

A PROPOSAL TO PROVIDE
FINANCIAL AUDITING SERVICES

To

FITCHBURG STATE UNIVERSITY

IFP: FY22 #7

Submitted by:

BOLLUS LYNCH, LLP
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BOLLUS LYNCH

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

April 5, 2022

Fitchburg State University
Attention: Procurement
160 Pearl Street
Fitchburg, MA 01420

We are very pleased for the opportunity to submit our proposal to provide financial auditing services to Fitchburg State University, Fitchburg State University Foundation, Inc., and FSU Foundation Supporting Organization, Inc. (collectively the "University"). Thank you very much for inviting our firm to propose on these services. We feel confident that the information provided throughout our proposal will successfully describe not only our firm's public accounting experience and capabilities, but also our sincere interest to work with the University.

Over the years, we have worked closely with management and the boards of our various nonprofit organization clients to address many significant auditing and accounting issues, including those in the higher education sector. Such audit and accounting issues include accounting for significant contributions and donated services, assisting to implement the revised audit standards for pension and other post-employment benefits, accounting for bond refunding and other long-term debt activity, and preparation of the IRS Form 990 and related state filings. It is our sincere hope to be able to do so for Fitchburg State University as well.

As we have outlined in our proposal, we believe that our firm is the right choice among the firms you may involve in this process. If given the opportunity to demonstrate our abilities, we will provide the services described in your invitation for proposal to your utmost satisfaction. We are qualified and experienced, ideal in size, well-known and respected, convenient and accessible, and timely and personal with our service to each of our clients.

Thank you once again for this opportunity. We look forward to further discussing our relationship and answering any additional questions which you might have.

Sincerely yours,

Bollus Lynch, LLP

Executive Summary

OUR FIRM AND EXPERIENCE

- National firm experienced in a local firm setting
- Significant experience servicing the nonprofit sector, including higher education and private schools, private foundations and supporting organizations, health and human service providers and other nonprofit institutions.
- Current nonprofit clients include Worcester State University, Nichols College, Anna Maria College, Worcester Academy and Bancroft School.
- Longstanding member of the BDO Alliance USA, allowing for consistent access to national firm resources and training.

OUR ENGAGEMENT TEAM

- Strong at every level: Partner, Manager, Senior, Staff.
- Strong at every function area: Audit and Assurance, Tax, Administration, and Support.
- The engagement team selected has extensive experience in serving the higher education sector. Further, the Partners and Senior Manager have longstanding relationships with the nonprofit clients listed within our proposal, including the clients highlighted above.
- Many years of audit, consulting, and accounting experience with nonprofits.
- Acutely aware of pending nonprofit auditing and accounting standards before the FASB and GASB.
- Significant experience with compliance audits in accordance with the Single Audit Act including student financial aid and the Higher Education Emergency Relief Fund.

OUR SERVICE APPROACH

- Our audit process is substantive and issues driven, not forms and checklist driven.
- We eliminate wasteful, unnecessary, unproductive steps while constantly adhering to auditing standards generally accepted in the United States of America.
- Our scheduling is focused. Once we begin our field work we commit to “staying” with the engagement to assure its timely completion.
- Our management letters will be timely submitted so that appropriate action can be taken early into the ensuing fiscal year; they will be carefully written.
- Our approach to tax service is proactive and timely, not last minute.
- All of our products, financial statements, management letters, tax and informational returns, will be reviewed with you first, in draft form, sufficiently in advance.
- We believe in prompt and open communication with management and the Board of Directors.

OUR FEES

- They are fair and reasonable; they have been quoted for the requested periods.
- They will generate the highest level of consistent service at each of the engagement functions.
- Our fees will “buy” not just staff time, but consistently high-level partner and manager time.

Firm Information

PHILOSOPHY

Our firm was founded under the guidance of the following mission statement:

To be a leading local CPA firm in Central Massachusetts by providing the highest quality audit, tax, and general business advisory services to each of our clients in a professional, timely, and economical manner.

To hire and to retain the services of the best available professional and support personnel in order to achieve our goal of continuous first rate, first class service to all of our clients.

BACKGROUND

Bollus Lynch was started in 1989 by a group of CPA's in Worcester, Massachusetts after a local office of a national firm was closed. Rather than relocate their jobs and families, the group made a decision to open a firm on their own. Their goal was to develop a local alternative to the larger national firms for the surrounding business community, providing quality service and developing close-knit client relationships, without sacrificing the national firm experience and resources to which their clients had grown accustomed.

Over the years at Bollus Lynch, we have succeeded in this goal of blending years of national firm experience into a local firm setting. The firm's partners combined national and local experience in public accounting exceeds two hundred years. Years of experience have exposed each of our partners and managers to an array of organizations, businesses, accounting systems, and auditing, taxation, and consulting experiences including many nonprofit organizations. We are able to offer focused skills and expertise within specific industry groups that national firms offer, particularly including the higher education sector. However, we still maintain our local presence, and continue to work with many of the same clients we began with more than thirty years ago. The relationships we have developed and maintained is evidence of our success with this model.

PROFESSIONALS

Many of the professionals comprising our firm's management group also have national firm training and experience. Those that are not are also considerably experienced, having started careers with us or joining us from other fine CPA firms.

All of our professional staff are certified public accountants or are finalizing the requirements for certification. Many currently hold, or are currently pursuing, graduate or other advanced degrees including the Master of Business Administration (MBA), the Master of Science in Accounting (MSA), and the Master of Science in Taxation (MST).

Of special note, many of our partners served as the personnel recruiting team for many years while employed at national firms. One of our goals is to use personnel recruiting backgrounds, contacts, and experiences to obtain top-quality staff and develop them immediately. We are regularly in close contact with the accounting faculty and career placement counselors at many area colleges and universities. As a result, we continue to attract talented professional staff to our firm.

Firm Information

FIRM TRAINING PROGRAM

All members of our staff regularly meet the minimum requirements for continuing professional education, including the requirements prescribed by Government Auditing Standards. Our firm utilizes a variety of training opportunities to accomplish this.

Through our affiliation with BDO USA we have access to a series of training and research materials, including live seminars, webcasts and on-line self-study programs through the BDO Learn Live University.

In addition, we currently utilize the audit process maintained by RSM US LLP, another leading accounting firm in the United States. As part of this subscription, we have access to their training programs through their My Learning professional development system. Again, this includes a mixture of live seminars, webcasts and self-study programs.

Finally, we utilize the training offerings of the AICPA and the Massachusetts Society of CPAs, including annual Not-for-Profit and Governmental accounting and auditing updates, the National Accounting and Auditing Technical Symposium, Yellow Book course offerings, and CPE Direct self-study guides. A number of our partners, managers, and senior accountants and managers regularly attended the annual Not-for-Profit and Government updates sponsored by the Massachusetts Society of CPAs.

All of our staff accountants attend core audit training courses based on their experience level. This is supplemented during the year with technical updates and other targeted training based on the nature of the clients they serve. Overall, we are committed to making sure our professionals are up to date on the latest accounting changes, pronouncements, regulations, etc.

QUALITY

Our firm is a member of the Private Companies Practice Section of the American Institute of Certified Public Accountants. Membership in this division is voluntary. It involves certain quality control prerequisites and a peer review of the quality of a firm's accounting, audit, review, and tax practice. This allows us to maintain the highest level of quality in our practice and service to our clients.

In 2019, our firm was given another "pass" opinion by the peer review team commissioned by the Massachusetts Society of Certified Public Accountants to undertake the study and review of our firm's standards. Our receipt of that highest level of approval gives added and continued comfort to each of our clients that they are receiving the highest level of quality service, meeting the guidelines and standards of the public accounting profession. A copy of that report is presented in Appendix D. There was no letter of comment issued by the reviewers.

REGISTRATION

The firm and its certified professionals are properly registered with the Massachusetts Division of Professional Licensure - Board of Registration in Public Accounting. Neither the firm or any of our individual employees have a history of sanctions with the Board or with the Commonwealth's Operational Services Division. As requested, a copy of the Firm's license is presented in Appendix C.

Firm Information

INDEPENDENCE

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, without our permission no partner or professional employee of Bollus Lynch, LLP is permitted to have any direct financial interest or a material indirect financial interest in a client or any affiliate of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that may be provided by Bollus Lynch, LLP and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

As it relates to the University, we have performed our initial internal independence analysis and are currently unaware of any potential threats to independence.

SUMMARY

We hope that collectively these points serve to assure you, as a prospective client considering our firm's services that Bollus Lynch, LLP is:

- An extremely well qualified, resourceful, and experienced firm;
- A firm that can blend attractive backgrounds of the national CPA firm environment; and,
- With prompt, efficient, and personal service, historically regarded as the trademark of local CPA firms

We feel these characteristics make for an extremely favorable blend. We also believe that our clients, which include many of this area's most respected nonprofit organizations and leading closely-held corporations, consider these to be an attractive combination as well.

Clients Served

DIVERSITY

Our clients represent a diverse cross-section of varied industries. Many have branch divisions, affiliated companies, or subsidiaries throughout most New England states. Some have a presence in states outside this region, and even in other countries. The group observes various fiscal year ends throughout the year, as well. Our practice, therefore, is not dominated by a single client, a single industry, or a single year end. As a local firm, these facts bring a unique diversity to our client group and make us a strong alternative to other firms.

NONPROFIT/ HIGHER EDUCATION EXPERTISE

Since opening more than thirty years ago, the firm has had a significant nonprofit and governmental practice which comprises a considerable percentage of our firm's total audit practice. Our client list includes roughly 50 nonprofit organizations, a sample of which are presented on the following page. We hold these organizations in high public accounting regard, and we actively solicit opportunities to grow this part of our practice.

