,078 and $841,019 at June 30, 2020 and 2019, 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 $48,040 and $57,494 at June 30, 2020 and 2019, respectively. The Goldman Sachs Financial Square Government Fund invests in U.S. Government securities and repurchase agreements.

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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, 2020 and 2019, the fund's investment securities had a weighted average maturity of 53 and 30 days, respectively. The fund had an average credit quality rating of AAAm at both June 30, 2020 and 2019.

Money market funds include the Northern Institutional U.S. Government Portfolio in the aggregate amount of $258,355 and $122,940 at June 30, 2020 and 2019, 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, 2020 and 2019, the fund's investment securities had a weighted average maturity of 48 days and 55 days, respectively. The fund had an average credit quality rating of AAAm at both June 30, 2020 and June 30, 2019.

Money market funds also include the RWM Cash Management money market account with a balance of $222,697 and $59,787 at June 30, 2020 and 2019, respectively.

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

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

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. At June 30, 2020 and 2019, the University had uninsured cash balances totaling approximately $6,020,800 and $6,538,100, respectively.

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

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

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The following University investments at June 30, 2020 and 2019 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:

	2020	2019
U.S. Treasury Notes and Government Securities	$ 1,675,739	$ 1,551,228
Corporate Debt Securities	1,771,136	1,834,046
Equity Securities	6,913,782	7,450,776
Mutual Funds	7,693,498	6,841,981
Total	18,054,155	17,678,031
Less insured amounts	1,500,000	1,500,000
Amount subject to Custodial Credit Risk	$ 16,554,155	$ 16,178,031

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, 2020 and 2019, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were $6,320,930 and $6,226,269, respectively. At June 30, 2020, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 55% at 30 days or less; 23% at 31-90 days; 17% at 91-180 days; and 5% at 181 days or more. At June 30, 2020, 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 $545,986 and $615,024 at June 30, 2020 and 2019, 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, 2020 and 2019. At June 30, 2020 and 2019, the fund's investment securities maintain a weighted average maturity of 40 and 51 days, respectively.

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At June 30, 2020, certain of the University's funds are held at MSCBA. Of the total, $1,516,293 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 type	Fair value	Investment maturities (in years): Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
Federal Home Loan Bank Discount Notes	$ 144,841	$ 144,841	$ -	$ -	$ -	N/A
Federal Farm Credit	881,963	881,963	-	-	-	AA+
Massachusetts ST Bonds	1,044,489	80,326	-	964,163	-	AAA
Total	$ 2,071,293	$ 1,107,130	$ -	$ 964,163	$ -	

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 type	Fair value	Investment maturities (in years): Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
Federal Home Loan Bank Discount Notes	$ 144,841	$ 144,841	$ -	$ -	$ -	N/A
Federal Farm Credit	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	

The University's investments in marketable securities are represented by the following at June 30, 2020 and 2019:

	2020 Cost	2020 Fair value	2019 Cost	2019 Fair value
U.S. Treasury Notes and Government Securities	$ 1,577,803	$ 1,675,739	$ 1,541,400	$ 1,551,228
Corporate Debt Securities	1,658,397	1,771,136	1,799,218	1,834,046
Equity Securities	5,425,597	6,913,782	5,785,714	7,450,776
Mutual Funds	7,451,146	7,693,498	6,594,076	6,841,981
	$ 16,112,943	$ 18,054,155	$ 15,720,408	$ 17,678,031

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

	2020	2019
Investments	$ 17,161,427	$ 16,783,815
Endowment investments	892,728	894,216
	$ 18,054,155	$ 17,678,031

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At June 30, 2020, 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 2.000% to 3.125%	$ 1,675,739	$ 253,266	$ 888,395	$ 534,078	$ -	AA+
Corporate Debt Securities 2.800% to 3.625%	275,431	-	191,260	84,171	-	A
Corporate Debt Securities 2.950% to 4.125%	340,505	-	193,156	147,349	-	A-
Corporate Debt Securities 2.875% to 3.300%	387,798	-	192,370	195,428	-	A+
Corporate Debt Securities 3.043% to 3.625%	188,626	60,033	128,593	-	-	AA
Corporate Debt Securities 2.800% to 3.625%	187,473	-	187,473	-	-	AA-
Corporate Debt Securities 3.200%	55,839	-	55,839	-	-	AA+
Corporate Debt Securities 3.125%	55,887	-	55,887	-	-	AAA
Corporate Debt Securities 3.750% to 4.650%	279,577	-	279,577	-	-	BBB+
Total	$ 3,446,875	$ 313,299	$ 2,172,550	$ 961,026	$ -	

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 1.375% 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	$ -	

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FSU Foundation's cash and cash equivalents consist of the following at June 30, 2020 and 2019:

	2020	2019
Cash and other demand deposits	$ 1,188,810	$ 437,419
Money Market Funds	678,137	798,892
	$ 1,866,947	$ 1,236,311

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 $26,532, $52,419, $127,633 and $471,553 at June 30, 2020.

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.

The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2020 and 2019, 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 $726,000 and $503,400, 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:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,965,766	$ 11,071,121	$ 5,808,658	$ 10,081,587
Preferred Stocks	50,683	49,820	72,338	72,879
Mutual Funds	4,496,953	5,063,054	4,750,849	5,369,109
Corporate Bonds	2,209,464	2,327,811	1,904,978	1,939,586
U.S. Government Securities	2,638,105	2,742,336	2,581,185	2,597,989
	$ 15,360,971	$ 21,254,142	$ 15,118,008	$ 20,061,150

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

	2020	2019
Current assets		
Investments	$ 9,033,514	$ 9,584,736
Noncurrent assets		
Endowment investments	12,220,628	10,476,414
	$ 21,254,142	$ 20,061,150

At June 30, 2020, net unrealized gains in FSU Foundation's investment portfolio amounted to $5,893,171. At June 30, 2019, net unrealized gains in FSU Foundation's investment portfolio amounted to $4,943,142.

At June 30, 2020 and 2019, equities include securities in the consumer goods sector which represent 12% and 15%, respectively, of the fair value of FSU Foundation's investment portfolio.

At June 30, 2020 and 2019, equities include securities in the technology sector which represent 10% and 9%, respectively, of the fair value of FSU Foundation's investment portfolio.

At June 30, 2020 and 2019, 4% and 5%, 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 $12,216,536 at June 30, 2020 collateralize certain debt agreements (see Notes 14 and 15).

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At June 30, 2020, 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%	$ 2,742,336	$ 1,309,926	$ 1,006,558	$ 425,852	$ -	AA+
Corporate Debt Securities 2.250% to 4.400%	867,953	51,018	451,189	365,746	-	A
Corporate Debt Securities 1.700% to 4.750%	298,860	-	183,075	115,785	-	A-
Corporate Debt Securities 2.450% to 3.450%	308,843	50,349	229,357	29,137	-	A+
Corporate Debt Securities 2.895% to 4.250%	293,723	51,050	183,608	59,065	-	AA
Corporate Debt Securities 2.200% to 3.300%	261,003	-	261,003	-	-	AA-
Corporate Debt Securities 2.000% to 3.450%	130,724	75,477	55,247	-	-	AA+
Corporate Debt Securities 3.125%	27,943	-	-	27,943	-	AAA
Corporate Debt Securities 4.000%	11,358	-	-	11,358	-	BBB
Corporate Debt Securities 2.200% to 3.050%	127,404	75,344	52,060	-	-	BBB+
Total	$ 5,070,147	$ 1,613,164	$ 2,422,097	$ 1,034,886	$ -	

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	$ -	

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.

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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, 2020:

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	$ 1,675,739	$ -	$ 1,675,739	$ -
Corporate Debt Securities	1,771,136	-	1,771,136	-
Equity Securities	6,913,782	6,913,782	-	-
Mutual Funds	7,693,498	7,693,498	-	-
	$ 18,054,155	$ 14,607,280	$ 3,446,875	$ -

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	$ -

FSU Foundation's investments' fair value measurements are as follows at June 30, 2020:

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	$ 2,742,336	$ -	$ 2,742,336	$ -
Preferred Stocks	49,820	-	49,820	-
Corporate Bonds	2,327,811	-	2,327,811	-
Equity Securities	11,071,121	11,071,121	-	-
Mutual Funds	5,063,054	5,063,054	-	-
	$ 21,254,142	$ 16,134,175	$ 5,119,967	$ -

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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	$ -

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, 2020 is as follows:

Fund type	Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$ -	$ 7,665,838	$ 7,665,838
Donor-restricted amounts required to be held in perpetuity	-	12,220,628	12,220,628
Board-designated for endowment fund	25,000	-	25,000
Total funds	$ 25,000	$ 19,886,466	$ 19,911,466

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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, 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net position, beginning of year	$ 25,000	$ 17,499,346	$ 17,524,346
Investment return			
Investment income	-	259,267	259,267
Appreciation (depreciation), realized and unrealized	-	862,344	862,344
Total investment return	-	1,121,611	1,121,611
Contributions	-	1,731,167	1,731,167
Appropriation of endowment assets for expenditure	-	(368,354)	(368,354)
Investment management fees	-	(84,994)	(84,994)
Reclassification of net position	-	(11,222)	(11,222)
Other changes			
Transfer upon removal of donor restrictions	-	(1,088)	(1,088)
Endowment net position, end of year	$ 25,000	$ 19,886,466	$ 19,911,466

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

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

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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			
Transfer upon removal of donor restrictions	-	(1,900)	(1,900)
Endowment net position, end of year	$ 25,000	$ 17,499,346	$ 17,524,346

Note 3 - Accounts and contributions receivable

The University's accounts receivable include the following at June 30, 2020 and 2019:

	2020	2019
Student accounts receivable	$ 2,897,193	$ 2,378,676
Parking and other fines receivable	134,235	130,825
Commissions receivable	35,849	82,709
Grants receivable	471,817	315,740
Compass receivable, including accrued interest of $1,781 and $16,157 (see Note 11)	47,032	94,175
FSU Foundation receivable	66,807	122,466
	3,652,933	3,124,591
Less allowance for doubtful accounts	(642,444)	(659,795)
	$ 3,010,489	$ 2,464,796

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FSU Foundation's contributions receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
Receivable in less than one year	$ 403,375	$ 80,240
Receivable in one to five years	370,000	195,645
	773,375	275,885
Discount on pledges	(21,471)	(1,900)
	$ 751,904	$ 273,985

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, 2020 and 2019:

	2020	2019
Perkins loans receivable	$ 1,059,477	$ 1,218,097
Nursing loans receivable	214,012	265,076
Emergency student loans receivable	4,073	3,018
	1,277,562	1,486,191
Less allowance for doubtful accounts	(3,018)	(3,018)
	$ 1,274,544	$ 1,483,173

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, 2020 is as follows:

Capital assets:	Totals June 30, 2019	Additions	Reclassifications* and reductions	Totals June 30, 2020
Non-depreciable capital assets				
Land	$ 5,478,125	$ -	$ -	$ 5,478,125
Construction in progress	14,330,041	6,397,797	(10,814,674)	9,913,164
Total non-depreciable assets	19,808,166	6,397,797	(10,814,674)	15,391,289
Depreciable capital assets				
Land improvements	17,579,322	321,897	34,582	17,935,801
Buildings	80,591,909	-	-	80,591,909
Building improvements	165,286,659	2,321,203	1,806,112	169,413,974
Equipment	19,199,768	589,894	8,973,980	28,763,642
Furniture	597,676	-	-	597,676
Library materials	483,450	51,010	(79,327)	455,133
Total depreciable assets	283,738,784	3,284,004	10,735,347	297,758,135
Total capital assets	303,546,950	9,681,801	(79,327)	313,149,424
Less: Accumulated depreciation				
Land improvements	7,855,617	883,416	-	8,739,033
Buildings	44,574,089	1,153,759	-	45,727,848
Building improvements	51,396,833	8,056,683	-	59,453,516
Equipment	16,302,005	859,280	-	17,161,285
Furniture	597,676	-	-	597,676
Library materials	-	79,327	(79,327)	-
Total accumulated depreciation	120,726,220	11,032,465	(79,327)	131,679,358
Capital assets, net	$ 182,820,730	$ (1,350,664)	$ -	$ 181,470,066

As of June 30, 2020, capital assets of the University with a cost of approximately $55,413,000 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, 2020.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately $4,496,100 and $5,699,500 at June 30, 2020 and 2019, respectively.

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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 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, 2020 and 2019.

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Capital assets activity of FSU Foundation for the year ended June 30, 2020 is as follows:

Capital assets:	Totals June 30, 2019	Additions	Reclassifications and reductions	Totals June 30, 2020
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	1,949,324	123,406	-	2,072,730
Land improvements	158,127	-	-	158,127
Buildings	1,831,326	219,468	-	2,050,794
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
	5,874,433	342,874	-	6,217,307
Total capital assets	8,651,652	342,874	-	8,994,526
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	499,770	38,943	-	538,713
Building improvements	61,108	5,023	-	66,131
	560,878	43,966	-	604,844
Real estate used for student housing:				
Buildings	131,172	10,856	-	142,028
Building improvements	14,062	1,430	-	15,492
	145,234	12,286	-	157,520
Other:				
Land improvements	83,324	4,811	-	88,135
Buildings	223,187	45,781	-	268,968
Building improvements	268,735	55,451	-	324,186
Equipment	759,094	214	-	759,308
Furniture and fixtures	42,936	4,184	-	47,120
Library materials	6,570	-	-	6,570
	1,383,846	110,441	-	1,494,287
Total accumulated depreciation	2,089,958	166,693	-	2,256,651
Capital assets, net	$ 6,561,694	$ 176,181	$ -	$ 6,737,875

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Non-depreciable capital assets of FSU Foundation total $2,728,948 at June 30, 2020, which is comprised of land.

At June 30, 2020, capital assets of FSU Foundation with a cost of approximately $849,000 were fully depreciated and still in service.

On June 24, 2020, the Foundation Supporting Organization received a donation of property in close proximity to the Fitchburg State University campus. The property, which includes land only, was recorded at fair market value of $2,100 at the time of the donation. The Foundation Supporting Organization intends to use this property for open green space.

On June 2, 2020, 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 $240,774. The Foundation Supporting Organization intends to use this property for open green space. The acquisition was funded, in part, through the proceeds of an advance of $250,000 on a letter of credit.