Regardless of their "nonprofit" and "tax-exempt" status, these organizations still need and require quality audits, structured accounting systems, prudent management, fiscal responsibility, and sound tax planning. CPA firms having an expertise or a specialty in the nonprofit business sector can add measurably to the success of those organizations. We believe we are that kind of CPA firm. As such, we take this part of our firm's practice very seriously.

The firm's practice within this industry includes a significant focus on higher education. We have regularly been performing audit and tax work for colleges and universities for many years, including their required annual compliance audits of student financial assistance and other federal awards as required by the Uniform Guidance and Massachusetts Office of Student Financial Assistance. Our audit partners, managers and other professionals specifically focus their practice and research time on this industry and regularly attend training in this area as part meeting continuing professional education requirements.

Given the size of our nonprofit practice, substantially all of our audit staff participates in these engagements. This allows us to spread the annual work across our engagement teams and allow us to meet both client and Federal or State imposed deadlines in place.

Over the past seven years, we have performed audit, tax and annual compliance work for the following higher education institutions, all of which are located in Massachusetts:

Kathleen Eichelroth
VP for Administration and Finance/CFO
Worcester State University
508-929-8098

Jamie Skowrya
Vice President for Business & Finance & CFO
Nichols College
508 213-2131

Dr. David Arnett
President
Northpoint Bible College
978-478-3400

Mary Lou Retelle
President
Anna Maria College
508-849-3333

Please feel free to contact any of our clients, or others whom you may know of, to freely discuss their experience with us. In addition to the colleges and universities noted above, we were the auditors for Becker College in Worcester through the June 30, 2021 closing of the College. Contact information for references related to the Becker College audit can be provided upon request.

Clients Served

Below is a select sample of the nonprofit clients which our firm services.

Libraries, Museums and Related

- * American Antiquarian Society
- Historic New England
- Martha's Vineyard Historical Society
- Mechanics Hall
- Museum of Russian Icons
- Nantucket Dreamland Theater
- Theater Workshop of Nantucket
- Nantucket Historical Association
- Nantucket Atheneum
- Worcester Art Museum
- Worcester Center for Crafts
- Worcester County Horticultural Society
- Worcester Historical Museum

Health, Human, and Community Services

- * Community Legal Aid, Inc.
- Massachusetts Biomedical Initiatives
- * Seven Hills Foundation and Affiliates
- * LifeSkills, Inc.
- * Spectrum Health Systems, Inc.
- * YMCA of Central Massachusetts
- * Worcester Community Action Council
- * Worcester County Food Bank, Inc.

Education and Related

- * Anna Maria College
- Bancroft School
- * Becker College
- * Massachusetts Education and Career Opportunities, Inc.
- * Nichols College
- * Northpoint Bible College
- Online Learning Consortium
- Worcester Polytechnic Institute Alumni Association
- * Worcester State University
- Worcester Academy

Foundations and Trusts

- The Egan Foundation
- Health Foundation of Central Massachusetts
- The Hyde Charitable Foundation

Financial Institutions

- Central One Federal Credit Union
- Shrewsbury Federal Credit Union
- Worcester Credit Union

* Audit conducted in accordance with OMB Uniform Guidance and/or Massachusetts Compliance requirements.

Other Services

In the previous section we listed several of our most recognizable nonprofit clients. Their boards, trustees, directors, and governors comprise many of this region's most prominent professionals, business executives, civic leaders, entrepreneurs, and business owners, all of which have the confidence to have selected and remained with our firm. We hope that you could enjoy that same confidence.

We have always subscribed to the notion that service to a client under an audit engagement must go beyond the audit itself. Beyond a typical audit engagement, members of our firm have had considerable experience in providing other special services and other added value services to an array of clients. Some of those other services and experiences have included:

- Performing numerous federally and state required compliance audits (OMB Uniform Guidance of Massachusetts Office of Student Financial Assistance).
- Performing extensive operational audits at numerous organizations, including historical societies, foundations, colleges and universities, churches, hospitals, museums, country clubs, clubs and restaurants; such studies have led to comprehensive reports delivered to the administration of these clients and its governing boards.
- Providing accounting assistance including reconciliation of account balances, investigation of variances, and analysis of recorded transactions.
- Provided extensive service or other assistance to all our nonprofit clients relative to the adoption and implementation of new accounting pronouncements.
- Advising wealthy or otherwise sophisticated tax clients on the benefits of charitable giving and similar tax aspects of donations to nonprofits.
- Representing nonprofit clients throughout comprehensive accreditation reviews.
- Disclosing that considerable foreign taxes were withheld inappropriately from dividend and interest earnings of endowment funds and other investment portfolios; filed appropriate IRS forms, including several years, resulting in sizable refunds to those nonprofit clients.
- Assisting and advising nonprofit clients with the execution of their responsibilities relative to filing appropriate IRS forms when certain donor transactions, particularly noncash transactions, have taken place.
- Assisting clients with the computation, required under IRS regulations, of the tax deductibility of certain payments where significant "benefits" are provided to or received by those benefactors.
- Review client calculations of costs to be allocated against income when events or functions were deemed to be taxable activities; these reviews invariably lead to lower levels of taxable income.

Engagement Team

Our engagement team's objectives for this engagement would be to:

- Interface effectively and appropriately with the University at all levels (board, committees, administration, staff);
- Be actively involved with you throughout the year, not just at year end;
- Apply our resources to complete all of our services, audit, accounting, tax, advisory, in a timely manner, in full accordance with the timetable you need to have observed;
- Provide services in a thorough and professional manner;
- Meet your needs to your complete satisfaction;
- Continuously know of your business affairs, and constantly maintain that knowledge and that business awareness through continuous interaction with you; and,
- Work cooperatively with any consultants, advisors, or outside experts that you may engage including bankers, attorneys, management companies, investment advisors, investment custodians, consultants, other professionals.

In order to accomplish those objectives, we have assembled an engagement team that has extensive relevant experience to service each and all of your public accounting needs in a unique and highly professional fashion. We believe that our professional staff is one of the strongest, most experienced, and well-balanced groups that could be assembled by any CPA firm within this area. Our team is well versed in the accounting, audit, and tax issues related to the nonprofit setting having prior experience over the years working with similar clients to the Fitchburg State University.

The engagement team that we are offering has been very carefully considered by us and will effectively deliver the complete complement of services which you require. The engagement team on page 10 is the team you will have going forward, pending any turnover. We believe that having a consistent engagement team is key to providing efficient and quality services to you.

Engagement Team Background

JAMES M. JOHNSTON, JR., CPA – ENGAGEMENT PARTNER

Jim Johnston is a partner in our audit and accounting practice and will work as the lead Engagement Partner for the University audit. He joined Bollus Lynch in 2008 after starting his career with RSM US, LLP. Jim works on audits of nonprofit organizations including higher education, private schools and human service providers. As part of his work in this industry, Jim has been performing Federal compliance audits in accordance with Uniform Guidance for over 20 years, including audits of student financial assistance for 13 years. In addition to the nonprofit sector, Jim work with commercial companies such as contractors and manufacturers.

He has a Bachelor of Science Degree in accounting from Providence College and is a member of the American Institute of Certified Public Accountants and Massachusetts Society of CPA's. Jim is active in the community, having served as Treasurer for Big Brothers Big Sisters or Central Massachusetts/Metrowest and as a member and former President and Treasurer of the Worcester Young Businessman's Association.

LAURA J. PIZZIMENTI, CPA – SENIOR MANAGER

Laura Pizzimenti is a Senior Manager in our audit and accounting practice and will work as the Manager for the University audit. She has worked at Bollus Lynch since November 2010 after starting her career at RSM US, LLP. Laura's career has focused on audits of both nonprofit organizations and commercial companies. Her nonprofit experience includes higher education, private schools, and museums and cultural organizations. She has significant experience with Federal compliance audits in accordance with Uniform Guidance for over 16 years, including audits of student financial assistance for 11 years.

Laura has a Bachelor of Science Degree in accounting and finance from Boston College and is a member of both the Massachusetts Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

JEFFREY C. SWANBERG, CPA – AUDIT SUPPORT PARTNER

Jeff Swanberg is the lead partner in our audit and accounting practice, having joined the firm in 1994 after a lengthy career at KPMG. Jeff's career has been focused in the area of audits and general business advisory services for primarily nonprofit, higher education, and financial institution clients. Jeff has a Bachelor of Science Degree in accounting from Augustana College and is a member of both the Massachusetts Society of Certified Public Accountants and the American Institute of Certified Public Accountants. He is actively involved in the community serving as Treasurer of both Immanuel Lutheran Church and the New England Synod – ECLA. He is also Vice Chairman of New Garden Park, Inc.

BARBARA E. KING, CPA – TAX SUPPORT PARTNER

Barbara King has been a partner in Bollus Lynch, LLP since 2006. Prior to joining the Firm, Barbara was a Senior Tax Director at BDO USA. Her career has been focused in the area of taxation for various non-for-profit organizations, multi-international corporations and closely-held private corporations. Barbara has a Bachelor of Science Degree in accounting from Atlantic Union College. She is a member of the Massachusetts Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

BDO Alliance USA

Bollus Lynch, LLP is proud to have been invited by the national certified public accounting and consulting firm of BDO USA to be a member of its alliance program, the BDO Alliance USA.

BDO USA is currently one of the largest accounting and consulting firms in the United States with offices and employees nationwide. Consequently, even as a local firm, we have access to the resources and services of BDO USA practice offices, its specialized industry offices, as well as other BDO Alliance USA offices throughout New England, the Northeast, and the nation.

To augment our own quality services, our firm can and will avail ourselves of the vast expertise which this total organization has in the nonprofit sector. Over the years, BDO USA has developed a well-respected and successful practice of providing diverse accounting and consulting services to a wide array of hundreds of governmental and nonprofit clients. In fact, of all national and international firms, BDO USA is one of the leading firms serving this industry.

Examples of the resources which BDO has available us and, in turn, the University include the following:

- Continuing Professional Education – As a large national firm, BDO USA has a full department which provides its employees and alliance members access to a multitude of in-person and online courses that allow us to meet the CPE requirements for licensure and professional standards. Many of these courses are industry specific, including the area of nonprofit entities and higher education.
- Audits of automated systems, IT security vulnerabilities, etc. – BDO's well-trained professionals are available to us as IT Specialists should the need arise during any audit or assurance situation. We have relied on the expertise BDO USA has available and found them to be exception in this role.
- Industry Specific Publications - As an example of the publications that BDO USA provides, we have included a copy of their recent nonprofit newsletter (Nonprofit Standard) as Appendix F to this proposal. This particular edition covers several topics which may be of interest to the Fitchburg State University including nonprofit data breach vulnerabilities and prevention, College and University Planning for Long-Term Success and Top considerations for the nonprofit sector.

Please note, however, that while subscribing to and utilizing these national resources, our firm still maintains its name, its autonomy, and its independence as a locally responsive accounting firm responsible for our own client fee arrangements, our own delivery of services, and our own maintenance of client relationships. As such, we offer to you the benefits of a local firm along with the national resources of one of the nation's largest accounting and consulting firms.

The BDO Alliance USA Advantage

Local Presence
National Resources
Industry Expertise

Services Provided

It is our understanding that this engagement will include the following:

- Annual audits of Fitchburg State University's financial statements for the years ended June 30, 2023, 2024, and 2025, in full accordance with auditing standards generally accepted in the United States of America (GAAS), Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, the standards for Audit of Governmental Organizations, Programs, Activities and Functions, 2018 revision issued by the United States General Accounting Office (Yellowbook).
- Annual audits of Fitchburg State University's compliance with requirements described in the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) including all schedules and other reports required by these standards (formerly referred to as the *OMB Circular A-133 Compliance Supplement* for Federal Programs).
- The next required audit of Fitchburg State University's compliance with requirements issued by the Massachusetts Board of Higher Education related to the Massachusetts Office of Student Financial Assistance (MOSFA).
- Annual audits of Fitchburg State University Foundation, Inc., and FSU Foundation Supporting Organization, Inc. for the years ended June 30, 2022, 2023, 2024, and 2025 in full accordance with auditing standards generally accepted in the United States of America (GAAS), Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, the standards for Audit of Governmental Organizations, Programs, Activities and Functions, 2018 revision issued by the United States General Accounting Office (Yellowbook).
- Limited assistance with the financial information relevant to the Comptroller's Office for their preparation of its annual Comprehensive Annual Financial Report.
- General consultation and advice, as requested periodically, by the board of trustees, related committees and/or management for technical advice regarding business compliance and regulatory issues as they arise.
- Services to review the annually prepared IRS Form 990 and Massachusetts Form PC for Fitchburg State University Foundation, Inc., and FSU Foundation Supporting Organization, Inc.
- Availability throughout the year to attend meetings, make presentations, meet with trustees, trustee committees, administration, and financial personnel, throughout the year. At a minimum, a representative of the firm will appear before the Board of Trustees and related Finance Committee prior to and at the conclusion of the audits to discuss findings and other required communications related to the audit.

Service Philosophy

We will work very closely with the University to develop an audit approach that is efficient and cost effective, and in accordance with your timeline. While our preference would be for fieldwork to be performed on campus, we would absolutely be able to perform any portion or all of the required audit fieldwork remotely from our office should management determine this would be best.

A brief sample outline of our approach follows:

PLANNING FIELDWORK

The first phase of our audit involves interim planning, generally performed in advance of year end. During this phase of the audit, we will perform various risk assessments (fraud, business, control and overall engagement risks), complete our audit plan and program, document (or update our documentation) of significant information systems and internal controls, prepare necessary confirmation requests and coordinate our information needs with management. Our general approach to control risk is in line with industry standards whereby the initial assessment is at a high-level and can be reduced through tests of controls in place. Such tests would be performed during the planning phase should we determine reducing control risk would result in increased audit efficiency. We would expect to make this determination prior to the start of planning fieldwork.

During this phase of the engagement, it our hope to begin the annual Federal and State compliance audit work required by Uniform Guidance and the OSFA. The concept of assessing control risk would apply to this the compliance audit, as such work requires auditors to assess control risk at a low level for this purpose. Therefore, we would expect to design and perform tests of controls on the student financial aid population, as well as in any areas related to federal programs determined to be major programs in a given year. An example would be selecting a sample of students receiving financial aid and testing to ensure the controls in place around issuing such aid are being adhered to.

Throughout our audit, we strive to utilize information routinely generated by the financial reporting system. If we ask for information that is not a normal product of the system, we will investigate alternative ways to generate the required information.

During this phase, we would also be available to meet with the Board of Trustees and/or Finance Committee to discuss our planned audit approach and seek input regarding any areas of concern they may have.

FINAL FIELDWORK

After the fiscal year-end, we will begin the final phase of our fieldwork. We will schedule these procedures with management at a time that allows for ample time to close the books and works best for all parties involved. During this phase of the audit, we will update our interim testing and perform substantive tests of recorded balances and transactions as anticipated in our audit plan.

Throughout this phase of our fieldwork, we will be in communication with management regarding the progress and findings of the audit. We do this so that any problems may be addressed and resolved as they arise as opposed to waiting until the end of the audit. In certain situations, we may communicate directly with the Board of Trustees and/or Finance Committee during the audit.

At the conclusion of this phase of the audit, we will meet with financial management to review our findings, including any proposed adjusting entries. We will reach agreement on those entries that are material to the financial statements and see that they are posted to the general ledger. At this point we will obtain a final adjusted trial balance and ensure that we have achieved the objectives of our audit plan. We will then work with management to prepare the final financial statements, required disclosures and other communications.

Service Philosophy

REPORT REVIEW

At this point, the audited trial balance is used by management to draft the financial statements, accompanying footnotes, and required supplemental schedules. This draft is then reviewed internally by our audit team, including both the assigned partner and manager. In addition, our quality control process includes a second partner review of the draft financial statements to ensure it is clear, concise and includes all required disclosures. We feel this second partner review is a crucial component of the firm's overall quality control process.

Once the financial statements have been drafted and related reviews completed, we will meet with management to review the various draft financial statements. In addition, we will also present drafts of other letters and deliverables (i.e. management letter, Board of Trustee communications, etc.). This meeting generally involves executive and financial management of the University. The objective here is to ensure the accuracy of the statements and to ensure that all items are clearly presented.

Once the statements have been accepted by management, we will be ready to meet with Board of Trustees and/or Finance Committee. The statements are still considered draft at this point, so that any comments for improvement by the Board of Directors can be acted upon. In addition to the draft statements and management letter, we will communicate directly certain required information regarding the scope and conduct of our audit. Once acceptance of the reports is recommended, we will prepare and deliver the final bound financial statements.

WORKPAPER RETENTION

The audit evidence gathered during our engagement and documented in our working papers is retained for seven years for current clients and one year following the most recently audited statements for former clients. These guidelines are in compliance with industry standards. As documented in our engagement letter, our working papers are made available to regulatory agencies or government auditors, should they request them.

ONGOING INVOLVEMENT

We encourage communication throughout the year with our clients and have always promptly responded to questions raised by management. We find this to be a very effective means of controlling audit costs. If issues can be dealt with and agreed to as they arise, it saves the time of researching and possibly correcting items during final fieldwork. In this spirit, our fees anticipate communication with management throughout the year. Routine inquiries on accounting and or tax matters will not result in a separate charge. Anyone on the engagement team is available to respond to these inquiries. If necessary, the engagement team can also consult with the professionals of BDO USA to obtain a response.

Should the information requested involve a significant level of research or other professional services, we will discuss this with you before we proceed. Charges for professional services outside the scope of the audit are determined based on the hours and level of professional involved and we will provide the University with an estimate of hours and fees in advance.

Our ongoing involvement would also include assisting the University with the implementation of applicable new GASB or FASB accounting standards as they arise. Examples of such standards include the leasing standards applicable for governmental entities in 2022 (GASB Statement No. 87) and non-governmental entities in 2023 (FASB Accounting Standards Codification No. 842) or subscription-based information technology arrangements (GASB Statement No. 96) in 2023. We are currently in the process of researching these pronouncements to ensure we are able to appropriately assist our client in implementing each where applicable.

Estimated Costs and Pricing

Please be assured that we are committed to an approach to our audit, tax, and advisory services that is as cost effective as possible. Based on the degree of assistance and participation required from the University's accounting personnel and the anticipated timing of the audit, the cost to perform the required services, which are outlined on page 12 of our proposal, are presented as Appendix G under separate cover of this proposal as required by the initial Invitation for proposal.

As noted earlier, this engagement includes consultation and advice, as requested periodically, by the board of trustees, related committees and/or management for technical advice regarding business compliance and regulatory issues as they arise. Consultation on routine accounting matters during the year is anticipated in the noted fees. However, there may be times where such consultations or advice may result in a need for additional research or the application of significant resources. Should such a scenario arise, the anticipated hours and fees for the additional services will be discussed with you in advance. This allows for both the firm and management of the University to appropriately manage expectations and avoid any surprise billings.

Appendix A

Proposal Signature Sheet

PROPOSAL SIGNATURE SHEET – Appendix B

The proposer hereby agrees to furnish items and/or services pursuant to all requirements and specifications contained in this document. The proposer further agrees that the language in this document shall govern in the event of a conflict with the proposer's proposal.