On November 13, 2019, the Foundation Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which consists of land and a building, was purchased for $1 as current environmental remediation is needed before the property is usable. The Organization intends to raze the building and convert it to a parking lot. The Foundation Supporting Organization obtained an insurance policy to cover the costs of remediation needed. For the year ended June 30, 2020, the Foundation Supporting Organization has determined a probable liability for these costs equal to $100,000, which has been capitalized into the land.

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, 2020 and 2019, the Foundation Supporting Organization has incurred $73,491 and $25,536, respectively, of legal costs related to the project. Fitchburg State University has incurred $3,874,673 of costs as of June 30, 2019. These amounts were placed into service in fiscal 2019 as building improvements.

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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 totaled $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.

Note 6 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2020 and 2019:

	2020	2019
Accounts payable - trade	$ 820,024	$ 1,188,614
Salaries and fringe benefits payable	2,605,829	2,765,863
Accrued interest payable	334,550	310,415
Tuition due State	52,154	94,706
Other	401,091	240,869
	$ 4,213,648	$ 4,600,467

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, 2020 and 2019. Based upon the Commonwealth's analyses, $478,124 and $590,806 of accrued workers' compensation has been recorded as a liability at June 30, 2020 and 2019, respectively.

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Note 8 - Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2020 and 2019:

	2020	2019
Vacation time payable	$ 2,866,275	$ 2,738,847
Sick time payable	2,875,468	2,766,503
Total	$ 5,741,743	$ 5,505,350
Amount representing obligations due to employees funded through sources other than State appropriations	$ 329,819	$ 271,446
Amount representing obligations due to employees compensated through State appropriations	5,411,924	5,233,904
Total	$ 5,741,743	$ 5,505,350

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 $(6,046,464) and $(289,766) at June 30, 2020 and 2019, 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, 2020 of $4,231,311 will be paid from the University's fiscal 2021 State appropriations. The total amount due at June 30, 2019 of $3,993,800 was paid from the University's fiscal 2020 State appropriations.

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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, 2020 and 2019:

	2020	2019
Tuition, fees and professional development	$ 1,713,082	$ 1,638,732
Capital projects	2,224,396	-
Grants	538,426	87,932
Other	58,886	7,909
	$ 4,534,790	$ 1,734,573

Note 11 - Deferred inflows of resources from service concession arrangement

Deferred inflows of resources from service concession arrangement at June 30, 2020 and 2019 in the amounts of $1,011,672 and $1,264,590, 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, 2020, the University has received the first six installments from Compass, of which $50,000 was received in fiscal 2020. 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, 2020, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $47,032, which includes accrued interest receivable of

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$1,781 (see Note 3). 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). 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, 2020 and 2019.

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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, 2020:

	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	6.03	$ 1,601,094	$ -	$ 1,601,094
MSCBA Series 2005A	3/1/2005	5,110,000	3.50-5.00	5/1/2025	4.01	1,675,000	-	1,675,000
MSCBA Series 2006A	3/8/2006	2,060,000	3.50-5.00	5/1/2026	4.39	825,000	32,205	857,205
MSCBA Series 2010B	12/17/2010	11,078,908	4.89-6.54	5/1/2030	3.39	9,549,184	-	9,549,184
MSCBA Series 2012A	1/4/2012	7,043,416	3.00-5.00	5/1/2031	5.05	4,210,887	522,339	4,733,226
MSCBA Series 2012C	12/20/2012	13,864,033	2.00-5.00	5/1/2032	3.12	9,130,000	697,837	9,827,837
MSCBA Series 2014A	1/7/2014	12,235,614	2.00-5.00	5/1/2033	5.00	8,605,000	871,165	9,476,165
MSCBA Series 2014C	12/17/2014	10,669,502	3.00-5.00	5/1/2034	5.00	7,520,000	1,159,921	8,679,921
DCAMM CEIP Funds	11/7/2016	5,420,360	3.00	1/1/2039	3.00	5,218,638	-	5,218,638
MSCBA Series 2017A	1/25/2017	4,166,418	3.00-5.00	6/30/2037	3.93	3,564,000	202,663	3,766,663
MSCBA Series 2019A	1/23/2019	2,623,145	3.00-5.00	6/30/2039	3.69	2,385,000	170,172	2,555,172
Total		$ 80,271,396				$ 54,283,803	$ 3,656,302	$ 57,940,105

*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, 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	3.00	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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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, 2020 of $329,602 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, 2020 and 2019 was 6.506% and 6.452%, respectively. The University is also responsible to pay for program expenses at an annual rate of 1.015% (2020) and 0.954% (2019) 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019 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.

As of June 30, 2020 and 2019, 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, 2020 and 2019 as noncurrent restricted cash and cash equivalents. 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, 2020 and 2019, 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, 2020 and 2019 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.

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.

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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, 2020 and 2019, 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, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019 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 executed a management agreement with MSCBA whereby MSCBA provided management services to the University for the renovations.

As of June 30, 2020 and 2019, 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, 2020 and 2019 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 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

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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 cost for the Project was $9,451,868, including $498,975 incurred in 2020. The cost of the Project was funded from Clean Energy Investment Program Funds ("CEIP Funds") in the amount of $5,420,360, capital grants of $3,781,536, 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 commenced 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, Project costs of $8,952,893 have been incurred. 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, 2020 and 2019, 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, 2020 and 2019 as noncurrent 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.

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 Dining 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.

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As of June 30, 2020, MSCBA held unexpended debt proceeds in the amount of $426,564, of which $31,189 is included in the accompanying 2020 statement of net position as current restricted cash and cash equivalents and $395,375 is included in the accompanying 2020 statement of net position as noncurrent restricted cash and cash equivalents. 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
2021	$ 3,765,547	$ 273,440	$ 4,038,987	$ 2,206,556	$ 6,245,543
2022	3,971,365	273,440	4,244,805	2,027,084	6,271,889
2023	4,149,860	273,440	4,423,300	1,847,487	6,270,787
2024	4,486,808	273,440	4,760,248	1,664,584	6,424,832
2025	4,110,165	273,440	4,383,605	1,476,730	5,860,335
2026 - 2030	20,447,319	1,342,573	21,789,892	4,988,548	26,778,440
2031 - 2035	10,817,476	894,366	11,711,842	1,417,431	13,129,273
2036 - 2040	2,535,263	52,163	2,587,426	183,965	2,771,391
Total	$ 54,283,803	$ 3,656,302	$ 57,940,105	$ 15,812,385	$ 73,752,490

(1) The interest rate in effect at June 30, 2020 of 6.506% 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 2020, the University provided an equity contribution of $300,000 toward the Recreation Center Project, of which $102,837 of these funds were subsequently transferred to the Theater Project account at MSCBA for the Theater Project renovations. During fiscal 2020, funds totaling $13,473 were transferred from the Southside Chiller, Landry Project, Recreation Center Project and Theater Project accounts at MSCBA for the Holmes Dining renovations project. During fiscal 2020, Holmes Dining funds of $170,655 were transferred to the Theatre Project account MSCBA for the Theater Project renovations.

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 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

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fiscal 2019, Theater Project funds of $647 were transferred to the Holmes Dining account at MSCBA for the Holmes Dining renovations project.

As of June 30, 2020, 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
Recreation Center	$ -	$ 71,612
Theater	167,385	150,691
	$ 167,385	$ 222,303

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 Dinning	$ -	$ 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

MSCBA Series 2020A bond refunding

On July 1, 2020, MSCBA closed on Refunding Revenue Bonds Series 2020A for the purpose of providing budgetary relief in fiscal year 2021 and fiscal year 2022 to the nine State Universities including Fitchburg State University. These bonds were issued to refund/restructure debt outstanding from multiple series of bonds. The reduction of the University's fiscal year 2021 debt service assessment is approximately $10,580,000. The reduction of the University's fiscal year 2022 debt service assessment is approximately $5,540,000. During August 2020, MSCBA's board approved the release of funds currently held in the Debt Service Reserve Fund to pay the November 1, 2020 interest payment on behalf of the State Universities. Fitchburg State University received approximately $2,590,000 in funds held in reserve to be applied to the November interest payment to MSCBA.

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

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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.

The University's wireless network equipment held under capital lease totaled $1,261,206 as of both June 30, 2020 and 2019. 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 $945,904 and $693,663 at June 30, 2020 and 2019, respectively. Depreciation expense totaled $252,241 for each of the years ended June 30, 2020 and 2019.

Interest expense incurred on the capital lease totaled $10,525 and $15,068 in fiscal years 2020 and 2019, respectively.

The following is a schedule of future minimum lease payments under this capital lease at June 30, 2020:

Year ending June 30,	Amount
2021	$ 264,966
2022	132,483
Total minimum lease payments	397,449
Less amount representing interest	(7,086)
Present value of future minimum lease payments	390,363
Less current portion	259,038
Present value of long-term portion	$ 131,325

Note 14 - FSU Foundation's long-term debt

FSU Foundation's long-term debt consists of the following at June 30, 2020 and 2019:

	2020	2019
First mortgage notes payable	$ 3,339,115	$ 3,562,736
Notes payable - bank	474,686	494,807
	3,813,801	4,057,543
Less net debt issuance costs	(14,813)	(17,217)
	3,798,988	4,040,326
Less current portion	(254,180)	(243,950)
	$ 3,544,808	$ 3,796,376

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

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

At June 30, 2020 and 2019, the outstanding principal balance of this mortgage note payable amounted to $344,440 and $358,636, 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 DCAM lease.

As of June 30, 2020, the outstanding principal balance of the mortgage note payable of $779,258, less net debt issuance costs of $14,813, amounted to $764,445.

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.

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, 2020 and 2019, the Foundation Supporting Organization has total cash balances of $8,097 and $7,527, 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, 2020 and 2019, the outstanding principal balance of this first mortgage loan amounted to $525,566 and $551,397, 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, 2020 and 2019, the outstanding principal balance of the mortgage note payable amounted to $188,898 and $198,877, 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, 2020 and 2019, the outstanding principal balance of the mortgage note payable amounted to $71,916 and $73,461, 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $102,826 and $107,154, 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $195,137 and $202,616, respectively.

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $262,969 and $268,081, respectively.

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.

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As of June 30, 2020 and 2019, the outstanding principal balance of the loan amounted to $215,293 and $228,704, 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 $2,301,000 and $2,250,000 at June 30, 2020 and 2019, 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, 2020 and 2019, the outstanding principal balance of this note payable amounted to $474,685 and $494,807, 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-collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2020 and 2019, the outstanding principal balance of the loan amounted to $141,347 and $145,829, respectively.

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

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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, 2020 and 2019, the outstanding principal balance of the loan amounted to $305,145 and $312,000, respectively.

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $135,359 and $138,400, respectively.

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $70,962 and $87,348, respectively.

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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
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	277,573	112,856	390,429
2026-2030	1,982,183	314,141	2,296,324
2031-2035	370,665	68,566	439,231
2036-2040	105,915	5,936	111,851
Total	$ 3,813,801	$ 1,063,888	$ 4,877,689

(1) The interest rates in effect at June 30, 2020 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 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, 2020 and 2019, the effective interest rate was 3.00% and 5.25%, respectively, per annum. In fiscal 2019, the line of credit was repaid in full. Accordingly, as of June 30, 2020 and 2019, there was no outstanding liability under the line of credit.

Borrowings under the line are secured by investments with an equivalent fair value of approximately $9,916,000 and $9,634,000, respectively at June 30, 2020 and 2019. The line is also collateralized by all funds held by the lender. At June 30, 2020, the Foundation has total cash balances of approximately $59,000 and $59,000, 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 3.25% at June 30, 2020 and 5.25% at June 30, 2019). 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 and again through November 30, 2020. 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

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the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. As June 30, 2020, the Foundation Supporting Organization has made payments of $250,000 and borrowings of $250,000 under the line of credit agreement. The balance outstanding as of June 30, 2020 is $250,000. 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 was $250,000.

Note 16 - Long-term liabilities

Long-term liability activity of the University for the year ended June 30, 2020 included the following:

	Totals June 30, 2019	Additions	Reductions	Totals June 30, 2020 Ending balance	Totals June 30, 2020 Current portion
Interagency payables	$ 61,955,383	$ -	$ 4,015,278	$ 57,940,105	$ 4,038,987
Total	61,955,383	-	4,015,278	57,940,105	4,038,987
Other liabilities:					
Capital lease obligation	644,803	-	254,440	390,363	259,038
Workers' compensation	590,806	16,114	128,796	478,124	104,231
Compensated absences	5,505,350	3,574,035	3,337,642	5,741,743	3,584,425
Loan payable - federal financial assistance	1,871,966	28,884	546,479	1,354,371	-
Net pension liability	12,484,412	279,003	-	12,763,415	-
Net OPEB liability	27,318,264	-	3,257,057	24,061,207	-
Total other liabilities	48,415,601	3,898,036	7,524,414	44,789,223	3,947,694
Long-term obligations	$ 110,370,984	$ 3,898,036	$ 11,539,692	$ 102,729,328	$ 7,986,681

Long-term liability activity of the University 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
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	5,085,590	-	27,318,264	-
Total other liabilities	42,393,441	9,611,529	3,589,369	48,415,601	3,720,879
Long-term obligations	$ 105,179,109	$ 12,234,674	$ 7,042,799	$ 110,370,984	$ 7,617,988

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Long-term liability activity of FSU Foundation for the year ended June 30, 2020 included the following:

	Totals June 30, 2019	Additions	Reductions	Totals June 30, 2019 Ending balance	Totals June 30, 2019 Current portion
First mortgage notes payable	$ 3,545,519	$ -	$ 221,217	$ 3,324,302	$ 233,256
Notes payable - bank	494,807	-	20,121	474,686	20,924
Long-term obligations	$ 4,040,326	$ -	$ 241,338	$ 3,798,988	$ 254,180

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

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 $16,866,925 and $18,461,714 at June 30, 2020 and 2019, respectively. Undesignated unrestricted net position was $(28,325,313) and $(23,985,384) at June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, the net investment in capital assets amount of $125,001,606 and $121,718,509, 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, 2020 and 2019, $985,740 and $1,232,174, 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, 2020 and 2019 reflect a restricted net position of $20,972,243 and $18,523,081, respectively. Of these amounts, $2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

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Note 19 - Operating expenses

The University's operating expenses for the years ended June 30, 2020 and 2019, on a natural classification basis, are comprised of the following:

	2020	2019
Salaries		
Faculty	$ 25,440,450	$ 24,412,113
Exempt wages	4,698,921	4,591,378
Non-exempt wages	21,363,362	21,176,475
Benefits	17,961,852	17,941,745
Scholarships	5,616,414	3,233,205
Utilities	4,301,064	4,437,825
Supplies and other services	28,206,176	29,344,843
Depreciation	11,032,465	10,442,249
Bad debt expense	176,593	175,145
Total operating expenses	$ 118,797,297	$ 115,754,978

Note 20 - State controlled accounts

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

The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2020, 2019, and 2018 were as follows (see State appropriations under Note 24):

	2020	2019	2018
Commonwealth's retirement system contributions	$ 5,021,593	$ 4,427,126	$ 3,893,971
Employers share of health care premium	$ 6,615,645	$ 7,169,153	$ 6,711,016

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

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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.

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 2020, 2019, and 2018 was $5,021,593, $4,427,126, and $3,893,971, respectively. The total amount of funding by the University related to the University's employees compensated from a trust fund or other source during 2020, 2019, and 2018 was $1,265,410, $868,517, and $862,928, respectively. Annual covered payroll was approximately 81%, 81%, and 80% of annual total payroll for the University in 2020, 2019, and 2018, respectively.

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At June 30, 2020 and 2019, the University reported a liability of $12,763,415 and $12,484,412, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2019 and 2018, 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, 2020, the University's proportion was 0.0872%, which was a decrease of 0.0072% from its proportion measured as of June 30, 2019. 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.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of $7,268,364 and $6,845,422, respectively.

At June 30, 2020, 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	$ 946,080	$ -
Net difference between projected and actual earnings on pension plan investments	-	190,382
Difference between expected and actual experience	423,876	165,995
Changes in proportion due to internal allocation	604,115	814,319
Changes in proportion from Commonwealth	22,534	648
University contributions subsequent to the measurement date	1,265,411	-
Total	$ 3,262,016	$ 1,171,344

The $1,265,411 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, 2021. 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:	
2021	$ 423,363
2022	17,749
2023	171,704
2024	192,313
2025	20,132
Total	$ 825,261

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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 total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

1. (a) 7.25% investment rate of return (7.35% investment rate of return for the year ended June 30, 2018), (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.

4. Experience studies were performed as follows:

   (i) Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

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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, 2019 and 2018 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	2019	2018	2019	2018
Global equity	39.00%	39.00%	4.90%	5.00%
Core fixed income	15.00%	12.00%	1.30%	0.90%
Private equity	13.00%	12.00%	8.20%	6.60%
Portfolio completion strategies	11.00%	13.00%	3.90%	3.70%
Real estate	10.00%	10.00%	3.60%	3.80%
Value added fixed income	8.00%	10.00%	4.70%	3.80%
Timberland/natural resources	4.00%	4.00%	4.10%	3.40%
Total	100.00%	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2019 and 2018 was 7.25% and 7.35%, 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 7.25% and 7.35%, respectively, for the measurement years ended June 30, 2019 and 2018, 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 (6.25%, 2019, and 6.35%, 2018) or 1-percentage-point higher (8.25%, 2019, and 8.35%, 2018) than the current rates:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2019	$ 16,988,523	$ 12,763,415	$ 9,153,268
June 30, 2018	$ 16,826,900	$ 12,484,412	$ 8,773,923

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

Note 22 - Fringe benefits for current employees and post-employment obligations - pension and non-pension

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post - employment health insurance, unemployment, pension, and workers' compensation benefits.

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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, 2020 and 2019, 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, 2019 and 2018 and as of the valuation date (January 1, 2019), Commonwealth participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status.

At June 30, 2020 and 2019, the University reported a liability of $24,061,207 and $27,318,264, respectively, for its proportionate share of the net OPEB liability (see Note 29). The net OPEB liability was measured as of January 1, 2019, 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 covered payroll. At June 30, 2020, the University's proportion was 0.1315%, which was a decrease of 0.0156% from its proportion measured as of June 30, 2019. As of 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.

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The amount of funding by the University related to benefits other than OPEB for the years ended June 30, 2020, 2019 and 2018 were $17,961,852, $17,941,745 and $15,031,796, 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 2020, 2019 and 2018 was $2,392,217, $2,922,864 and $2,713,264, 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 2020, 2019 and 2018 was $655,514, $633,318 and $653,339, respectively.

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of $4,523,332 and $5,882,975, respectively (see Note 29).

At June 30, 2020, 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	$ 18,514	$ 3,618,187
Net differences between projected and actual investment earnings on OPEB plan investments	-	11,066
Difference between expected and actual experience	964,967	30,812
Changes in proportion due to internal allocation	3,316,789	2,573,670
Changes in proportion from Commonwealth	58,669	-
University contributions subsequent to the measurement date	655,514	-
Total	$ 5,014,453	$ 6,233,735

The $655,514 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, 2021. 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:	
2021	$ (552,898)
2022	(552,898)
2023	(463,918)
2024	(161,895)
2025	(143,187)
Total	$ (1,874,796)

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At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources (see Note 29) related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 26,166	$ 2,304,579
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	$ 5,264,002	$ 2,406,140

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

1. The following annual healthcare cost trend rates: (1) 7.5%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing 0.25% each year to an ultimate rate of 4.5% in 2026 for medical (8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 for medical for the year ended June 30, 2018) and (2) 4.5% for administration costs (5.0% for the year ended June 30, 2019). Healthcare costs are offset by reimbursements for Employer Group Waiver Plans ("EGWP"), which are assumed to increase 5.0% per year until 2025, then decrease to 4.5% in 2026.

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:

   (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) 85% (80% for the year ended June 30, 2018) of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.

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

	Retirement Age	
	Under 65	Age 65 +
Indemnity	25.0%	85.0%
POS/PPO	60.0%	0.0%
HMO	15.0%	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, 2019 and 2018 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	2019	2018	2019	2018
Global equity	39.00%	39.00%	4.90%	5.00%
Core fixed income	15.00%	12.00%	1.30%	0.90%
Private equity	13.00%	12.00%	8.20%	6.60%
Portfolio completion strategies	11.00%	13.00%	3.90%	3.70%
Real estate	10.00%	10.00%	3.60%	3.80%
Value added fixed income	8.00%	10.00%	4.70%	3.80%
Timberland/natural resources	4.00%	4.00%	4.10%	3.40%
Total	100.00%	100.00%		

The discount rates used to measure the OPEB liability as of June 30, 2019 and 2018 were 3.63% and 3.92%, respectively (see Note 29). These rates were based on a blend of the Bond Buyer Index rates of 3.51% and 3.87%, respectively, as of the measurement dates June 30, 2019 and 2018, respectively, and the expected rates of return on plan investments of 7.25% and 7.35%, 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 is 2029 (2025 for the year ended June 30, 2018). 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, 2019 and 2018.

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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, 2019 (a)	$ 28,721,305	$ 24,061,207	$ 20,376,695
June 30, 2018 (b)	32,472,733	27,318,264	23,229,217

(a) The discount rates as of June 30, 2019 are as follows: 3.63% (current); 2.63% (1% decrease) and 4.63% (1% increase).

(b) The discount rates as of June 30, 2018 are as follows: 3.92% (current); 2.92% (1% decrease) and 4.92% (1% increase) (see note 29).

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, 2019	$ 19,819,472	$ 24,061,207	$ 29,644,526
June 30, 2018	23,108,913	27,318,264	32,639,581

(a) The current healthcare cost trend rates are as follows: 7.5% (June 30, 2019) and 8.0% (June 30, 2018) for medical, and 5.0% per year until 2025, then decrease to 4.5% in 2026 (June 30, 2019) and 5% (June 30, 2018) for Employer Group Waiver Plan and 4.5% (June 30, 2019) and 5% (June 30, 2018) for administration costs.

(b) The healthcare cost trend rates after a 1% decrease are as follows: 6.5% (June 30, 2019) and 7.0% (June 30, 2018) for medical, 4.0% per year until 2025, then decrease to 3.5% in 2026 (June 30, 2019) and 4% (June 30, 2018) for Employer Group Waiver Plan and 3.5% (June 30, 2019) and 4% (June 30, 2018) for administration costs.

(c) The healthcare cost trend rates after a 1% increase are as follows: 8.5% (June 30, 2019) and 9.0% (June 30, 2018) for medical, 6.0% per year until 2025, then decrease to 5.5% in 2026 (June 30, 2019) and 6% (June 30, 2018) for Employer Group Waiver Plan and 5.5% (June 30, 2019) and 6% (June 30, 2018) for 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, 2020 and 2019, 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, 2020:

2021	$	165,000
2022		165,000
2023		165,000
2024		165,000
2025		165,000
Later years		185,625
	$	1,010,625

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). On July 1, 2019, the Foundation Supporting Organization extended the lease agreement for another three year term which provides for a base annual rent of $30,632 and will increase 2% annually. 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

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of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2020 and 2019, rent expense amounted to $30,632 in each year.

The future minimum rental payments under this operating lease agreement at June 30, 2020 are $31,245 and $31,870 for the fiscal years ending June 30, 2021 and 2022, respectively.

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, 2020 and 2019, 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, 2020:

Year ending June 30,	Amount
2021	$ 5,696
2022	5,696
2023	5,696
	$ 17,088

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, 2020 and 2019, license fee income for the Foundation Supporting Organization amounted to $545,661 and $205,427, 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.

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

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2018. The lease agreement provides for monthly lease payments of $1,600 commencing on July 1, 2018. For the years ended June 30, 2020 and 2019, rental income amounted to $21,255 and $16,614, respectively. The future minimum rental income under this operating lease agreement is $19,200 for fiscal year ending June 30, 2021.

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, 2020 and 2019:

	2020	2019
Gross State appropriations	$ 34,644,875	$ 36,545,708
Add: Fringe benefits for benefited employees on the Commonwealth payroll	11,637,238	11,596,279
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(875,599)	(788,853)
Net State appropriations	$ 45,406,514	$ 47,353,134

$44,088,228 and $43,794,742 represent appropriations for maintenance and payroll and other noncapital appropriations during 2020 and 2019, respectively, and $1,318,286 and $3,558,392 represent appropriations for capital improvements for 2020 and 2019, 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, 2020 and 2019.

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.

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

Notes to Financial Statements
June 30, 2020 and 2019

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.

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, 2020 and 2019 were $810,487 and $860,487, respectively. 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.

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

Notes to Financial Statements
June 30, 2020 and 2019

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 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 2020 and 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.

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

Notes to Financial Statements
June 30, 2020 and 2019

Note 29 - Restatement

Subsequent to having issued the June 30, 2019 financial statements on November 5, 2019, the University was informed by the Commonwealth of an error in the net OPEB liability allocated to the University. The error in the net OPEB liability allocated by the Commonwealth to the University resulted in misstatement in the University's net OPEB liability and related accounts as of June 30, 2019 as had been originally reported. Accordingly, the University has restated its financial statements to correct these errors as shown in the tables below:

	2019 (as previously reported on November 5, 2019)	2019 (as restated)	Effect of change
Statement of Net Position:			
Deferred outflows - OPEB	$ 5,237,836	$ 5,264,002	$ 26,166
Net OPEB liability	21,928,435	27,318,264	5,389,829
Deferred inflows - OPEB	6,838,918	2,406,140	(4,432,778)
Unrestricted net position	(4,592,785)	(5,523,670)	(930,885)
Total net position	126,208,900	125,278,015	(930,885)
Statement of Revenues, Expenses and Changes in Net Position:			
Institutional support	12,701,295	13,632,180	930,885
Increase (decrease) in net position	2,820,766	1,889,881	(930,885)

	2019 (as previously reported on November 5, 2019)	2019 (as restated)	Effect of change
Statement of Cash Flows:			
Reconciliation of operating loss to net cash provided by (used) operating activities			
Operating loss	$ (43,999,286)	$ (44,930,171)	$ (930,885)
Change in net OPEB liability	762,591	1,693,476	930,885

Additionally, in conjunction with the recalculation the current discount rate as of June 30, 2019 was decreased by 0.03% to 3.92%.

Required Supplementary Information

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

Schedule of the University's Proportionate Share of the Net Pension Liability and Schedule of University Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability (asset)	0.0872%	0.0944%	0.0891%	0.0912%	0.0878%	0.0684%	0.0695%
University's proportionate share of the net pension liability (asset)	$ 12,763,415	$ 12,484,412	$ 11,430,648	$ 12,580,841	$ 9,995,092	$ 5,078,817	$ 6,192,668
University's covered payroll	$ 41,831,191	$ 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	30.51%	30.78%	30.28%	33.63%	26.89%	14.35%	18.32%
Plan fiduciary net position as a percentage of the total pension liability	66.28%	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.

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 6,287,003	$ 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	$ (6,287,003)	$ (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	$ 41,831,191	$ 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	15.03%	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.

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

Notes to Required Supplementary Information - Pension
June 30, 2020

Note 1 - Changes in Pension Plan Benefit Terms and Assumptions

FY2019 Changes in Actuarial Assumptions

Changes of assumptions:

Changes in the investment rate of return

MSERS changed its discount rate to 7.25% from 7.35%.

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.

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

Notes to Required Supplementary Information - Pension
June 30, 2020

Note 2 - Other information

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

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

Schedule of the University's Proportionate Share of the Net OPEB Liability and Schedule of University Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017
University's proportion of the net OPEB liability (asset)	0.1315%	0.1471%	0.1272%	0.1181%
University's proportionate share of the total OPEB liability (asset)	$ 25,861,235	$ 29,068,920	$ 23,499,661	$ 23,406,837
Less: University's proportionate share of Plan fiduciary net position	1,800,028	1,750,656	1,266,987	1,022,638
University's proportionate share of the net OPEB liability (asset)	$ 24,061,207	$ 27,318,264	$ 22,232,674	$ 22,384,199
University's covered payroll	$ 41,831,191	$ 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	57.52%	67.35%	58.90%	59.84%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	6.01%	5.39%	4.37%

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

	2020	2019	2018	2017
Contractually required contribution	$ 3,047,731	$ 3,556,181	$ 3,366,603	$ 2,989,514
Contributions in relation to the contractually required contribution	$ (3,047,731)	$ (3,556,181)	$ (3,366,603)	$ (2,989,514)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 41,831,191	$ 40,564,017	$ 37,747,018	$ 37,408,274
Contributions as a percentage of covered payroll	7.29%	8.77%	8.92%	7.99%

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

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

Notes to Required Supplementary Information - OPEB
June 30, 2020

Note 1 - Changes in OPEB plan benefit terms and assumptions

FY2019 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 8.0% in FY2018 to 7.5% in FY2019, which impacts the high cost excise tax.