AUTHORIZED SIGNATURE 	PRINTED NAME James M. Johnston, Jr, CPA	TITLE Partner
COMPANY Bollus Lynch, LLP		DATE April 5, 2022
MAILING ADDRESS 89 Shrewsbury Street		PHONE (508) 755 – 7107
CITY Worcester	STATE Massachusetts	ZIP CODE 01604
EMPLOYERS FEDERAL TAX ID (9 DIGITS) 04-3037870		

Appendix B

Mandatory Submission Documents



IFP INVITATION;

REFERENCE FY22 IFP#7 Financial Auditing Services for Fitchburg State University

THIS IS NOT AN ORDER

The University is an agency of the Commonwealth of Massachusetts and is exempt from any State tax.

Unless otherwise stated, the unit price shall be the net price. Separate unit and total prices must be shown if applicable.

1. All quoted prices shall be FOB to Fitchburg State University, Fitchburg, MA 01420
2. Responses must be received on or before **Tuesday April 5, 2022 by 2:00 p.m. in the Procurement Office, Fitchburg State University, Service Center, 167 Klondike Ave, Fitchburg, MA 01420, at which time responses will be opened and recorded.**
3. Submit one original mailing.
4. Fitchburg State University reserves the right to waive informalities and to reject any and all IFP's; or to accept the IFP deemed best for the University.
5. For additional information:
Jannine Carson, Buyer III, Finance Office
Fitchburg, MA
Phone 978-665-3476 Email: jcarson4@fitchburgstate.edu
6. Responses must be submitted in a sealed envelope with IFP# and Title clearly marked to:
Fitchburg State University
Procurement Office,
160 Pearl St, Fitchburg, MA 01420
Or delivered to
FSU Service Center, Finance Office, 167 Klondike Ave, Fitchburg, MA 01420

SPECIFICATIONS	UNIT PRICE	TOTAL
Financial Auditing Services	Pricing will be indicated on pricing sheet with-in the IFP specification and considered a IFP document that MUST be returned with the completed IFP package	N/A

EQUAL OPPORTUNITY

The contractor agrees not to discriminate against any employee or applicant for employment because of race, sex, color, religious creed, national origin, and/or ancestry. The contractor agrees to post in conspicuous places notices to be provided by the Massachusetts Commission Against Discrimination with respect to the Fair Employment Practice laws of the Commonwealth which are herein made of this contract reference.

Fitchburg State University

FY22 IFP#7 Financial Auditing Services

ADDENDUM ACKNOWLEDGEMENT FORM

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Place a check next to your selected response and sign below. Failure to acknowledge addenda may result in IFP disqualification.

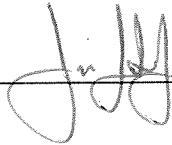
Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:

(Check next to each addendum received)

☒ Addendum No. 1 - Acknowledgment of Addendum

Signature: _____

A handwritten signature in dark ink, appearing to be "J. Kelly", is written over a horizontal line.

I understand that failure to confirm the receipt of addenda may be cause for rejection of this RFP. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

Fitchburg State University

FY22 IFP#7 Financial Auditing Services

ADDENDUM ACKNOWLEDGEMENT FORM

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Place a check next to your selected response and sign below. Failure to acknowledge addenda may result in IFP disqualification.

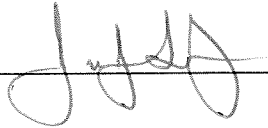
Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:

(Check next to each addendum received)

☒ Addendum No. 2 - Acknowledgment of Addendum

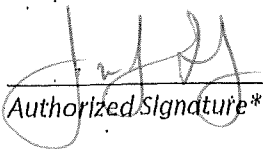
Signature: _____

A handwritten signature in black ink, appearing to be 'J. J. [unclear]', is written over a horizontal line.

I understand that failure to confirm the receipt of addenda may be cause for rejection of this RFP. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

CERTIFICATE OF NON COLLUSION

The undersigned certifies under penalties of perjury that this RFP or Proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals.


Authorized Signature*

4/5/2022
Date

James M. Johnston Jr.
Printed Name of Person Signing RFP or
Proposal*

Bollus Lynch, LLP
Name of Business

*Must be signed in Ink

Statement of Tax Compliance

FY22 IFP#7

Financial Auditing Services

Pursuant to Section 49A (b) of Chapter 62C of the General Law,

I James M. Johnston, Jr., authorized Signatory
for Bellus Lynch, LLP, whose principle place of business is
at 89 Shrewsbury St, Worcester, MA do hereby certify under pains and
penalties of perjury that Bellus Lynch, LLP

Complies with all laws of the Commonwealth relating to taxes.

Authorized Signature

Date

4/5/2022

It is the policy and commitment of Fitchburg State University not to discriminate on the basis of race, religion, color, age, sexual orientation, sex handicap, veteran status, marital status, or national origin in its educational programs, activities, admissions or employment policies and to actively comply with the requirements of Federal Executive Orders 11246 and 11375 as amended; the Civil Rights Act of 1964 as amended; Title IX of the Educational Act of 1972; Section 503 and 504 of the Rehabilitation Act of 1973; Section 402, Vietnam Readjustment Assistance Act of 1974; and pertinent laws, regulations and executive directives of the Higher Education Coordination Council of the Commonwealth of Massachusetts and other applicable state and federal statutes.

FY22 IFP#7

Access to Contractors Records

Financial Auditing Services

(Executive Order #195)

The Governor or his designee, the Secretary of Administration and Finance, and the State Auditor or his designee shall have the right at reasonable times and upon reasonable notice to examine books, records and other compilations of data of the contractor which pertain to the performance and requirements of this contract.

Signature



Date

4/5/2022

It is the policy and commitment of Fitchburg State University not to discriminate on the basis of race, religion, color, age, sexual orientation, sex, handicap, veteran status, marital status, or national origin in its educational programs, activities, admissions or employment policies and to actively comply with the requirements of Federal Executive Orders 11246 and 11375 as amended; the Civil Rights Act of 1964 as amended; Title IX of the Educational Act of 1972; Section 503 and 504 of the Rehabilitation Act of 1973, Section 402 Vietnam Era Veterans Readjustment Act of 1974; and pertinent laws, regulations and executive directives of the Higher Education Coordinating Council of the Commonwealth of Massachusetts, and other applicable state and federal statutes.

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

► Go to www.irs.gov/FormW9 for instructions and the latest information.

Print or type.
See Specific Instructions on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

Bollus Lynch, LLP

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC

☐ C Corporation

☐ S Corporation

☒ Partnership

☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ►

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ►

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

89 Shrewsbury Street, Suite 200

6 City, state, and ZIP code

Worcester, MA 01604

7 List account number(s) here (optional)

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

____ - ____ - ____

or

Employer identification number

0 4 - 3 0 3 7 8 7 0

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign
Here

Signature of
U.S. person ►

Date ► 4/5/2022

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
 - Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
 - Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
 - Form 1099-S (proceeds from real estate transactions)
 - Form 1099-K (merchant card and third party network transactions)
 - Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
 - Form 1099-C (canceled debt)
 - Form 1099-A (acquisition or abandonment of secured property)
- Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.

COMMONWEALTH OF MASSACHUSETTS ~ STANDARD CONTRACT FORM



This form is jointly issued and published by the Office of the Comptroller (CTR), the Executive Office for Administration and Finance (ANF), and the Operational Services Division (OSD) as the default contract for all Commonwealth Departments when another form is not prescribed by regulation or policy. The Commonwealth deems void any changes made on or by attachment (in the form of addendum, engagement letters, contract forms or invoice terms) to the terms in this published form or to the **Standard Contract Form Instructions and Contractor Certifications**, the **Commonwealth Terms and Conditions for Human and Social Services** or the **Commonwealth IT Terms and Conditions** which are incorporated by reference herein. Additional non-conflicting terms may be added by Attachment. Contractors are required to access published forms at CTR Forms: <https://www.mass.gov/lists/osd-forms>. Forms are also posted at OSD Forms: <https://www.mass.gov/lists/osd-forms>.