Change in medical plan election rates

The pre age 65 medical plan election percentages were updated to better reflect plan experience.

Change in future retirees' plan participant rates

Plan participation rate for future retirees was changed from 80% to 85% to better reflect recent plan experience plan experience.

Change in discount rate

The discount rate was decreased to 3.63% (based on a blend of the Bond Buyer Index rate (3.51%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74.

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 8.5% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax.

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

Notes to Required Supplementary Information - OPEB
June 30, 2020

<u>Change in mortality</u>

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

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

<u>Change in discount rate</u>

The discount rate was increased to 3.92% (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:

<u>Change in discount rate</u>

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.

Supplementary Information

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

Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2020

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		
Investments	$ 532,742	$ 252,300
Prepaid expenses	5,038	-
Accounts receivable, net	114,173	5,364
Total assets	651,953	257,664
Liabilities		
Accounts payable	67,215	-
Deposits	371,150	-
Salaries payable	95,981	-
Compensated absences	120,588	-
Deferred rental income	1,750	-
Total liabilities	656,684	-
Net position	$ (4,731)	$ 257,664

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

Residence Hall Fund and Residence Hall Damage Fund Activity
Year Ended June 30, 2020

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	$ 7,276,234	$ -
Interest	36,204	5,230
Investment income	17,997	2,600
Commissions	32,516	-
Rentals	57,809	-
Room damage assessments	-	490
Miscellaneous	21,741	-
Total revenues	7,442,501	8,320
Expenses		
Regular employee compensation	1,210,432	-
Regular employee related expenses	7,041	-
Special employee/contract services	158,131	-
Pension and insurance	466,193	-
Facility operating supplies and related expenses	65,169	-
Administrative expenses	7,029	-
Energy and space rental	968,414	-
Operational services	11,242	-
Equipment purchases	16,665	-
Equipment lease - purchase, lease, rent, repair	10,610	-
Purchased client services and programs	1,836	-
Construction and improvements	484,940	-
Benefit program	75,196	-
Loans and special payments	7,755,748	-
Other - bad debt expense (recovery)	34,936	2,739
Information technology expenses	42,630	-
Miscellaneous	99	-
Total expenses	11,316,311	2,739
Transfers (in)/out		
Covid-19 - Grant INCOME- HEERF	(1,955,462)	-
Covid-19 -Refund - OTHR	(2,820)	-
Interdepartmental rental expense	16,809	-
Total transfers	(1,941,473)	-
Total expenses and transfers	9,374,838	2,739
Increase (decrease) in net position	(1,932,337)	5,581
Net position - beginning of year	1,927,606	252,083
Net position - end of year	$ (4,731)	$ 257,664

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.

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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, 2020, 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 emphasis of matter paragraphs 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") as a basis for designing 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 a 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Boston, Massachusetts
(Report Date)

Attachment B

Fitchburg State University

Communication Letter

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November __, 2020

To the Board of Trustees
Fitchburg State University

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate discretely presented component units of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts) for the year ended June 30, 2020, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon dated November __, 2020. 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. We have communicated such information in our meeting with you on June 22, 2020. Professional standards also require that we communicate to you the following information related to our 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. No new accounting policies were adopted and the application of existing policies was not changed during 2020. 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 University's financial statements was:

> Management's estimate of the allowance for doubtful collections of accounts receivable is based principally on its historical experience and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure) affecting the financial statements were:

> The disclosures of cash and cash equivalents and investments in Note 2 to the financial statements.
>
> The disclosures of the pension and OPEB disclosures in Note 21 and 22 to the financial statements, and the Restatement disclosure for the error in the net OPEB Liability allocated by the Commonwealth to the University in Note 29.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected

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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 November __, 2020.

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 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.

We were engaged to report on the residence hall and residence hall damage fund activity, 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,

CohnReznick LLP

Fitchburg State University
Year End: June 30, 2020
Comparative Trial Balance
Date: 7/1/2019 To 6/30/2020

GF3. 5

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
PAJE 1	6/30/2020	Accumulated depreciation	227	H-1C			305,560.00
PAJE 1	6/30/2020	Unrestricted	550	H-1C		317,259.00	
PAJE 1	6/30/2020	Capital appropriations	680	H-1C			11,699.00
		Library Materials not depreciated annually.					
						317,259.00	**317,259.00**

Net Income (Loss) **(3,438,942.00)**

Attachment C

Foundation Draft FS

Fitchburg State University Foundation, Inc.

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

June 30, 2020

Fitchburg State University Foundation, Inc.

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Independent Auditor's Report

The Board of Directors
Fitchburg State University Foundation, Inc.

Report on the Consolidated 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, 2020, 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 Consolidated 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, 2020, 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.

CohnReznick

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 5, 2019. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2019 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 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, 2020. 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
DATE

Fitchburg State University Foundation, Inc.

Consolidated Statement of Financial Position
June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

Assets

	2020	2019
Cash and equivalents	$ 1,866,947	$ 1,236,311
Investments	21,254,142	20,061,150
Accrued investment income receivable	32,495	35,794
Accounts receivable	21,195	7,645
Contributions receivable, net	751,904	273,985
Prepaid expenses and other current assets	100,160	30,318
Property and equipment, net of accumulated depreciation	6,737,875	6,561,694
Other assets	146,788	103,636
Total assets	$ 30,911,506	$ 28,310,533

Liabilities and Net Assets

	2020	2019
Liabilities		
Bank lines of credit	$ 250,000	$ 250,000
Accounts payable, trade	96,412	326,418
Accrued expenses	-	825
Environmental liability	100,000	
Accrued interest payable	6,293	7,988
Agency fund	31,080	53,901
Deferred revenue	32,500	58,519
Notes payable - bank	474,685	494,807
First mortgage notes payable	3,324,303	3,545,519
Total liabilities	4,315,273	4,737,977
Net assets		
Without donor restriction	5,624,938	5,049,474
With donor restrictions	20,971,295	18,523,082
Total net assets	26,596,233	23,572,556
Total liabilities and net assets	$ 30,911,506	$ 28,310,533

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
Revenue and support				
Program revenues				
Gifts and donations	$ 125,882	$ 1,786,021	$ 1,911,903	$ 899,301
State matching donation	-	277,778	277,778	-
Grants and contracts	-	45,000	45,000	510
Sales and services	76,099	3,238	79,337	85,068
Rental income	189,330		189,330	190,614
Residence hall income	263,623		263,623	270,854
License fee income	545,661		545,661	205,427
Contribution in kind income	163,626	-	163,626	179,787
Other revenue				
Interest and dividends	98,106	259,707	357,813	347,761
Gain (loss) on investments, net	198,635	863,817	1,062,452	1,271,373
Net assets released from restrictions	787,348	(787,348)	-	-
Total revenue and support	2,448,310	2,448,213	4,896,523	3,450,695
Expenses				
Program services	1,522,297	-	1,522,297	1,738,698
Management and general	251,489	-	251,489	262,673
Fundraising	99,060	-	99,060	99,180
Total expenses	1,872,846	-	1,872,846	2,100,551
Increase in net assets	575,464	2,448,213	3,023,677	1,350,144
Net assets at beginning of year	5,049,474	18,523,082	23,572,556	22,222,412
Net assets at end of year	$ 5,624,938	$ 20,971,295	$ 26,596,233	$ 23,572,556

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020				2019
	Program services	Management and general	Fundraising	Total	Total
Scholarships	$ 355,106	$ -	$ -	$ 355,106	$ 351,864
Community services	22,791	-	-	22,791	34,578
Speakers and cultural programs	11,126	-	-	11,126	28,799
Outside services	12,753	-	3,000	15,753	2,135
Accounting and audit	-	23,352	-	23,352	15,504
Insurance	95,332	31,267	-	126,599	102,910
Affiliate personnel costs		102,837	58,689	161,526	176,862
Supplies	-	-	3,715	3,715	5,049
Postage	-	-	-	-	32
Equipment and maintenance	14,041	50,101	-	64,142	45,199
Printing and publications	4,584	74	5,702	10,360	15,317
Travel	3,699	-	3,218	6,917	3,505
Meetings and conferences	3,764	-	24,736	28,500	46,480
Professional and consulting services	-	-	-	-	13,057
Awards and grants	331,030	-	-	331,030	514,750
Contribution made to University	266,000	-	-	266,000	266,000
Fees, fines, licenses, permits	309	-	-	309	-
Repairs and maintenance	7,700	-	-	7,700	44,381
Property management	21,740			21,740	-
Rent	36,328	-	-	36,328	36,328
Utilities	23,130	-	-	23,130	24,568
Interest	156,010	15,267	-	171,277	167,147
Miscellaneous	30	-	-	30	14,907
Other financial fees	1,401	16,213	-	17,614	13,021
Credit card fees	-	868	-	868	1,526
Real estate and other taxes	-	-	-	-	1,080
Landscaping	-	-	-	-	9,886
Bad debt expense	-	240		240	-
Depreciation	155,423	11,270	-	166,693	165,666
Total expenses	$ 1,522,297	$ 251,489	$ 99,060	$ 1,872,846	$ 2,100,551

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flow
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Increase in net assets	$ 3,023,677	$ 1,350,144
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Loss on investments	(1,180,612)	(1,384,921)
Contribution of property and equipment	(2,100)	(3,000)
Depreciation	166,693	165,666
Discount on pledges	(21,471)	(1,900)
Amortization of debt issuance costs	2,404	3,114
Contributions restricted for long-term purposes	(1,727,298)	(255,475)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(13,550)	(7,681)
Accrued investment income receivable	3,299	(1,615)
Contributions receivable, net	361,222	(244,796)
Prepaid expenses and other current assets	(69,842)	(18,317)
Other assets	(43,152)	53,901
Increase (decrease) in liabilities		
Accounts payable, trade	(207,185)	163,615
Accrued expenses	(825)	-
Due to affiliate	(3,249)	79,683
Accrued interest payable	(1,695)	1,083
Agency fund	(22,821)	
Deferred revenue	(26,019)	15,869
Net cash provided by (used in) operating activities	237,476	(80,691)
Cash flows from investing activities		
Payments for property and equipment	(240,775)	(690,378)
Proceeds from sale of investments	2,699,673	3,148,457
Purchase of investments	(2,712,053)	(3,035,182)
Net cash used in investing activities	(253,155)	(577,103)

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flow
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash flows from financing activities		
Proceeds of first mortgage notes payable	-	688,400
Proceeds of bank lines of credit	250,000	100,000
Payments on bank lines of credit	(250,000)	
Payments on first mortgage notes payable	(223,620)	(190,443)
Payments on notes payable - bank	(20,122)	(19,469)
Advances from affiliate	-	830
Advances to affiliate	-	(260,895)
Proceeds from sale of donated securities restricted for permanent endowment	890,057	271,065
Net cash provided by financing activities	646,315	589,488
Net increase (decrease) in cash and equivalents	630,636	(68,306)
Cash and equivalents, beginning of year	1,236,311	1,304,617
Cash and equivalents, end of year	$ 1,866,947	$ 1,236,311

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

Note 1 - 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, 2020, 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 the year ended June 30, 2020, the Organization adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on the net assets in connection with the implementation of ASU 2018-08.

In June, 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for the elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

The Organization has elected to apply the deferrals provided by ASU 2020-05 and therefore expects to adopt (i) Topic 606 for annual reporting periods beginning after December 15, 2019; and (ii) Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis.

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.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

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 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 imposed restrictions.

The two categories are differentiated as follows:

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

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

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, that is, those with a measurable performance or other barrier, and a right of return, 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. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

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

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

Residence hall income
Residence hall fees are recognized when earned.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

Cash and equivalents

The Organization maintains operating cash at three financial institutions in Massachusetts. In addition, the Organization maintains money market funds at four different financial institutions. Short-term investments with original maturities of three months or less are considered cash equivalents.

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 113 and 109 individual funds at June 30, 2020 and 2019, 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 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 5). 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.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

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.

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, 2020 and 2019, there were no deficiencies of this nature.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

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, seven and 10 years for furniture and fixtures, five years for equipment and three 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 business income. The Foundation has unrelated business income for the years ended June 30, 2020 and 2019. 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, 2020 and 2019. 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, 2020. 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

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

uncertain tax positions at June 30, 2020 and 2019 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, 2017, 2018, and 2019.

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, 2019, from which the summarized information was derived.

Subsequent events

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

Note 3 - Cash and equivalents

Cash and equivalents consist of the following at June 30:

	2020	2019
Cash and other demand deposits	$ 1,188,810	$ 437,419
Money market funds	678,137	798,892
	$ 1,866,947	$ 1,236,311

Money market funds include the SSGA US Government Money Market Fund in the aggregate amount of $26,532 and $252,979 at June 30, 2020 and June 30, 2019, 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, 2020 and 2019, the fund's investment securities had a weighted average maturity of 37 days and 34 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2020 and 2019, respectively.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $52,419 and $29,894 at June 30, 2020 and June 30, 2019, 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

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

value. At June 30, 2020 and 2019, the fund's investment securities had a weighted average maturity of 51 days and 30 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2020 and June 30, 2019, respectively.

Money market funds include the RWM Cash Management Money Market account in the aggregate amount of $127,633 and $45,676 at June 30, 2020 and 2019, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management Money Market account with a balance of $471,553 and $470,343 at June 30, 2020 and 2019, 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.

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

Note 4 - Liquidity and availability

Financial assets available for general expenditure within one year as of June 30, 2020 and 2019 consist of the following:

Financial assets at year end	2020	2019
Cash and equivalents (excluding agency fund)	$ 1,835,867	$ 1,182,410
Accounts receivable	21,195	7,645
Contributions receivable	751,904	273,985
Investments (net of donor-restricted endowment)	9,033,514	9,584,736
Total financial assets	11,642,480	11,048,776
Financial assets available to meet general expenditures within one year	$ 11,642,480	$ 11,048,776

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

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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Note 5 - Investments

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

	2020		2019	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,965,766	$ 11,071,121	$ 5,808,658	$ 10,081,587
Preferred stocks	50,683	49,820	72,338	72,879
Mutual funds	4,496,953	5,063,054	4,750,849	5,369,109
Corporate bonds	2,209,464	2,327,811	1,904,978	1,939,586
U.S. government securities	2,638,105	2,742,336	2,581,185	2,597,989
	$ 15,360,971	$ 21,254,142	$ 15,118,008	$ 20,061,150

At June 30, 2020 and 2019, net unrealized gains in the Organization's investment portfolio amounted to $5,893,171 and $4,943,142, respectively.

At June 30, 2020 and 2019, equities include securities in the consumer goods sector which represent 12% and 15% of the fair value of the Organization's investment portfolio, respectively.

At June 30, 2020 and 2019, equities include securities in the technology sector which represent 10% and 9%, respectively, of the fair value of the Organization's investment portfolio, respectively.

At June 30, 2020 and 2019, 4% and 5% of the fair value, respectively, of the Organization's investment portfolio represents foreign investments, respectively.

Investments with an equivalent fair value of $12,216,536 at June 30, 2020 collateralize certain debt agreements (see Notes 11 and 13).

At June 30, 2020, 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	$ 303,239	$ 1,415,539	$ 609,034	$ -	$ 2,327,812
U.S. government securities	1,513,793	802,690	425,852	-	2,742,335
	$ 1,817,032	$ 2,218,229	$ 1,034,886	$ -	$ 5,070,147

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The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2020.

Description of investments	Less than 12 months Fair value	Less than 12 months Unrealized losses	12 months or greater Fair value	12 months or greater Unrealized losses	Total Fair value	Total Unrealized losses
Equities	$ 654,244	$ 54,879	$ 320,866	$ 40,097	$ 975,110	$ 94,976
Preferred stocks	24,503	818	12,605	245	37,108	1,063
Mutual funds	1,037,034	62,424	1,230,002	99,153	2,267,036	161,577
Corporate bonds	-	-	51,018	173	51,018	173
U.S. government securities	-	-	581,838	4,223	581,838	4,223
Total	$ 1,715,781	$ 118,121	$ 2,196,329	$ 143,891	$ 3,912,110	$ 262,012

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.

Description of Investments	Less than 12 months Fair value	Less than 12 months Unrealized losses	12 months or greater Fair value	12 months or greater Unrealized losses	Total Fair value	Total 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

Equities and preferred stocks

The Organization has 92 investments in equities, of which 12 were in an unrealized loss position at June 30, 2020. The Organization also has 12 investments in preferred stocks, of which five were in an unrealized loss position at June 30, 2020. 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, 2020.

Mutual funds

The Organization has 21 mutual fund investments, of which 10 were in an unrealized loss position at June 30, 2020. 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, 2020.

Corporate bonds

At June 30, 2020, the Organization's investments in corporate debt securities were in the form of interest-bearing securities of top-rated corporate issuers. The Organization has 42 corporate debt

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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security investments, of which one was in an unrealized loss position at June 30, 2020. 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, 2020.

U.S. government obligations
The Organization has 34 U.S. government investment securities at June 30, 2020, 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, 2020.

The following table represents the composition of the Organization's endowment net asset by type of fund at June 30, 2020:

Fund type	Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$ -	$ 7,665,838	$ 7,665,838
Donor restricted amounts required to be held in perpetuity		12,220,628	12,220,628
Board-designated for endowment fund	25,000	-	25,000
Total funds	$ 25,000	$ 19,886,466	$ 19,911,466

The Board-designated endowment as of June 30, 2020 and 2019, represents funds designated for students with financial needs to be awarded financial aid scholarships.

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Changes in the endowment net assets for the year ended June 30, 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 25,000	$ 17,499,346	$ 17,524,346
Investment return			
Investment income	-	259,267	259,267
Appreciation (depreciation), realized and unrealized	-	862,344	862,344
Total investment return	-	1,121,611	1,121,611
Contributions	-	1,731,167	1,731,167
Appropriation of endowment assets for expenditure	-	(368,354)	(368,354)
Investment management fees	-	(84,994)	(84,994)
Reclassification of net assets	-	(11,222)	(11,222)
Other changes			
Transfer upon removal of donor restrictions	-	(240)	(240)
Other interdepartmental transfers	-	(848)	(848)
Endowment net assets, end of year	$ 25,000	$ 19,886,466	$ 19,911,466

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

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

Fitchburg State University Foundation, Inc.

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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			
Transfer upon removal of donor restrictions	-	(1,900)	(1,900)
Endowment net assets, end of year	$ 25,000	$ 17,499,346	$ 17,524,346

Note 6 - Contributions receivable, net

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

Contributions receivable consist of the following at June 30:

	2020	2019
Receivable in less than one year	$ 403,375	$ 80,240
Receivable in one to five years	370,000	195,645
Receivable in more than five years	-	-
	773,375	275,885
Discount on pledges	(21,471)	(1,900)
	$ 751,904	$ 273,985

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%.

Fitchburg State University Foundation, Inc.

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Note 7 - 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.

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, 2020 and 2019, 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.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
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The fair value of assets measured on a recurring basis at June 30, 2020 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	$ 11,071,121	$ 11,071,121	$ -	$ -
Preferred stocks	49,820	-	49,820	-
Mutual funds	5,063,054	5,063,054	-	-
Corporate bonds	2,327,811	-	2,327,811	-
U.S. government securities	2,742,336	-	2,742,336	-
Total	$ 21,254,142	$ 16,134,175	$ 5,119,967	$ -

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	$ -

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Note 8 - Property and equipment

Property and equipment at June 30, 2020 and 2019 consist of the following:

	2020	2019
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	133,619
Building	533,508	533,508
	667,127	667,127
Other		
Land	1,939,111	1,815,705
Land improvements	158,127	158,127
Buildings	1,517,286	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
	5,550,180	5,207,306
	8,994,526	8,651,652
Less accumulated depreciation	2,256,651	2,089,958
Property and equipment, net	$ 6,737,875	$ 6,561,694

Accumulated depreciation on real estate under lease amounted to $604,843 and $560,878 at June 30, 2020 and 2019, respectively. Accumulated depreciation on real estate used for student housing amounted to $157,520 and $145,234 at June 30, 2020 and 2019, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $23,514 and $9,236 at June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, property and equipment with a cost of approximately $849,000 were fully depreciated and still in service.

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On June 24, 2020, the Supporting Organization received a donation of property in close proximity to the Fitchburg State University campus. The property, which includes land only, was recorded at fair market value of $2,100 at the time of the donation. The Supporting Organization intends to use this property for open green space.

On June 2, 2020, 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 $240,775. The Supporting Organization intends to use this property for open green space. The acquisition was funded, in part, through the proceeds of an advance $250,000 on a letter of credit.

On November 13, 2019, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which consists of land and a building, was purchased for $1 as current environmental remediation is needed before the property is usable. The Organization intends to raze the building and convert it to a parking lot. The Supporting Organization obtained an insurance policy to cover the costs of remediation needed. For the year ended June 30, 2020, the Supporting Organization has determined a probable liability for these costs equal to $100,000, which has been capitalized into the land.

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.

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.

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.

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 12). 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

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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, 2020, the Organization has incurred \$73,491 of legal costs related to the project which have been recorded in prepaid expenses and other current assets and in the accompanying 2020 statement of financial position.

Note 9 - Other assets

Other assets at June 30, 2020 and 2019 consist of the cash surrender value of life insurance in the amount of \$34,272 and \$39,075, 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 \$73,491 and \$16,194, respectively.

Note 10 - 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 them as needed to specific vendors identified by the members of the coalition. For the year ended June 30, 2020, the Organization collected \$49,398 of contributions and disbursed \$72,219 in connection with this collaboration. 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, 2020 and 2019, the Supporting Organization was holding \$31,080 and \$53,901, respectively, of funds that is to be used exclusively by the members of the coalition.

Note 11 - 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, 2020 and 2019, the effective interest rate was 3.00% and 5.25%, respectively, per annum. In fiscal 2019, the line of credit was repaid in full. Accordingly, as of June 30, 2020 and 2019, there were no outstanding liability under the line of credit. For the years ended June 30, 2020 and 2019, interest

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expense incurred on borrowings under this line of credit amounted to $0 and $10,339, 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 $9,916,000 at June 30, 2020. The line is also collateralized by all funds held by the lender. At June 30, 2020, the Foundation has total cash balances of approximately $59,000 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 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 3.25% at June 30, 2020 and 5.25% at June 30, 2019). 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 and again through November 30, 2020. 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 June 30, 2020, the Supporting Organization has made payments of $250,000 and borrowings of $250,000 under the line of credit agreement. The balance outstanding as of June 30, 2020 is $250,000. 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 was $250,000. For the year ended June 30, 2020 and 2019, interest expense amounted to $2,036 and $3,500, respectively.

Note 12 - 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.

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At June 30, 2020 and 2019, the outstanding principal balance of this mortgage note payable amounted to $344,440 and $358,636, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note payable amounted to $15,267 and $15,820, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

Year	Amount
2021	$ 14,833
2022	15,488
2023	16,172
2024	16,886
2025	17,632
Thereafter	263,429
Total balance due	$ 344,440

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. The University is currently using the property for its print services, maintenance, shipping and receiving and financial services.

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

The loan agreement has a term of 20 years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $13,154 through August 16, 2011 and $12,306 until August 16, 2016. The interest rate was adjusted to 3.5% per annum on August 16, 2016 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $11,739 until the next five-year interval adjustment date of August 16, 2021. The loan matures on August 16, 2026. The loan agreement requires the Organization to

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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, 2020, the outstanding principal balance of the loan of $779,258, less net debt issuance costs of $14,813, amounted to $764,445.

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.

Debt issuance costs, net of accumulated amortization, totaled $14,813 and $17,217 as of June 30, 2020 and 2019, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2020 and 2019.

For the years ended June 30, 2020 and 2019, interest expense (including amortization of issuance costs) on the mortgage note payable amounted to $32,294 and $36,788, 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, 2020, are estimated to be as follows:

Year	Amount
2021	$ 115,067
2022	119,217
2023	123,518
2024	127,940
2025	132,587
Thereafter	160,929
Total balance due	$ 779,258

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, 2020 and 2019, the Supporting Organization has total cash balances of $8,097 and $7,527, 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

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adjusted to the FHLB five-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, 2020 and 2019, the outstanding principal balance of the mortgage loan amounted to $525,566 and $551,397, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $28,374 and $28,740, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020, are as follows:

Year	Amount
2021	$ 27,261
2022	28,727
2023	30,272
2024	31,839
2025	33,612
Thereafter	373,855
Total balance due	$ 525,566

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

As of June 30, 2020 and 2019, the outstanding principal balance of the mortgage loan amounted to $188,898 and $198,877, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $6,422 and $6,728, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020, are as follows:

Year	Amount
2021	$ 10,331
2022	10,678
2023	11,035
2024	11,389
2025	11,784
Thereafter	133,681
Total balance due	$ 188,898

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 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 Supporting Organization.

As of June 30, 2020 and 2019, the outstanding principal balance of the mortgage loan amounted to $71,916 and $73,461, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $3,845 and $3,692, 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, 2020, are estimated to be as follows:

Year	Amount
2021	$ 1,659
2022	1,748
2023	1,843
2024	1,933
2025	2,046
Thereafter	62,687
Total balance due	$ 71,916

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $102,826 and $107,154, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $4,404 and $4,568, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

Year	Amount
2021	$ 4,501
2022	4,692
2023	4,891
2024	5,089
2025	5,315
Thereafter	78,338
Total balance due	$ 102,826

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 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $195,137 and $202,616, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $9,430 and $9,712, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

Year	Amount
2021	$ 7,901
2022	8,291
2023	8,700
2024	9,107
2025	9,578
Thereafter	151,560
Total balance due	$ 195,137

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. 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 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $305,145 and $312,000, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $14,168 and $0, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

Year	Amount
2021	$ 7,136
2022	7,471
2023	7,822
2024	8,190
2025	8,575
Thereafter	265,951
Total balance due	$ 305,145

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. 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $135,359 and $138,400, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $6,285 and $0, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

Year	Amount
2021	$ 3,165
2022	3,314
2023	3,470
2024	3,633
2025	3,804
Thereafter	117,973
Total balance due	$ 135,359

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. 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 five-year, 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 five-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2020 and 2019, the outstanding principal balance of the loan amounted to $70,962 and $87,348, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $3,995 and $744, respectively.

Aggregate principal maturities on the loan for each of the next four years at June 30, 2020 are as follows:

Year	Amount
2021	$ 17,224
2022	18,105
2023	19,031
2024	16,602
2025	-
Thereafter	-
Total balance due	$ 70,962

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 Organization.

As of June 30, 2020 and 2019, the outstanding principal balance of the loan amounted to $262,969 and $268,081, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $11,700 and $11,888, 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, 2020, are estimated to be as follows:

Year	Amount
2021	$ 5,374
2022	5,614
2023	5,866
2024	6,128
2025	6,403
Thereafter	233,584
Total balance due	$ 262,969

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 Organization.

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As of June 30, 2020 and 2019, the outstanding principal balance of the loan amounted to $141,347 and $145,829, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $7,310 and $4,253, respectively.

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
2021	$ 4,736
2022	4,982
2023	5,240
2024	5,495
2025	5,797
Thereafter	115,097
Total balance due	$ 141,347

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 Boston Classic Advance Five-Year Rate plus 1.5% per annum for the remaining five 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $215,293 and $228,704, respectively.

For the years ended June 30, 2020 and 2019, interest expense on this mortgage note amounted to $8,487 and $8,964, 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, 2020, are estimated to be as follows:

Year	Amount
2021	$ 14,068
2022	14,605
2023	15,162
2024	15,741
2025	16,341
Thereafter	139,376
Total balance due	$ 215,293

Note 13 - 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 $2,301,000 and $2,250,000 at June 30, 2020 and 2019, 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $474,685 and $494,807, respectively.

For the years ended June 30, 2020 and 2019, interest expense on the note amounted to $17,260 and $18,032, 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
2021	$ 20,924
2022	21,677
2023	22,456
2024	23,226
2025	24,099
Thereafter	362,303
Total balance due	$ 474,685

Note 14 - Lease and license agreements

As disclosed in Note 12, 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, 2020 and 2019, 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, 2020:

Year	Amount
2021	$ 165,000
2022	165,000
2023	165,000
2024	165,000
2025	165,000
Later years	185,625
	$ 1,010,625

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

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in monthly installments of $1,579. On July 1, 2014, the Supporting Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above-mentioned office space and extending the lease term through June 30, 2019. The amended lease provides for a base annual rent of $28,495 for each of the first three years of the lease term, payable biannually in installments of $14,247. On July 1, 2017, the annual rent on the lease shall increase by 7.5% to $30,632 (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, 2020 and 2019, rent expense amounted to $30,632 in each year.