CONTRACTOR LEGAL NAME: (and d/b/a): BOLLUS LYNCH, LLP		COMMONWEALTH DEPARTMENT NAME: MMARS Department Code:	
Legal Address: (W-9, W-4): 89 SHREWSBURY STREET, WORCESTER, MA 01604		Business Mailing Address:	
Contract Manager: JAMES M. JOHNSTON, JR.	Phone: 508-755-7107	Billing Address (if different):	
E-Mail: JJOHNSTON@BOLLUSLYNCH.COM	Fax: 508-755-3896	Contract Manager:	Phone:
Contractor Vendor Code: VC		E-Mail:	Fax:
Vendor Code Address ID (e.g. "AD001"): AD ____ (Note: The Address ID must be set up for EFT payments.)		MMARS Doc ID(s):	
____ NEW CONTRACT PROCUREMENT OR EXCEPTION TYPE: (Check one option only) ☐ Statewide Contract (OSD or an OSD-designated Department) ☐ Collective Purchase (Attach OSD approval, scope, budget) ☒ Department Procurement (includes all Grants - 815 CMR 2.00) (Solicitation Notice or RFR, and Response or other procurement supporting documentation) ☐ Emergency Contract (Attach justification for emergency, scope, budget) ☐ Contract Employee (Attach Employment Status Form, scope, budget) ☐ Other Procurement Exception (Attach authorizing language, legislation with specific exemption or earmark, and exception justification, scope and budget)		____ CONTRACT AMENDMENT Enter Current Contract End Date <u>Prior</u> to Amendment: ____, 20 ____. Enter Amendment Amount: \$ _____. (or "no change") AMENDMENT TYPE: (Check one option only. Attach details of amendment changes.) ☐ Amendment to Date, Scope or Budget (Attach updated scope and budget) ☐ Interim Contract (Attach justification for Interim Contract and updated scope/budget) ☐ Contract Employee (Attach any updates to scope or budget) ☐ Other Procurement Exception (Attach authorizing language/justification and updated scope and budget)	
The Standard Contract Form Instructions and Contractor Certifications and the following Commonwealth Terms and Conditions document are incorporated by reference into this Contract and are legally binding: (Check ONE option): ☒ <u>Commonwealth Terms and Conditions</u> ☐ <u>Commonwealth Terms and Conditions For Human and Social Services</u> ☐ <u>Commonwealth IT Terms and Conditions</u>			
COMPENSATION: (Check ONE option): The Department certifies that payments for authorized performance accepted in accordance with the terms of this Contract will be supported in the state accounting system by sufficient appropriations or other non-appropriated funds, subject to intercept for Commonwealth owed debts under 815 CMR 9.00. ☐ Rate Contract. (No Maximum Obligation) Attach details of all rates, units, calculations, conditions or terms and any changes if rates or terms are being amended.) ☒ Maximum Obligation Contract. Enter total maximum obligation for total duration of this contract (or new total if Contract is being amended). \$75,000.			
PROMPT PAYMENT DISCOUNTS (PPD): Commonwealth payments are issued through EFT 45 days from invoice receipt. Contractors requesting accelerated payments must identify a PPD as follows: Payment issued within 10 days __% PPD; Payment issued within 15 days __% PPD; Payment issued within 20 days __% PPD; Payment issued within 30 days __% PPD. If PPD percentages are left blank, identify reason: __agree to standard 45 day cycle __ statutory/legal or Ready Payments (M.G.L. c. 29, § 23A); __ only initial payment (subsequent payments scheduled to support standard EFT 45 day payment cycle. See Prompt Pay Discounts Policy.)			
BRIEF DESCRIPTION OF CONTRACT PERFORMANCE or REASON FOR AMENDMENT: (Enter the Contract title, purpose, fiscal year(s) and a detailed description of the scope of performance or what is being amended for a Contract Amendment. Attach all supporting documentation and justifications.)			
ANTICIPATED START DATE: (Complete ONE option only) The Department and Contractor certify for this Contract, or Contract Amendment, that Contract obligations: ☒ 1. may be incurred as of the Effective Date (latest signature date below) and no obligations have been incurred prior to the Effective Date. ☐ 2. may be incurred as of ____, 20 ____, a date LATER than the Effective Date below and no obligations have been incurred prior to the Effective Date. ☐ 3. were incurred as of ____, 20 ____, a date PRIOR to the Effective Date below, and the parties agree that payments for any obligations incurred prior to the Effective Date are authorized to be made either as settlement payments or as authorized reimbursement payments, and that the details and circumstances of all obligations under this Contract are attached and incorporated into this Contract. Acceptance of payments forever releases the Commonwealth from further claims related to these obligations.			
CONTRACT END DATE: Contract performance shall terminate as of JUNE 30, 2024 , with no new obligations being incurred after this date unless the Contract is properly amended, provided that the terms of this Contract and performance expectations and obligations shall survive its termination for the purpose of resolving any claim or dispute, for completing any negotiated terms and warranties, to allow any close out or transition performance, reporting, invoicing or final payments, or during any lapse between amendments.			
CERTIFICATIONS: Notwithstanding verbal or other representations by the parties, the "Effective Date" of this Contract or Amendment shall be the latest date that this Contract or Amendment has been executed by an authorized signatory of the Contractor, the Department, or a later Contract or Amendment Start Date specified above, subject to any required approvals. The Contractor certifies that they have accessed and reviewed all documents incorporated by reference as electronically published and the Contractor makes all certifications required under the Standard Contract Form Instructions and Contractor Certifications under the pains and penalties of perjury, and further agrees to provide any required documentation upon request to support compliance, and agrees that all terms governing performance of this Contract and doing business in Massachusetts are attached or incorporated by reference herein according to the following hierarchy of document precedence, the applicable Commonwealth Terms and Conditions, this Standard Contract Form, the Standard Contract Form Instructions and Contractor Certifications, the Request for Response (RFR) or other solicitation, the Contractor's Response (excluding any language stricken by a Department as unacceptable, and additional negotiated terms, provided that additional negotiated terms will take precedence over the relevant terms in the RFR and the Contractor's Response only if made using the process outlined in 801 CMR 21.07, incorporated herein, provided that any amended RFR or Response terms result in best value, lower costs, or a more cost effective Contract.			
AUTHORIZING SIGNATURE FOR THE CONTRACTOR: X: Date: <u>4/15/2022</u> (Signature and Date Must Be Captured At Time of Signature) Print Name: <u>James M Johnston, Jr.</u> Print Title: <u>Partner</u>		AUTHORIZING SIGNATURE FOR THE COMMONWEALTH: X: _____ Date: _____ (Signature and Date Must Be Captured At Time of Signature) Print Name: _____ Print Title: _____	

Appendix C

Firm CPA Certification

Fold, Then Detach Along All Perforations

**COMMONWEALTH OF MASSACHUSETTS
DIVISION OF PROFESSIONAL LICENSURE**

BOARD OF

PUBLIC ACCOUNTANCY

ISSUES THE FOLLOWING LICENSE
LIMITED LIABILITY PARTNERSHIP

BOLLUS LYNCH LLP
89 SHREWSBURY STREET
WORCESTER, MA 01604

Bollus Lynch LLP
LICENSEE SIGNATURE

625

06/30/2022

837138

LICENSE NUMBER EXPIRATION DATE SERIAL NUMBER

Appendix D

Peer Review Quality Assurance Report



SULLIVAN BILLE PC
CERTIFIED PUBLIC ACCOUNTANTS

Report on the Firm's System of Quality Control

September 11, 2019

To the Partners of
Bollus Lynch, LLP
and the Peer Review Committee of the
Massachusetts Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Bollus Lynch, LLP (the firm) in effect for the year ended March 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* including a compliance audit under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Bollus Lynch, LLP in effect for the year ended March 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Bollus Lynch, LLP has received a peer review rating of *pass*.

Sullivan Bille, PC

Appendix E

Acknowledgement of Standards

BOLLUS LYNCH
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

April 5, 2022

Fitchburg State University
Attention: Procurement
160 Pearl Street
Fitchburg, Massachusetts 01420

This letter is provided to certify that the persons responsible for directing the audit of Fitchburg State University, Fitchburg State University Foundation, Inc., and FSU Foundation Supporting Organization, Inc. (collectively the "University"). has completed:

1. A minimum of 80 hours of continuing professional education in the past two years.
2. At least 24 of the 80 hours were completed in government auditing, non-profit accounting, or other related activity.
3. Has completed in excess of 10 governmental audits.

Further, the lead auditor and all other individuals assigned to the engagement will comply with the Code of Ethics and Professional Conduct as promulgated by the Board of Public Accounting and codified in the Code of Massachusetts Regulations (252 CMR 3.01-3.05).

Very truly yours,

Bollus Lynch, LLP

Appendix F

BDO USA Nonprofit Standard

THE NEWSLETTER OF THE BDO INSTITUTE FOR NONPROFIT EXCELLENCE™

NONPROFIT STANDARD

TRIAGING DATA BREACHES: PART TWO

By Mark Antalík

In *Part One* of this two-part data breach triage series, we discussed identifying, understanding and communicating during a breach situation and how breaches should be managed. In this article, we will elaborate on perpetuation through digital forensics, as well as outline approaches to notification and identity monitoring. As discussed in *Part One* of this series, a well-designed breach response program that addresses the steps noted below will minimize the negative impact on both short and long-term business goals.

Steps Addressed in Part One of Article Series:

1. **Identify, Understand and Communicate** – processes to identify the potential threat, gain an understanding of the threat and its potential impact, and communicate with the appropriate agencies and other involved or impacted parties.
2. **Respond and Contain** – responses and efforts to contain or limit data breaches can have significant impacts on an organization's ability to recover from the incident.

Steps Addressed in Part Two of Article Series

1. **Perpetuation** – preservation of evidence will assist in remediating the current breach and may aid in identifying future attempted breaches.
2. **Notification and Identity Monitoring** – through internal or third-party services, affected parties can be notified of any activity related to their personal information and efforts to remediate and reduce potential impact.

Lets discuss perpetuation, and notification and identity monitoring in detail.

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STAY CONNECTED to the
BDO Nonprofit & Education
Practice by following us on our



BLOG
nonprofitblog.bdo.com



on TWITTER
[@BDONonprofit](https://twitter.com/BDONonprofit)



www.bdo.com/resource-centers/institute-for-nonprofit-excellence

PERPETUATION

Preservation of key information and evidence during and after a breach is vital to understanding the nature and scope of the incident. Organizations that actively deploy endpoint and network monitoring are better positioned to identify suspicious activity and contain the breach. Organizations that are not currently deploying such technology and processes are not only at greater risk of breach, but will find it more difficult to understand the nature and scope of the breach should one occur.

Many organizations already employ threat intelligence technology and teams to understand and mitigate data risk. However, once an incident occurs, cyber forensics teams need to dig deeper into the incident including gathering technical clues and indicators of the compromise. Gathering this data will help to identify both the nature and scope of the breach.

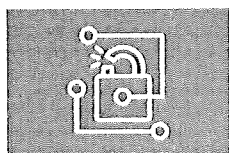
Understanding the nature of the breach is important so the breach can be contained and measures can be implemented to prevent similar attacks in the future. From a technical perspective, this may involve analyzing IP addresses, file names and hash values to inform further data investigations. The goal is to identify operational details about the motivation

of the threat actors; uncover the tools, techniques and procedures used to infiltrate the system or environment; and gain strategic intelligence to evaluate the overarching risks associated with the incident.

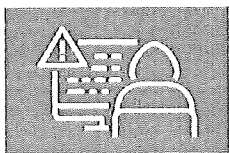
As the cyber forensics team is gathering information about the nature of the breach, it needs to simultaneously identify the scope of the breach. Understanding what data may have been accessed or exfiltrated is often not an exact science. There are many technical layers and, only when combined with knowledge of the nature of the breach, can the potentially exfiltrated dataset truly be assessed. Organizations must collect, analyze and correlate both the data and the facts. Knowledge of the entire potentially exfiltrated dataset is critical to informing the required disclosures and notifications and to determining the scope and risk of intellectual property and other sensitive data loss.

As discussed in Part One of the article series, having a plan in place prior to the breach will provide explicit guidance for response resources, reduce emotional conflicts in tense breach situations, and demonstrate to clients, donors, and volunteers that your organization is in control of the situation and is concerned about protecting personal information. Having a

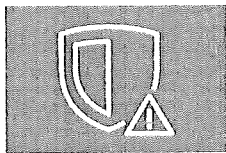
FIVE IMPORTANT DATA BREACH TRENDS



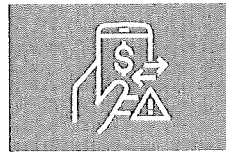
Cyberattacks and security breaches will occur and will negatively impact the business.



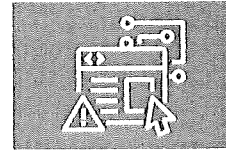
According to most cybersecurity surveys, over 60% of all data breaches originate from unauthorized access from one of the organization's current or former employees, or third-party suppliers.



Achieving information security compliance with one or more government regulatory standards for information security (i.e., ISO 27001, NIST 800-171, HIPAA, NYDFS, etc.) is good, but not sufficient to holistically address cybersecurity.



Cyber liability insurance premiums are significantly increasing in cost and often do not cover all the damages caused by a cyber breach.



To achieve real information security and data resilience, it is vital to combine managed Monitoring, Detection and Response Managed Security Services with comprehensive disaster recovery (DR) and business continuity plans.

Source: Building Tomorrow's Business: How the Middle Market is Tackling Disruption Today / 2020 BDO Digital Transformation Survey. 600 C-Suite Executives were surveyed from entities ranging from annual revenues of \$250 million and \$3 billion.

business continuity plan provides situational awareness and decision-making support during the chaos of a crisis to get your organization back up and running as quickly as possible.

NOTIFICATION AND IDENTITY MONITORING

There are several types of breach-related notifications. Compliance-related notifications include notifications to state, federal and global regulators; notifications to impacted entities and individuals; and notifications to roles such as the organization's Data Protection Officer. Other notifications may include law enforcement, the board, stockholders, business partners and company executives – the degree to which these notifications occur will depend on the organization and the nature and/or scope of the breach.

From a jurisdictional regulatory impact perspective, consider building a map to visualize the exposure, plotting impacted entities and individuals (based on the information learned while investigating the nature and scope of the breach) to determine if there are any concentrations of impact that would suggest prioritizing notifications in particular jurisdictions. Domestic organizations are often surprised that they maintain data for individuals in the European Union, Asia Pacific or Latin America regions and identifying and visualizing this exposure can accelerate the notification process given how fast breach response situations move.

As the master notification list is being compiled, organizations need to identify notification letter requirements. Considerations include grouping notification content by region and data categories, defining the necessary notification letter template elements, identifying language/translation needs, determining call center and credit monitoring logistics and determining distribution method(s) for the notifications. An important aspect of notification is establishing a regulatory metrics report. The report documents jurisdictions, number and type of notifications, response rates and any exceptions identified during the process. These reports are critical to demonstrate regulatory due diligence and tracking through the notification process.

Depending on the scope of the breach, a call center may be required to address stakeholder questions and issues, and comply with regulations. Call centers should be staffed with trained professionals with experience protecting sensitive data. Call center staff should follow defined data handling procedures to maintain the security of any personal information logged during call center interactions. Consider developing training kits including scripts and FAQs. Consider call center logistics, physical security, local language

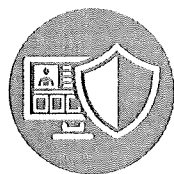
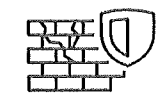
requirements, staff management and scale. Consider the potential importance of industry experience for call center operators, potential to deploy offshore options and tracking of key performance indicators. Data breach call centers are typically established and maintained for 12-18 months following the incident. To mitigate the number of complaints to regulators, establish procedures to address and diffuse escalated situations.

Be prepared for additional breach requirements related to individual and consumer rights afforded by data protection regulations such as the European Union's General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA) and the Virginia Consumer Data Protection Act (CDPA). In summary, and not exhaustive, these regulations empower individuals to make requests such as a request to delete the individual's data, show the individual what data the organization stores about them or request that the organization correct the individual's data if there are inaccuracies. Under these regulations, organizations typically have 30 – 45 days (differs by regulation) to fulfill these requests. Many other states and global jurisdictions are in the process of enacting individual rights requirements beyond typical breach response obligations.

Individual rights requests often spike after a data incident, from a few per month, to potentially hundreds or thousands post breach. Right-sizing and scaling a process to address these individual rights can be challenging. Processes need to be set up to address the intake of the requests, verification that the individual is who they purport to be, coordination of the requests, research to identify the information requested, consolidation of data/information into template responses, review and dissemination of the data or information back to the individual and tracking every step in the process. Depending on the size and complexity of the organization, the individual rights response process can be resource intensive and time consuming. Consider exploring and deploying data protection software that can help automate parts of the individual rights request process.

Depending on the nature and scope of the breach, having a team to support the investigation into lost identity or impacted credit may be required. Identity monitoring services must be able to investigate compromised sensitive data like Social Security numbers, country IDs and medical information, while monitoring for personally identifiable information and protected health information on the dark web. Qualified fraud examiners can assist with restoring credit and applying appropriate protections moving forward. For instances requiring organizations to provide individuals with access to

CASE STUDY



BACKGROUND AND CHALLENGES

A large global organization experienced a massive data breach from a network intrusion spanning several months resulting in potential exfiltration of hundreds of terabytes of personal information, intellectual property and other sensitive data.

APPROACH

BDO delivered comprehensive incident response services, including identifying suspected exfiltrated data; categorizing data to determine national and international notification requirements; extracting entity information and compiling a master notification list; hosting and reviewing data; and proving additional intelligence to the client and its counsel regarding downstream data privacy and security regulatory requirements.

IMPACT

Through a combination of robotic process automation, data analytics and proprietary data triage workflows, BDO rapidly analyzed terabytes of source data, consolidated data elements, and extracted and normalized individual and entity information to generate an initial master notification list prior to any human document review. This technology-driven approach provided rapid insight into the nature and scope of the data and notification obligations, enabling the client and its counsel to make informed decisions regarding prioritization and risk.

credit reports, along with individual credit monitoring tools, it is also important to have experienced professionals that are licensed to investigate credit issues.

As noted in Part One of this article series, a breach can be a real test of resiliency. Organizations must plan for a breach and be clear and transparent to clients, donors, volunteers and other third parties about how the organization collects, uses, stores, shares, protects and disposes of sensitive and personal

data. Organizations who meet the crisis head on may be able to emerge stronger, be better prepared for the next incident and build a closer connection with their constituencies.



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TAX EXEMPT & GOVERNMENT ENTITIES DIVISION RELEASES 2022 PROGRAM LETTER

By Jake Cook, CPA

The IRS Tax Exempt and Government Entities division released its fiscal year [2022 Program Letter](#) on October 7, 2021, summarizing its plans for the upcoming year. The Program Letter addresses the division's projects and priorities for fiscal year 2022 for tax-exempt organizations, employee benefit plans, Indian tribal government and tax-exempt bonds.

The TE/GE division provides taxpayers assistance to properly file and pay their taxes while also enforcing the tax laws to maintain fairness for all.

The division reports that fiscal year 2022 will be a year of growth and change. TE/GE plans to invest in new resources to expand outreach to the tax-exempt sector and to increase their enforcement staff to balance their obligation to serve taxpayers as well as enforce the tax laws. For nearly a decade, the TE/GE division's workforce has declined annually. New employees hired under the growth plan in fiscal year 2022 will focus on enforcement duties.

BDO INSIGHT

The hiring of new TE/GE agents focused on enforcement may mean that tax-exempt organizations could expect an increase in compliance audits and reviews. During these audits and reviews, taxpayers should be patient with the new agents.

The TE/GE division plans to continue its efforts to create a user-friendly experience for the tax-exempt community. For example, it will continue to build on its 2021 investment in a new Chief Tax Experience Officer and the opening of the Taxpayer Experience Office, with a focus on multilingual assistance, increased digital services, proactive outreach and advanced data analytics. It will be more important than ever to focus on the accuracy of filings, as selection for compliance audits and reviews will continue to become more data-driven than random sampling.

The TE/GE division works to carry out its plans while striving to improve efficiency and modernize processes to best utilize government resources. The new Program Letter focuses on the following actions for the upcoming year.