The future minimum rental payments under this operating lease agreement at June 30, 2020 are $31,245 and $31,870 for the fiscal years ending June 30, 2021 and 2022, respectively.

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 June 30, 2020 and 2019, 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, 2020:

Year	Amount
2021	$ 5,696
2022	5,696
2023	5,696
	$ 17,088

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 made thereto, shall be borne by the University. The License Agreements may be terminated by

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

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, 2020 and 2019, license fee income amounted to $545,661 and $205,427, 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. The lease agreement provides for monthly lease payment of $1,600 commencing on July 1, 2018. For the years ended June 30, 2020 and 2019, rental income amounted to $21,255 and $16,614, respectively

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2020:

Year	Amount
2021	$ 19,200
	$ 19,200

Note 15 - Net assets with donor restrictions

Net assets with donor restrictions in the amount of $8,750,667, as of June 30, 2020, are available for scholarships to qualified students and to promote cultural programs within Fitchburg State University. Net asset with donor restrictions in the amount of $8,046,668, 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 $8,045,979.

Remaining net assets with donor restrictions in the amounts of $12,220,628 and $10,476,414 as of June 30, 2020 and 2019, 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 2020 represent the satisfaction of program restrictions in the amount of $432,242 and the satisfaction of scholarship-related restrictions in the amount of $355,106.

Note 16 - Transactions with a related party

Fitchburg State University renders certain administrative services to the Foundation and Supporting Organization. These services, with a value of $160,831 and $179,787, 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, 2020 and 2019.

Repairs and maintenance expense in the accompanying 2020 and 2019 consolidated statements of activities include $21,740 each year, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing. At June 30, 2020 and 2019, none of the balance remained unpaid.

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

During fiscal 2020 and 2019, the Foundation made a contribution without donor restrictions 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 contributions without donor restrictions to the University in future years in amounts that shall be determined each year.

As of June 30, 2020 and 2019, the Supporting Organization had miscellaneous accounts receivable totaling $21,195 and $0 from the Fitchburg State University, respectively, which are reflected as accounts receivable in the accompanying consolidated statements of financial position.

As of June 30, 2020 and 2019, the Supporting Organization has miscellaneous payables in the amount of $16,194 each year to the Fitchburg State University, which are included in accounts payable, trade in the accompanying 2020 consolidated statement of financial position.

At June 30, 2020 and 2019, the Foundation has miscellaneous payables to Fitchburg State University in the amounts of $49,963 and $109,522, respectively, which are included in accounts payable, trade in the accompanying consolidated statements of financial position.

Note 17 - Major donors

During fiscal 2020, the Organization received restricted gift and grant donations totaling $777,778 from two donors which represents approximately 35% of total gifts, donations and grant revenue during 2020.

During fiscal 2019, the Organization received restricted grant donations totaling $100,000 from one donor which represents approximately 11% of total gifts, donations and grant revenue during 2019.

Note 18 - Supplemental cash flow information

	2020	2019
Cash paid for interest during the year	$ 170,568	$ 163,763

During the years ended June 30, 2020 and 2019, cash paid for property additions is as follows:

	2020	2019
Costs incurred for purchase of property	$ 342,875	$ 684,036
Amounts funded through contribution income	(2,100)	(3,000)
Amounts included in accounts payable at the beginning of the year	-	9,342
Amounts included in accounts payable at the end of the year	(100,000)	-
	$ 240,775	$ 690,378

Note 19 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As of June 30, 2020, there was no significant impact to the Organization's operations however, the Organization is not able to reliably estimate the length or

Fitchburg State University Foundation, Inc.

Notes to Consolidated Financial Statements
June 30, 2020

severity of this outbreak. If the length of the outbreak and related effects on the Organization's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects on the Organization's financial position, results of operations and cash flows.

Note 20 - Subsequent events

Effective on August 9, 2019, the Supporting Organization entered into a Purchase and Sale Agreement to acquire a property consisting of land and a building in close proximity to the Fitchburg State University campus at a cost of $170,000, plus closing costs. The closing on the acquisition occurred September 18, 2020. The Supporting Organization is currently planning to raze the building on the property and convert it into a parking lot to support the operations of the adjacent recreation center.

Effective on October 16, 2020, the Supporting Organization entered into a Purchase and Sale Agreement to acquire a property consisting of land and building in close proximity to the Fitchburg State University campus at a cost of $100 plus closing costs. The closing on the acquisition is expected to occur in November, 2020. The Supporting Organization is currently planning to utilize the building for additional classroom space.

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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, 2020, 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, and have issued our report thereon dated 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") as a basis for designing 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 consolidated financial statements. 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
DATE

Attachment D

Foundation Communication Letter

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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, 2020, and have issued our report thereon dated DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as information related to the planned scope and timing of our audit, and certain other matters related to the audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 30, 2020, 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 on June 22, 2020.

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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.

<u>Significant Audit Findings</u>

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") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended June 30, 2020. The requirements of the ASU have been applied on a modified prospective basis.

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. There were no uncorrected misstatements noted as a result of audit procedures. 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 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.

Financial Statements

and Independent Auditor's Report

FSU Foundation Supporting Organization, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2020 and 2019

FSU Foundation Supporting Organization, Inc.

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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, 2020 and 2019, 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, 2020 and 2019, 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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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, 2020. 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, 2020 and 2019

Assets

	2020	2019
Cash and cash equivalents	$ 176,467	$ 125,913
Due from affiliate	24,445	7,646
Prepaid expenses and other assets	135,177	32,762
Property and equipment, net of accumulated depreciation	6,287,094	6,096,696
Total assets	$ 6,623,183	$ 6,263,017

Liabilities and Net Assets

	2020	2019
Liabilities		
Accounts payable, trade	$ 5,049	$ 3,584
Due to affiliates	16,194	16,194
Deposits received	-	825
Agency fund	31,080	53,901
Accrued interest payable	5,721	7,435
Bank line of credit	250,000	250,000
Note payable - bank	474,685	494,807
First mortgage notes payable	2,979,863	3,186,883
Environmental remediation liability	100,000	-
Deferred revenue	30,000	-
Total liabilities	3,892,592	4,013,629
Net assets		
Without donor restriction	2,730,591	2,249,388
Total net assets	2,730,591	2,249,388
Total liabilities and net assets	$ 6,623,183	$ 6,263,017

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Activities
Years Ended June 30, 2020 and 2019

	2020	2019
Revenue and support		
Program revenues		
Rental income	$ 189,330	$ 190,614
Residence hall income	263,623	270,854
License fee income	545,661	205,427
Contribution in kind income	11,750	13,537
Contribution income	-	11,196
Other income		
Interest income	1,104	978
Total revenue, gain and support	1,011,468	692,606
Expenses and losses		
Program services	506,658	498,208
Management and general	23,607	24,036
Total expenses	530,265	522,244
Increase in net assets	481,203	170,362
Net assets at beginning	2,249,388	2,079,026
Net assets at end	$ 2,730,591	$ 2,249,388

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Functional Expenses
Year Ended June 30, 2020

	2020			
	Program services	Management and general	Fundraising	Total
Affiliate personnel costs	$ -	$ 9,650	$ -	$ 9,650
Insurance	94,432	-	-	94,432
Rent	36,328	-	-	36,328
Professional services	-	7,015	-	7,015
Landscaping	7,700	-	-	7,700
Other costs	1,401	6,942	-	8,343
Supplies and equipment	-	-	-	-
Utilities	23,130	-	-	23,130
Real estate and other taxes	309	-	-	309
Depreciation	152,477	-	-	152,477
Repairs and maintenance	34,871	-	-	34,871
Interest	156,010	-	-	156,010
	$ 506,658	$ 23,607	$ -	$ 530,265

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Functional Expenses
Year Ended June 30, 2019

	2019			
	Program services	Management and general	Fundraising	Total
Affiliate personnel costs	$ -	$ 10,612	$ -	$ 10,612
Insurance	78,189	-	-	78,189
Rent	36,328	-	-	36,328
Professional services	6,733	6,324	-	13,057
Landscaping	9,886	-	-	9,886
Other costs	2,194	7,100	-	9,294
Supplies and equipment	99	-	-	99
Utilities	24,568	-	-	24,568
Real estate and other taxes	1,080	-	-	1,080
Depreciation	143,423	-	-	143,423
Repairs and maintenance	44,381	-	-	44,381
Interest	151,327	-	-	151,327
	$ 498,208	$ 24,036	$ -	$ 522,244

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Increase in net assets	$ 481,203	$ 170,362
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	152,477	143,423
Amortization of debt issuance costs	2,404	3,114
Donation of fixed assets	(2,100)	(3,000)
Changes in assets and liabilities		
Increase in assets		
Due from affiliate	(16,799)	(4,665)
Prepaid expenses and other assets	(102,415)	(14,921)
Increase (decrease) in liabilities		
Accounts payable, trade	1,465	(1,932)
Agency fund	(22,821)	53,901
Deposits received	(825)	825
Due to affiliate	-	13,077
Accrued interest payable	(1,714)	1,083
Deferred revenue	30,000	-
Net cash provided by operating activities	520,875	361,267
Cash flows from investing activities		
Payments for property and equipment	(240,775)	(690,378)
Net cash used in investing activities	(240,775)	(690,378)
Cash flows from financing activities		
Proceeds of first mortgage notes payable	-	688,400
Payments on first mortgage notes payable	(209,424)	(176,801)
Payments on note payable - bank	(20,122)	(19,469)
Proceeds on bank line of credit	250,000	100,000
Payments on bank line of credit	(250,000)	-
Payments on advances from affiliates	-	(170,000)
Net cash (used in) provided by financing activities	(229,546)	422,130
Net increase in cash and cash equivalents	50,554	93,019
Cash and cash equivalents, beginning	125,913	32,894
Cash and cash equivalents, end	$ 176,467	$ 125,913

See Notes to Financial Statements.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020, 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 pronouncements adopted

During the year ended June 30, 2020, the Organization adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on the net assets in connection with the implementation of ASU 2018-08.

In June, 2020, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for the elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

The Organization has elected to apply the deferrals provided by ASU 2020-05 and therefore expects to adopt (i) Topic 606 for annual reporting periods beginning after December 15, 2019; and (ii) Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis.

Summary of significant accounting policies

Use of estimates

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

Method of accounting

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

Basis of presentation

The financial statements of the Organization are presented in accordance with guidance issued by the Financial Accounting Standards Board ("FASB") for the presentation of financial statements of not-for-profit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-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

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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. 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. Other donor restrictions are perpetual in nature, whereby the donor stipulates the funds be maintained in perpetuity.

As of June 30, 2020 and 2019, 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, that is, those with a measurable performance or other barrier, and a right of return, 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. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

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

Residence hall income
Residence hall fees are recognized when earned.

FSU Foundation Supporting Organization, Inc.

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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 income for the years ended June 30, 2020 and 2019. 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, 2020. 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, 2020 and 2019 and none were incurred during the years then

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ended. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2017, 2018 and 2019.

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, 2020 and 2019.

Note 3 - Liquidity and availability

Financial assets available for general expenditure within one year as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Financial assets at year end		
Cash (excluding agency fund)	$ 145,387	$ 72,012
Due from affiliate	24,445	7,646
Total financial assets	169,832	79,658
Financial assets available to meet general expenditures within one year	$ 169,832	$ 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.

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. In addition, the Organization has access to a line of credit of $250,000 (See Note 9).

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Note 4 - Property and equipment

Property and equipment at June 30, 2020 and 2019 consist of the following:

	2020	2019
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	133,619
Building	533,508	533,508
	667,127	667,127
Other		
Land	2,024,292	1,681,415
Building	870,442	870,443
Land improvements	158,127	158,127
Building improvements	1,069,436	1,069,437
Furniture and fixtures	28,446	28,446
	4,150,743	3,807,868
	7,595,089	7,252,214
Less accumulated depreciation	1,307,995	1,155,518
Property and equipment, net	$ 6,287,094	$ 6,096,696

Accumulated depreciation on real estate under lease amounted to $604,843 and $560,878 at June 30, 2020 and 2019, respectively. Accumulated depreciation on real estate used for student housing amounted to $157,520 and $145,234 at June 30, 2020 and 2019, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $23,514 and $9,236 at June 30, 2020 and 2019, respectively.

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On June 24, 2020, the Organization received a donation of property in close proximity to the Fitchburg State University campus. The property, which includes land only, was recorded at fair market value of $2,100 at the time of the donation. The Organization intends to use this property for open green space.

On June 2, 2020, 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 $240,775. The Organization intends to use this property for open green space. The acquisition was funded, in part, through the proceeds of an advance $250,000 on a letter of credit (see Note 9).

On November 13, 2019, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which consists of land and a building, was purchased for $1 as current environmental remediation is needed before the property is usable. The Organization intends to raze the building and convert it to a parking lot. The Organization obtained an insurance policy to cover the costs of remediation needed. For the year ended June 30, 2020, the Organization has determined a probable liability for these costs equal to $100,000, which has been capitalized into the land.

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 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

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Organization currently estimates to be approximately $148,000 for the entire project. The Organization expects to fund these costs through operating cash. As of June 30, 2020 and 2019, the Organization has incurred $73,491 and $25,536 of legal costs, respectively, related to the project which have been recorded in prepaid expenses and other assets in the accompanying 2020 and 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, 2020, the Organization collected $49,398 of contributions and disbursed $72,219 in connection with this collaboration. 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, 2020 and 2019, the Organization is holding $31,080 and $53,901, respectively, 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 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.

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

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

As of June 30, 2020, the outstanding principal balance of the loan of $779,258, less net debt issuance costs of $14,813, amounted to $764,445.

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.