STRENGTHEN COMPLIANCE ACTIVITIES

Compliance strategies are issues approved by the TE/GE's Compliance Governance Board to identify, prioritize and allocate resources within the TE/GE filing population. The current priorities are:

- ▶ **Collaborate across the IRS on existing and emerging issues** – The focus will be on syndicated conservation easements, abusive charitable remainder trusts, ESOPs, COVID-related employer credits and continued review of potentially abusive promoter schemes with an impact on TE/GE.
- ▶ **Support examinations of high-income taxpayers with TE/GE issues** – The focus will include private foundations and the creation of a joint audit process in cooperation with the IRS Large Business and International and Small Business and Self-Employed divisions.
- ▶ **Partner with IRS Criminal Investigation and Research Applied Analytics & Statistics** – The focus is to identify cases with potentially significant noncompliance.

IMPROVE OPERATIONAL EFFICIENCIES

As noted previously, the IRS is striving to improve efficiency by incorporating the following steps:

- ▶ **Review systems and processes** – The goal is to improve internal controls and performance measures and to continue to streamline enforcement-related procedures.
- ▶ **Support Enterprise Case Management efforts** – This will be accomplished by analyzing processes across TE/GE. The IRS currently has over 60 case management systems that it is working to combine into one system. This will provide the IRS with a more comprehensive and timely view of each organization's account information, which should lead to quicker resolutions.
- ▶ **Explore, create, and refine opportunities and avenues** – The goal is to leverage diverse perspectives and insights to inform and enhance processes, enforcement activities and the taxpayer experience.

MAINTAIN A TAXPAYER-FOCUSED ORGANIZATION

The IRS is focused on assisting organizations with compliance through the following actions:

- ▶ **Collaborate with the Taxpayer Experience Office** – Expand outreach to the TE/GE community and create positive experiences for taxpayers in every interaction while helping taxpayers understand and meet their tax responsibilities.
- ▶ **Promote the e-filing of forms** – This would include Forms 1024 and 8038-CP as well as other exempt organization returns.
- ▶ **Develop online resources** – To promote online access to publicly disclosable filings.

ENSURE AWARENESS AND COLLECTIVE UNDERSTANDING

The IRS is striving to make changes and emphasize the collaborative nature of its relationship with taxpayers by:

- ▶ **Proactively communicating with the communities served** – Designed to encourage compliance with tax laws through expanded outreach, such as the TE/GE Small Entity Compliance Initiative.
- ▶ **Strengthening stakeholder partnerships** – Ensure the identification, development and delivery of effective messages.
- ▶ **Increasing the use of cross-functional teams** – To address business change initiatives.

LEVERAGE TECHNOLOGY AND DATA ANALYTICS

As many other organizations, the IRS is focusing on the utilization of technology and data analytics to:

- ▶ **Detect emerging issues using data analytics**
- ▶ **Launch taxpayer digital communications capabilities and use robotic process automation** – Utilize this to make processes more efficient and effective for organizations.
- ▶ **Improve access to, and use of, digitalized data** – Utilize data to identify issues with a high risk for noncompliance.
- ▶ **Leverage publicly available data** – Utilize this to streamline and automate the process for identifying the universe of hospitals subject to Affordable Care Act review.

DEVELOP IRS WORKFORCE

To address past labor shortages, the Program Letter lists the following action plans:

- ▶ **Develop a recruitment and hiring strategy** – Focused on identifying, hiring and retaining TE/GE employees to improve responsiveness and efficiency.
- ▶ **Assess IRS employees' training needs** – Expand the skills of IRS employees to create a more flexible and well-trained workforce.
- ▶ **Enhance employee and manager development** – This will be accomplished through training, developmental assignments, coaching and mentoring.

Management at exempt organizations should be aware of the role the TE/GE division plays, consider the potential implications the plans outlined in the Program Letter may have on their organizations and consult with their tax advisors as necessary.



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TOP CONSIDERATIONS FOR THE NONPROFIT SECTOR: PART TWO

By Divya Gadre, CPA

Many nonprofits are dealing with the uncertainty of the ongoing pandemic as well as increased demand for their services. It's a delicate balancing act, but with proper systems and support, nonprofits are up for the challenge. The [first article](#) of this two-part series covered how the sector has benefited from COVID-19 relief funds, along with best practices for complying with new accounting standards, safeguarding against cyberattacks in a hybrid or fully remote working environment, automating manual processes for greater efficiency, and implementing a successful diversity, equity and inclusion (DEI) strategy.

In this second part of the article series, we highlight five additional considerations for nonprofits around succession planning, funding volatility, remote management and leadership, planning for disruption and change management.

1. SUCCESSION PLANNING

Each employee plays an integral role in your nonprofit's operations. An effective succession plan reflects this and will prepare your nonprofit for the departure of your chief executive officer as thoroughly as it would for the departure of your office manager.

A comprehensive succession plan is designed to ensure business continuity in the face of expected and unexpected departures alike. It focuses on retaining employees by offering opportunities for advancement to promising staff members and includes training initiatives to minimize the learning curve for new hires. It is important for nonprofit leadership to be transparent about the details of the succession plan and review the plan annually or semi-annually to confirm it addresses the latest needs and developments.

This should be discussed with the board as well and appropriately communicated to other stakeholders. During the pandemic, many organizations practiced and thrived with this approach and didn't think of it as a sensitive topic. Succession planning should be part of scenario planning and risk management planning.

2. FUNDING VOLATILITY

From canceled events to shifts in donor behavior to stock market fluctuations, it's easy to see why funding volatility has become a challenge for many nonprofits. It's important to gain a clear understanding of your current funding mix, explore opportunities to enhance what's working well and consider discontinuing what isn't. This assessment will enable the organization to identify new programs that may offer more funding diversification to offset volatility.

As you consider new opportunities, you should review cash, accounts receivable and accounts payable daily. It's also important to maintain adequate operating reserves, create a cash forecasting model, develop and adopt a risk tolerance statement that defines financial stability targets, and calculate key financial metrics for continuous monitoring.

3. REMOTE MANAGEMENT AND LEADERSHIP

The pandemic has introduced hybrid and fully remote work models to many organizations, expanding nonprofits' pool of job candidates and offering existing employees greater flexibility. That said, remote work can come with challenges of its own. Lack of in-person and spontaneous interactions can exacerbate [existing information silos](#), as well as feelings of loneliness in already isolated employees. Managers may find it difficult to oversee operations in a remote environment, and employees may find the blur between professional and home life draining.

Fortunately, there are several steps nonprofits can take to make remote work more comfortable and productive for all parties. Most importantly, lead with empathy. An empathetic leadership style inspires employee loyalty, especially in this time of imposed social isolation and uncertainty. Consider scheduling regular one-on-one videoconferences where employees can share any personal concerns and professional progress. Additionally, reiterating praise in organization-wide videoconferences and taking every opportunity to encourage employee collaboration is important. By fostering a sense of community, you can help boost employee morale and reignite passion for your nonprofit's mission. While you can lead with a personal touch, note that it's also important to establish clear boundaries between personal and professional lives. For

example, try to refrain from sending employees emails outside of business hours. After all, there's a fine line between working from home and living at work.

4. PLANNING FOR DISRUPTION

Disruption is to be expected, but it doesn't have to throw your operation into a tailspin. You can plan for disruption by utilizing the following best practices:

- ▶ Engage in clear and honest communication with all stakeholders.
- ▶ Make informed decisions quickly and stand by them.
- ▶ Reward collaboration over competition by remaining open to employee feedback.
- ▶ Leverage technology to disseminate timely and accurate information to all levels of the organization.
- ▶ Start scenario planning and determine how you might react to a variety of contingencies.
- ▶ Take stock of what worked and what didn't in your response to previous crises.
- ▶ Establish a culture that blends structure with agility.
- ▶ Establish clear documentation on succession planning.
- ▶ Establish a playbook that clearly documents who is responsible for what when a cyberattack happens.
(See related article, "Triaging Data Breaches" on page 1)

These steps will help your nonprofit adjust to dynamic conditions without losing sight of or the ability to achieve your mission.

5. CHANGE MANAGEMENT

Change is hard. In fact, according to *Harvard Business Review*, 78% of change management projects are unsuccessful. A variety of factors contribute to this bleak statistic, but many change management initiatives fail to align with corporate culture due to improperly defined objectives and poor project management. It can be especially challenging to explore operational changes without employee buy-in, as a nonprofit's staff is the heart of the organization. But be tactful—too much change at once can cause staff to lose momentum and confidence in the organization.

Impactful change requires clear communication as well as an obvious link between transformation and reward. Employees embrace change when they understand why it's happening, even if they disagree with it. You should also be sure to communicate how their roles will be impacted, so there aren't any surprises down the line. Create systems for measuring

NONPROFIT & EDUCATION WEBINAR SERIES

The BDO Institute for Nonprofit ExcellenceSM provides a complimentary educational series designed specifically for busy professionals in nonprofit and educational institutions.

Our 2021 BDO KNOWLEDGE Nonprofit and Education Webinar Series will keep you abreast of trends, timely topics and challenges that are impacting the nonprofit environment and provide you with key takeaways relevant for busy professionals working in and with nonprofit and educational organizations. We invite you to take part in this program with members of your organization, including board members.

Stay tuned to the *Nonprofit Standard* blog or refer to www.bdo.com/events for further details and registration information.

1/27/2022 | 1:00 – 2:00 PM ET
Navigating the Stimulus Funding
Compliance Requirements

REGISTRATION LINK COMING SOON

progress, hire employees who offer fresh perspectives and celebrate small wins to get everyone on board with your evolution. By linking transformation to realistic goals and rewards for your organization and its people, staff can feel more connected to the end results and be proud of the work involved.

There are many factors that nonprofits must consider as they look ahead. We've identified 10 through this two-part article series. Though these considerations may be daunting, a common thread runs through all best practices: Know where your nonprofit stands and strive to adapt to a changing environment through contingency planning, effective leadership and agile forecasting models.

Article reprinted from Nonprofit Standard blog.