Debt issuance costs, net of accumulated amortization, totaled $14,813 and $17,217 as of June 30, 2020 and 2019, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2020 and 2019.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2020, are estimated to be as follows:

2021	$	115,067
2022		119,217
2023		123,518
2024		127,940
2025		132,587
Thereafter		160,929
Total balance due	$	779,258

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, 2020 and 2019, the Organization has total cash balances of $8,097 and $7,527, 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, 2020 and 2019, the outstanding principal balance of the mortgage loan amounted to $525,566 and $551,397, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020, are as follows:

2021	$	27,261
2022		28,727
2023		30,272
2024		31,839
2025		33,612
Thereafter		373,855
Total balance due	$	525,566

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, 2020 and 2019, the outstanding principal balance of the mortgage loan amounted to $188,898 and $198,877, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020, are as follows:

2021	$	10,331
2022		10,678
2023		11,035
2024		11,389
2025		11,784
Thereafter		133,681
Total balance due	$	188,898

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

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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, 2020 and 2019, the outstanding principal balance of the mortgage loan amounted to $71,916 and $73,461, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rates in effect at June 30, 2020, are estimated to be as follows:

2021	$	1,659
2022		1,748
2023		1,843
2024		1,933
2025		2,046
Thereafter		62,687
Total balance due	$	71,916

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $102,826 and $107,154, respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

2021	$	4,501
2022		4,692
2023		4,891
2024		5,089
2025		5,315
Thereafter		78,338
Total balance due	$	102,826

In January 2017, Fidelity Co-Operative Bank provided financing to the Organization in the form of a promissory note, dated January 13, 2017, in the amount of $220,000. The proceeds of the loan were used to reimburse the Organization for the acquisition, at a cost of $222,472, of two real estate properties 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $195,137 and $202,616, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

2021	$	7,901
2022		8,291
2023		8,700
2024		9,107
2025		9,578
Thereafter		151,560
Total balance due	$	195,137

Hometown Bank
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 Fitchburg, Massachusetts (see Note 4). The note is secured by a first mortgage interest in the property

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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, 2020 and 2019, the outstanding principal balance of the loan amounted to $305,145 and $312,000, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

2021	$	7,136
2022		7,471
2023		7,822
2024		8,190
2025		8,575
Thereafter		265,951
Total balance due	$	305,145

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $135,359 and $138,400 respectively.

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Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2020 are as follows:

2021	$	3,165
2022		3,314
2023		3,470
2024		3,633
2025		3,804
Thereafter		117,973
Total balance due	$	135,359

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. 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $70,962 and $87,348 respectively.

Aggregate principal maturities on the loan for each of the next four years at June 30, 2020 are as follows:

2021	$	17,224
2022		18,105
2023		19,031
2024		16,602
Total balance due	$	70,962

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 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

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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, 2020 and 2019, the outstanding principal balance of the loan amounted to $262,969 and $268,081, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2020, are estimated to be as follows:

2021	$	5,374
2022		5,614
2023		5,866
2024		6,128
2025		6,403
Thereafter		233,584
Total balance due	$	262,969

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $141,347 and $145,829, respectively.

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:

2021	$	4,736
2022		4,982
2023		5,240
2024		5,495
2025		5,797
Thereafter		115,097
Total balance due	$	141,347

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, the outstanding principal balance of the loan amounted to $215,293 and $228,704, 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, 2020, are estimated to be as follows:

2021	$	14,068
2022		14,605
2023		15,162
2024		15,741
2025		16,341
Thereafter		139,376
Total balance due	$	215,293

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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 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 $2,301,000 and $2,250,000 at June 30, 2020 and 2019, 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, 2020 and 2019, the outstanding principal balance of the loan amounted to $474,685 and $494,807, 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, 2020, are estimated to be as follows:

2021	$	20,924
2022		21,677
2023		22,456
2024		23,226
2025		24,099
Thereafter		362,303
Total balance due	$	474,685

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020:

2021	$ 165,000
2022	165,000
2023	165,000
2024	165,000
2025	165,000
Later years	185,625
	$ 1,010,625

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). Effective July 1, 2019, the Organization entered into an operating lease agreement with the unrelated third party for the same space. The new lease provides a base annual rent of $30,632 per annum and will increase 2% at the end of each year period of the lease term to be effective commencing July 1st of the following year, including the continuous period of any extension. 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, 2020 and 2019, rent expense amounted to $30,632 in each year.

The future minimum rental payments under this operating lease agreement at June 30, 2020 are $31,245 and $31,870 for the fiscal years ending June 30, 2021 and 2022, respectively.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 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, 2020 and 2019, 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, 2020:

2021	$	5,696
2022		5,696
2023		5,696
	$	17,088

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, 2020 and 2019, license fee income amounted to $545,661 and $205,427, 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. The lease agreement provides for monthly lease payment of $1,600 commencing on July 1, 2018. For the year ended June 30, 2020, rental income amounted to $21,255.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2020:

2021	$	19,200
	$	19,200

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.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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 3.25% at June 30, 2020 and 5.25% at June 30, 2019). 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 and again through November 30, 2020. 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 June 30, 2020, the Organization has made payments of $250,000 and borrowings of $250,000 under the line of credit agreement. The balance outstanding as of June 30, 2020 is $250,000. As of June 30, 2019, the 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 was $250,000.

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, 2020 and 2019, these services with a value of $9,650 and $10,612, 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 2020 and 2019 statements of activities includes $21,740 and $21,740, respectively, paid to Fitchburg State University for maintenance services provided to the Organization for the real estate used for student housing. At June 30, 2020 and 2019, 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, 2020 and 2019, the effective interest rate was 0% and 5.50% per annum, respectively. Interest expense incurred by the Organization on advances amounted to $0 and $10,339 in fiscal 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was no accrued interest payable to the Foundation. During fiscal 2020, no advances were made to the Organization. During fiscal 2019, the Foundation made advances of $150,000 to the Organization. As of June 30, 2020 and 2019, there were no outstanding advances payable to the Foundation.

As of June 30, 2020 and June 30, 2019, the Organization has miscellaneous accounts receivable totaling $24,445 and $7,646 from the University, respectively, which are reflected as due from affiliate in the accompanying statements of financial position.

FSU Foundation Supporting Organization, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

As of June 30, 2020 and 2019, the Organization has miscellaneous payables in the amount of $16,194 and $16,194, respectively, to the University, which are included in due to affiliates in the accompanying 2020 statement of financial position.

Note 11 - Supplemental cash flow information

	2020	2019
Cash paid for interest during the year	$ 155,320	$ 147,130

During the years ended June 30, 2020 and 2019, cash paid for property additions is as follows:

	2020	2019
Costs incurred for the purchase of property	$ 342,875	$ 684,036
Amounts funded through contribution income	(2,100)	(3,000)
Amounts included in accounts payable at the beginning of the year	-	9,342
Amounts included in accounts payable at the end of the year	(100,000)	-
Cash paid for property and equipment	$ 240,775	$ 690,378

Note 12 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities leading to an overall decline in economic activity. As of June 30, 2020, there was no significant impact to the Organization's operations. However, the Organization is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Organization's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects on the Organization's financial position, results of operations and cash flow.

Note 13 - Subsequent events

Effective on August 9, 2019, the Organization entered into a Purchase and Sale Agreement to acquire a property consisting of land and a building in close proximity to the Fitchburg State University campus at a cost of $170,000, plus closing costs. The closing on the acquisition occurred September 18, 2020. The Organization is currently planning to raze the building on the property and convert it into a parking lot to support the operations of the adjacent recreation center.

Effective on October 16, 2020, the Organization entered into a Purchase and Sale Agreement to acquire a property consisting of land and building in close proximity to the Fitchburg State University campus at a cost of $100 plus closing costs. The closing on the acquisition is expected to occur in November, 2020. The Organization is currently planning to utilize the building for additional classroom space.

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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, 2020, and the related statement of activities, cash flows and functional expenses 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") as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Boston, Massachusetts
(REPORT DATE)

Attachment 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, 2020 and have issued our report thereon dated REPORT DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit, and certain other matters related to the audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 30, 2020, 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 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 financial statements are free of material misstatement, we performed tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We gave consideration to the 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 on June 22, 2020.

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.

<u>Significant Audit Findings</u>

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") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended June 30, 2020. The requirements of the ASU have been applied on a modified prospective basis.

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 attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatement detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated 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,

Index GF5.3

NPO-CX-12.2: Audit Difference Evaluation Form

Entity: FSU Supporting Org., Inc.   Statement of Financial Position Date: 6/30/2020

Completed by: NDM   Date: 9/2/2020

Instructions: This form may be used to accumulate audit differences (AD) that are not considered clearly trivial in amount or nature (documented at Step 5 of NPO-CX-2.1). This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. This form also provides a space to document any misstatements of disclosures (including quantitative and qualitative disclosures) that are considered when evaluating misstatements in aggregate. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1112 before completing this form.

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Reference	Financial Statement Effect—Amount of Over (Under) Statement of:						
				Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
License fee agreement	F		IS.2		-$13,148	$13,877	-$729		-$729	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
Total				$0	-$13,148	$13,877	-$729	$0	-$729	$0
Less Audit Adjustments Subsequently Booked									$0	
Unadjusted AD—Current Year (Iron Curtain Method)				$0	-$13,148	$13,877	-$729	$0	-$729	$0
Effect of Unadjusted AD—Prior Years									$0	
Combined Current and Prior Year AD (Rollover Method)				$0	-$13,148	$13,877	-$729	$0	-$729	$0
Financial Statement Caption Totals				$6,622,726	$3,892,592	$2,730,134	$1,011,468		$1,011,468	
Current Year AD as % of FS Captions (Iron Curtain Method)				0.00%	-0.34%	0.51%	-0.07%	0.00%	-0.07%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.00%	-0.34%	0.51%	-0.07%	0.00%	-0.07%	0.00%

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements of amounts in the table are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Misstatements of Disclosures: Accumulate and describe any misstatements of disclosures, including qualitative and quantitative disclosures, that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors and misstatements by nature or circumstances, uncorrected audit differences, individually and in the aggregate, ○ do ◉ do not cause the financial statements taken as a whole to be materially misstated.

Qualitative Considerations in Evaluating Materiality

The judgment about whether a misstatement is material is influenced by qualitative considerations as well as quantitative considerations. The following are examples of qualitative considerations (see section 1112):

1. Effect on other financial statement components (that is, the pervasiveness of the misstatement).
2. Effect of the misstatement on the overall trend of the change in net assets, such a misstatement that reverses a downward trend of contributions or changes a decrease in net assets to an increase in net assets.
3. Significance of the financial statement element or portion of the Organization's activities affected by the misstatement.
4. Effect of misstatement on the Organization's compliance with loan covenants, other contractual agreements, or regulatory provisions.
5. The existence of statutory or regulatory requirements affecting materiality thresholds.
6. A misstatement that affects management's compensation (for example, meeting a contribution target might trigger a bonus).
7. The sensitivity of the circumstances (such a implications of misstatements involving fraud, possible violations of laws and regulations, violations of contractual provisions, or conflicts of interest).
8. The effects of misclassifications that could be significant to the financial statements users.
9. Significance of the misstatement or disclosures in relation to known user needs.
10. The character of the misstatement (for example, the precision of the audit differences).
11. Motivation of management.
12. Offsetting effects of individually significant misstatements.
13. Potential effect on future periods.
14. Cost of making the correction.
15. Risk of possible additional undetected misstatements.
16. A misstatement that may alter key ratios that are used to evaluate the Organization's financial position, results of operations, or cash flows.
17. Misstatements that relate to transactions involving particular parties (for example, transactions with related parties) or significant unusual transactions.

The items in the above list are only examples of qualitative factors that may be pertinent to the auditor's evaluation of materiality. The auditor should consider additional qualitative factors that may exist.

Misstatements of Disclosures

In May 2019, the AICPA issued SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, a suite of auditor reporting standards. With regard to disclosures, SAS No. 134 amends a number of AU-C sections, including AU-C 450, *Evaluation of Misstatements Identified During the Audit,* and adds new application guidance on evaluation of misstatements in disclosures. SAS No. 134 is effective for audits of financial statements for periods ending on or after December 15, 2020, **with no early adoption permitted**. AU-C 450, as amended by SAS No 134, clarifies that misstatements of disclosures, like those related to account balances and transactions, are to be accumulated and evaluated both individually and for their effect on the financial statements as a whole. Quantitative and qualitative information in disclosures may be misstated. Examples of such misstatements include incomplete, inadequate, or omitted disclosures; misleading or obscured information; or inappropriate classification, aggregation, or disaggregation of information. Like financial statement misstatements, misstatements of disclosures may also be deemed *clearly trivial* based on size, nature, or circumstances. Misstatements of disclosures may also be indicative of fraud.

Misstatements of qualitative disclosures may not be able to be quantified in the same way as misstatements of amounts. AU-C 450, as amended by SAS No. 134, however, clarifies that such misstatements are required to be considered when evaluating misstatements individually and in the aggregate. Determining whether such misstatements are material to the financial statements as a whole requires the exercise of professional judgment and skepticism. The following are examples of factors to consider when evaluating the materiality of misstatements by nature or circumstances, individually and in aggregate, with all other misstatements:

- Errors are persistent or pervasive in nature.
- Multiple misstatements relate to the same matter that, collectively, may potentially affect the financial statement user's understanding of the matter.
- One or more misstatements that are the result of management bias.
- One or more misstatements that indicate possible fraud.
- The misstatements undermine the overall presentation of the financial statements.

The auditor may determine qualitative misstatements that seem individually insignificant indicate a pattern, for example of management bias, and are therefore material in aggregate.

Attachment G

No Management Letter

Acknowledgement Letter

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November __, 2020

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, 2020.

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 2020

Fitchburg State University
Executive Summary
Report on Audits of Financial Statements and Supplemental Information
Years Ended June 30, 2020 and 2019

- 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 21-23):

- Total assets and deferred outflows decreased by $5.5 million to $247.8 million in fiscal year 20. This decrease was mainly due to $4.2 million decrease in cash and cash equivalents. Total liabilities and deferred inflows increased to $125.9 million, which is a net decrease of $2.1 million. This net decrease was because of a $4 million decrease in bond payable and an increase of $2.2 million state capital asset revenue received in advance (for McKay building renovation).
- As at June 30, 2020, current unrestricted cash was $20.1, a reduction of $4.6 million. Current restricted cash $6.8 million and noncurrent restricted cash of $8.4 million.
- Capital assets decreased by $1.3 million to $181.5 million net of current period depreciation of $11.0 million.
- Total debt from bond issues is $58.3 million. The bonds were issued for various construction projects. See Note 12, beginning on page 58. No new debt was issued in fiscal year 20.
- Investment in capital assets; net of related debt increased by $3.3 million and unrestricted net position decreased by $6 million.