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THINKING AHEAD: HOW COLLEGES & UNIVERSITIES CAN PLAN FOR LONG-TERM SUCCESS

By LaShaun King

When considering how they should position their institutions over the long term, leaders of higher education institutions are accustomed to a familiar refrain.

The recurring questions they hear are:

- ▶ What trends are evident in enrollment and retention rates over time?
- ▶ How tuition-dependent is the institution?
- ▶ What is the institution's tuition discount rate, and how well is it monitored?
- ▶ What is the size of the institution's endowment, and is growth in line with the overall market?
- ▶ How much does the institution rely on debt financing for operations (outside of large capital projects)?

While financial health and viability remain important indicators of an institution's long-term success, another factor is growing in importance and intersecting with the above metrics: changes in student demographics. In order to plan for the future student body, educators and administrators must remain aware of these trends.

THE EVOLVING STUDENT BODY

The Western Interstate Commission for Higher Education (WICHE) released [updated projections](#) in December 2020 for high school graduates. The study notes that students of color are making up a growing share of high school graduating classes. In 2019, white students were 51% of high school graduating classes. They will decrease to 46% of the Class of 2025 and 43% of the Class of 2036. For those higher education institutions that have not yet enrolled significant numbers of students of color, determining how to attract and retain these students may raise new questions: How well do institutions understand the needs of such students? Do students of color feel welcome within the campus environment? Many students of color who are

currently underrepresented in higher education need financial assistance. How can institutions that have relied on increasing enrollment to fill budget gaps find other ways to fund themselves in order to continue fulfilling their mission?

Independent students are an additional layer in the changing demographics. Per the Institute for Women's Policy Research (IWPR), approximately 51% of all U.S. higher education students were defined as independent, or having at least one of the following defining characteristics per the Free Application for Federal Student Aid (FAFSA):

- ▶ Being at least 24 years old
- ▶ Married
- ▶ A graduate or professional student
- ▶ A veteran
- ▶ An orphan, in foster care or ward of the court
- ▶ A member of the armed forces
- ▶ An emancipated minor
- ▶ Someone who is homeless or at risk of becoming homeless
- ▶ Someone with legal dependents other than a spouse

The [IWPR's 2018 paper](#) noted that 55% of women and 46% of men enrolled in higher education institutions are independent students. Per the IWPR paper, these students have a median age of 29, are mostly students of color, are likely to be a parent, have limited ability to pay for their education and are more likely to enroll part-time when compared to dependent students. COVID-19 has caused further strains—as noted in a [May 2021 article by Higher Ed Dive](#), the pandemic has increased stressors for independent students who are parents, particularly younger parents.

FACING THE FUTURE OF HIGHER EDUCATION

So how can higher education institutions position themselves for success in the long term given changing student demographics? There are a couple of steps that leaders of higher education institutions can take now for future implementation in their strategic plans:

Assessing enrollment strategies to increase inclusion

Institutions should determine the changes necessary to enrollment strategies to attract students of color as well as independent students. Understand how such data will be collected, monitored and tracked going forward.

Some institutions have placed a direct emphasis on addressing increasing demographic changes, such as John Hopkins University, which developed its initial "Roadmap on Diversity and Inclusion" in 2016 and publishes annual progress reports. The university also recently moved to permanent need-blind admissions, which resulted in its student population of underrepresented racial minority students growing from 14.9% in 2010 to 32.5% in 2019. Similarly, the University of Minnesota has staff members dedicated to recruiting students of color and uses direct marketing and recruiting tactics to increase representation of Black students specifically. Other institutions waived requiring SAT or ACT scores from applicants due to the ongoing pandemic, and saw a surge of applications for the Fall 2020 and 2021 academic years — including an increase in applications from underrepresented student groups.

Other schools are partnering with community colleges to improve the pipeline of transfers from two-year institutions to those granting four-year degrees. While many state public institutions have already established these types of relationships, many private institutions are establishing these relationships for the first time in recent years. One example is in Ohio, where the Council of Independent Colleges has helped facilitate a program that allows students from 10 community colleges in the state to take classes following a specified pathway and transfer to one of 14 private institutions in Ohio to complete their degree without any loss of credits. These types of pathways support independent students, 44% of whom attend community college.

Reconsider the campus environment

Considering how the institution can make its own campus experience more welcoming and supportive of students of color and independent students is key to attracting and retaining those students.

BDO PROFESSIONALS IN THE NEWS

BDO professionals are regularly asked to speak at various conferences due to their recognized experience in the industry. You can hear BDO professionals speak at these upcoming events:

JANUARY

Barbara Finke and **Anthony Reh** are presenting the topic "Nonprofit Governance: Enterprise Risk Management" at the State of Georgia Bar's Nonprofit Law Section on Jan. 20, 2022.

John Hopkins University previously established an Office of Institutional Equity and an Office of Diversity & Inclusion to address both the on-campus experience for students from underrepresented populations as well as diversity within faculty. Loyola University Maryland has a President's Council for Diversity, Equity and Inclusion that monitors and supports university-wide initiatives alongside student and alumni boards.

As noted by the IWPR, institutions should also consider whether its part-time students have access to student support services (including the hours that such services are offered) and its existing financial aid policies, and whether they could be adjusted in ways that allow independent students to access more aid and potentially decrease work hours.

While there is no single strategy that will lead higher education institutions to long-term success, addressing the evolution of the student body is a good place to start. Taking active steps to make sure your organization is prepared to serve current and future students is a key move toward ensuring longevity.

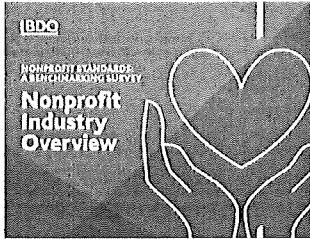
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For more information, contact **LaShaun King**, assurance director, at LKing@bdo.com.

BDO'S 2021 NONPROFIT BENCHMARKING SURVEY

Uncover the Tools to Drive Your Mission Forward



Last year, the nonprofit industry felt the weight of COVID-19 on all sides, with spikes in demand, canceled events and programs, loss in funding and more. Now, more than 18 months into the pandemic, many organizations

have turned crisis into opportunity. Overall, the industry rose to the challenge by making strategic pivots and accelerating investments in core areas to drive long-term success.

Our fifth annual [benchmarking survey](#) takes a deep dive into how organizations have fared over the past year and explores the strategies they're leveraging to pivot and maximize their mission's impact in the year ahead.

This year, our industry overview is broken out by revenue and, for the first time, the survey includes subsector snapshots

specific to health and human services organizations, education organizations and grant-making organizations and public charities. This will aid industry leaders in making data-backed decisions that support and enhance their organization's unique mission. For more information, including data on spending policies, liquidity, investment areas and more, [download the industry overview](#) and [explore the subsector snapshots](#).

Explore the data, covering:

- ▶ Challenges and opportunities that arose from crisis.
- ▶ How nonprofit leaders are investing in and optimizing technology.
- ▶ Strategies to support and maintain financial health.
- ▶ The evolving compliance landscape.
- ▶ The road ahead.

BENCHMARK YOUR ORGANIZATION ▶

OTHER ITEMS TO NOTE

FASB Issues ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities

On Nov. 11, 2021, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2021-09 entitled, "Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities." This ASU covers all lessees who are not public business entities which includes private companies, not-for-profit organizations (whether or not they are conduit bond obligors) and employee benefit plans.

Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to make an accounting policy election to use a risk-free rate as the discount rate for all leases. This practical expedient was provided to relieve those lessees from the cost and complexity of having to calculate an incremental borrowing rate. Private company stakeholders noted that using a risk-free discount rate (for example, a U.S. Treasury rate) is low compared with the expected average incremental borrowing rate and could increase the entity's lease liabilities and right-of-use assets recorded upon adoption of Topic 842 on the statement of financial position. FASB has addressed these concerns with the issuance of ASU 2021-09.

Under ASU 2021-09, lessees that are not public business entities will be able to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity making this election will be required to disclose which asset classes it has elected to apply a risk-free rate.

The ASU does require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate, rather than a risk-free rate or an incremental borrowing rate, regardless of whether it has made the risk-free rate election.

The effective date of ASU 2021-09 depends on whether or not the entity has adopted Topic 842 yet. If an entity has not adopted Topic 842 as of Nov. 11, 2021, it is required to adopt the ASU at the same time as it adopts Topic 842 using the existing transition provisions.

If an entity has already adopted Topic 842 in its financial statements as of Nov. 11, 2021, the provisions of this ASU are effective for fiscal years beginning after Dec. 15, 2021. Earlier application is permitted. These entities are required to apply the provisions of this ASU on a modified retrospective basis to leases that exist at the beginning of the fiscal year of adoption.

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BDO NONPROFIT & EDUCATION PRACTICE

For 100 years, BDO has provided services to the nonprofit community. Through decades of working in this sector, we have developed a significant capability and fluency in the general and specific business issues that may face these organizations.

With more than 2,800 clients in the nonprofit sector, BDO's team of professionals offers the hands-on experience and technical skill to serve the distinctive needs of our nonprofit clients—and help them fulfill their missions. We supplement our technical approach by analyzing and advising our clients on the many elements of running a successful nonprofit organization.

Please see www.bdo.com/industries/nonprofit-education/overview for more information.

BDO INSTITUTE FOR NONPROFIT EXCELLENCESM

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The Institute offers both live and local seminars, as well as webinars, on a variety of topics of interest to nonprofit organizations and educational institutions. Please check BDO's web site at www.bdo.com/resource-centers/institute-for-nonprofit-excellence for upcoming local events and webinars.

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Appendix G

***Pricing Proposal and Billing Rates
(under separate cover)***