Statement of Revenues, Expenses and Changes in Net Position (pages 24-25):

- Total revenue for the year was $115.7 million.
- Tuition and fee revenue decreased by 2.1%. Scholarships and scholarship allowances was $10 million.
- Grants and Contract increased by $4.6 million - $4 million of that increase was COVID related.
- Auxiliary dorm revenue, which represents operation of the residence halls, totaled $7.5 million. The decrease of $3 million from prior year was due mainly to refund of $2.4 million for COVID refund to students.
- Dining hall revenue decreased by $1.25 million and $1.0 million of that decrease was due to COVID refund to students.
- State appropriations increased a little more than 0.7%, over the prior period due mainly to increase payroll payments. Capital appropriations received totaled $1.3 million – of which $1 million was for the energy/water projects.
- Total expenditures, exclusive of depreciation, increased by 2.2% to $109.7 million. This is partly due to one-time payment of $2.3 million for COVID related expenditure to students.
- Instructional expenditures represent 40% of total operating expenditures, exclusive of depreciation and scholarships. 68.4% 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 6.3 % of total operating expenses exclusive of depreciation and scholarships.
- Operations and maintenance of plant expenditures totaled $11.6 million an increase of $.2 million.
- There was an overall decrease in net position of $3.5 million for the fiscal year.

Statement of Cash Flows (pages 26-28):

- Total cash at June 30, 2020 decreased from $39.6 million to $35.5 million.
- Cash received from operations (before appropriations) was $70.6 million. Cash expended for operations was $93.8 million, resulting in an operating loss of $23.2 million, which was offset by appropriations of $32.5 million net of tuition amounts reverted to the state.
- Acquisitions of property and equipment totaled $11 million.

Notes to the Financials Statements (pages 29 - 99):

Most of the notes are standard disclosures. Note 1, which outlines the University's significant accounting policies, spans pages 29 through 37.

- Note 5, beginning on page 50, 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 58.

Attachment I

Executive Summary FDN Audit June 2020

Fitchburg State University Foundation, Inc.
Executive Summary
Report on Audit of Consolidated Financial Statements
Years Ended June 30, 2020 and 2019

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 $30.9 million at June 30, 2020.
- Property & equipment totaled $6.7 million.
- Total debt outstanding at June 30, 2020 was $4 million.
- Total net assets increased in FY20 by $3 million.

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

- Total gifts and donations were $1.9 million of which approximately $0.1 million was unrestricted and $1.8 million of the balance is restricted in its expenditure, mostly endowed funds. (See Note 17 – page 44).
- Received $0.28 million in State matching donation.
- Rental income, license fees and residence hall fees totaled $1.1 million 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 $0.3 million. Investment gains totaled $1.2 million.
- Total income increased by $1.5 million over the prior year. $1.3 million of this increase was due to gift and donations, and the balance to rental income and fees increase.
- Program expenses were $1.5 million in 2020. Management and general expenses were $0.4 million and Fundraising expenses were $100,000. Total expenses were $2.1 million, a decrease of approximately $100,000 over the prior year. The decrease was mainly because of the decrease in award and grant expenditure.

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

- There was an overall net increase in cash of approximately $631,000 primarily due to operating activities. Total cash at June 30, 2020 was $1.87 million.
- Proceeds from the sale of investments totaled $2.7 million. Acquisition of investments totaled $2.7 million.
- Cash paid for interest was $171,000 (see note 18, 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 15.
- Detail on investments is disclosed in Note 4 beginning on page 16, as well as, Note 5 beginning on page 17.
- Detail on property and equipment and its related debt is disclosed in Note 8 beginning on page 24 and Notes 12 and 13 beginning on page 27. Detail on lease and license agreements is disclosed in Note 14 beginning on page 40.
- Related party transactions are disclosed in Note 16 on page 42.
- COVID effects in Note 19 – page 43.

Attachment J

Executive Summary SO June 2020

FSU Foundation Supporting Organization, Inc.
Executive Summary
Report on Audit of Financial Statements
Years Ended June 30, 2020 and 2019

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 $6.6 million and total liabilities are $4 million at June 30, 2020.
- Property and equipment, net of depreciation totaled $6.3 million.
- Total debt outstanding at June 30, 2020 was $3.7 million.
- Net asset without donor restrictions increased by .5 million.

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

- Rental income, license fees and residence hall fees totaled $1 million an increase of 332,000 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 $156,000.
- Program expenses totaled $507,000, management and general expenses totaled $24,000.

Statements of Cash Flows (page 8):

- There was positive cash flows from operating activities of $521,000. There was an overall net increase in cash of approximately $51,000.
- Prepaid expenses and other assets are due to capital assets increase by $87,000
- Net cash provided by investment activities increased by $450,000.

Notes to the Financials Statements (pages 9 – 30):

- 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 13.
- 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 27.

FITCHBURG STATE UNIVERSITY

Fitchburg State University Foundation

Financial Statements for the year ended June 30, 2020

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NEXIA INTERNATIONAL | CohnReznick is an independent member of Nexia International

Introductions

- Karen Smith, Audit Partner
- Mark Snyder, Audit Senior Manager
- Maryellen Scarselli, Audit Manager

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Fitchburg State University Foundation, Inc. And Related Supporting Organization

Audit results

- Financial statements are being issued with a "clean" – unmodified opinion.
- Report on internal controls over financial reporting and compliance and other matters – there were no findings required to be reported under Government Auditing Standards.
- Management letter – none.
- AU-C Section 260 letter – communications with those charged with governance (Attachments C and E).
- We would like to thank Jay Bry, Yvonnie Malcolm and their staff for their hard work in helping us complete the audits of the Foundation and the Supporting Organization.

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Consolidated Statements of Financial Position

(Page 4 of the Foundation's financial statements, Attachment C)

- Investments increased by approximately $1.2 million. This net increase results principally from investment net gains of $1.1 million ($900 thousand of unrealized gains) during the year.
- Property and equipment, net increased by $175 thousand primarily due to $341 thousand of property acquisitions during the year offset by $166 thousand of depreciation
- Liabilities decreased by approximately $423 thousand primarily due to decreased payables of $230 thousand and scheduled debt repayments of $220 thousand during the year.
- Net assets increased by approximately $3 million during the year.

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Consolidated Statements of Activities and of Cash Flows

(Pages 5 through 7 of the Foundation's financial statements, Attachment C)

- Residence hall income was consistent with the prior year and decreased by $7 thousand.
- Gifts and donations increased by $1 million and grant income increased by $44 thousand.
- Sales and services was fairly consistent with prior year and decreased by $6 thousand.
- License fee income increased by $340 thousand primarily due to new license agreements signed in 2020.
- Investment income and net gains on investments decreased $90 thousand due to market performance during the current fiscal year.
- Program expenses decreased by $216 thousand. There were a number of increases and decreases in various line items during FY 2020.

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Footnotes and Disclosures

(Starting on page 8of the Foundation's financial statements, Attachment C)

- Footnotes 3 and 5 (Starting on pages 15 and 17, respectively) – information and detail on what comprised cash and equivalents and investments.
  - Uninsured cash and cash equivalents of approximately $726 thousand is represented primarily by money market funds invested with State Street, Goldman Sachs and Fidelity Bank and cash and other demand deposits held by Enterprise Bank.
  - Investments held by Eaton Vance collateralize the Foundation's Line of Credit (see footnote 11) and investments held by Enterprise collateralize the Supporting Organization's Enterprise Bank & Trust Company loan (see footnote 13).
- Footnote 8 (Pages 24 through 25) – two properties were acquired in the current year for a total cost of $240 thousand, there were no transfers or sales of properties in the current fiscal year. One of the properties (purchased for $1) had an environmental liability reported of $100K.
- Footnotes 11, 12 and 13 (Pages 26 through 40) – Lines of credit and other debt. Outstanding balances on lines of credit were $250 thousand at 6/30/20 and 6/30/19. The mortgage notes and bank note payable are being paid down as scheduled.

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Questions

FITCHBURG STATE UNIVERSITY

Financial Statements for the year ended
June 30, 2020

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Engagement Team

- Karen Smith, Audit Partner
- Mark Snyder, Audit Senior Manager
- Michelle Scott, Audit Senior Associate

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Audit results
(Attachment A)

- Financial statements are being issued with a "clean" – unmodified opinion.
- The Uniform Guidance report will be released at a later date once audit guidance has been released relating to the new CARES Act funding.
- Report on internal controls over financial reporting and compliance and other matters – there were no findings required to be reported under Government Auditing Standards. No findings.
- Management's Discussion and Analysis prepared by Yvonnie Malcolm addresses significant events and changes between fiscal years.
- AU-C Section 260 – Communications with those charged with governance (Attachment B)
- We'd like to thank Jay Bry, Yvonnie Malcolm and the financial services staff, and Denise Brindle and the financial aid staff at Fitchburg State University for their hard work in helping us to complete the audits.

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Financial Statements Overview (Attachment A)

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- Required Supplementary Information – Pension and OPEB schedules and related footnotes
- Supplementary Information – Residence Hall Information

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Statements of Net Position

(Pages 21 through 23 of the University's financial statements, Attachment A)

- Total assets decreased by $5.0 million. The decrease is primarily due to a decrease in cash and cash equivalents.
- Deferred outflows of resources decreased by $640 thousand primarily due to a decrease of $390 thousand associated with the net pension liability resulting as disclosed in as disclosed in footnote 21 (pp. 78 to 82).
- Total liabilities decreased by $6.0 million primarily due to decreases in interagency payables of $4.0 million, accounts payable – construction of $1.1 million, and net OPEB liability of $3.3 million, offset by an increase in revenues received in advance of $2.8 million.
- Deferred inflows of resources increased by $3.9 million primarily due to an increase of $3.8 million associated with the net OPEB liability resulting from changes in the various components comprising this number as disclosed in as disclosed in footnote 22 (pp. 82 to 87).
- Net Position decreased by $3.5 million to $121.8 million. This is more fully explained in the Statements of Revenues, Expenses and Changes in Net Position (pp. 24 & 25 of the University's financial statements, Attachment A).

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Statements of Revenues, Expenses and Changes in Net Position

(Pages 24 and 25 of the University's financial statements, Attachment A)

- Operating revenues of $70.8 million for FY 2020, which is consistent with FY 2019.
- Operating expenses of $118.8 million for FY 2020, an increase of $3.0 million from FY 2019, is primarily due to increased costs for student services and institutional support.
- Non-operating revenues (expenses) of $43.0 million for FY 2020, which is consistent with FY 2019.
- Capital grants and state capital appropriations totaled $1.6 million for FY 2020, a decrease of $2.2 million from FY 2019.

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Statements of Cash Flows

(Pages 26 through 28 of the University's financial statements, Attachment A)

- Cash and cash equivalents decreased by $4.2 million to $35.4 million, primarily due to decreases from residential life and dining hall, decreases in state capital appropriations and increases in payments to employees and payments for scholarships during FY 2020.
- Net cash used in operating activities increased by $4.8 million, primarily due to increases in payments to employees and payments for scholarships and decreases in receipts from residential life and dining hall offset by increases in research grants and contracts received and decreases in payments to suppliers, residential life receipts, and dining hall receipts.
- Net cash provided by noncapital financing activities remained consistent with FY 2019.

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Statements of Cash Flows

(Pages 26 through 28 of the University's financial statements, Attachment A)

- Net cash used in capital and related financing activities of $13 million was a decrease of $2.6 million from FY 2019. The decrease is primarily due to a decrease in state capital appropriations and interagency payable proceeds received offset by an increase in capital grants received.
- Net cash used in investing activities of $377 thousand was a decrease of $650 thousand from FY 2019. The decrease primarily results from a decrease in investment earnings.

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Footnotes and Disclosures

(Starting on page 29 of the University's financial statements, Attachment A)

- Footnote 2 (Starting on page 38 of the University's financial statements, Attachment A) – Information on where funds are invested and what types of investments are held, investment and credit risks associated with investments, fair value measurement information, and detail on Foundation's endowment fund activity.
- Footnote 12 (Starting on page 60 of the University's financial statements, Attachment A) – explains all of the debt of the University.
- Footnotes 14 & 15 (Starting on page 68 of the University's financial statements, Attachment A) - explains all of the debt of the Foundation and Supporting Organization.

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Footnotes and Disclosures

(Starting on page 29 of the University's financial statements, Attachment A)

- Footnote 21 (Starting on page 78 of the University's financial statements, Attachment A) – Information on the University's participation in the Commonwealth's retirement plan.
- Footnote 22 (Starting on page 82 of the University's financial statements, Attachment A) – Information on the University's participation in the Commonwealth's OPEB plan.
- Footnote 29 (Starting on page 93 of the University's financial statements, Attachment A) – Restatement of the FY 2019 net OPEB liability and related deferred inflows, deferred outflows and OPEB expense due to an error by the State's actuary.

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Summation of Financial Statements and Looking Forward

- The University's has a negative net operating revenues ratio indicating an operating deficit. Operating revenues in FY 2020 are not keeping pace with increased expenses.
- The University continues to plan for future investment in capital improvement projects which will require continued commitment of financial resources.
- Prudent fiscal management shown by the University in the current year as has been shown in past years will continue to be required into the future. The University's debt burden as of June 30, 2020 is 5.5% which remains below the standard of 8% used by the Commonwealth.
- Impact of COVID-19 – FY 2020 and going forward

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Upcoming GASB Accounting Pronouncements

- GASB Statement No. 87 – Leases
  - Implementation deferred for 18 months until FY 2022
- GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period
  - Implementation deferred for one year until FY 2022

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Management Letter

- There is no separate management letter being issued related to the audits.

Questions

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Cover Sheet

FY2020 Audit - VOTE (7/20-21)

Section:	II. Presentation by the Auditors
Item:	B. FY2020 Audit - VOTE (7/20-21)
Purpose:	Vote
Submitted by:	
Related Material:	Finance Committee FY2020 Audit Vote 11-10-20.pdf

Fitchburg State University
REQUEST FOR BOARD ACTION

TO: **Board of Trustees Finance Committee**	DATE: November 10, 2020
FROM: The President	REQUEST NUMBER: 06-20/21
SUBJECT: FY2020 Audit	

It is requested that the Board of Trustees Finance Committee accept the FY2020 audit.