Attachment F

FSU Foundation Supporting Org

FY22 Draft FS

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

AND

INDEPENDENT AUDITOR'S REPORT

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

BOLLUS LYNCH
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FSU Foundation Supporting Organization, Inc.

Opinion

We have audited the financial statements of FSU Foundation Supporting Organization, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization as of and for the year ended June 30, 2021, were audited by other auditors, whose report dated November 10, 2021, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Worcester, Massachusetts
__________, 2022

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 97,079	$ 217,474
Due from affiliate	2,838	-
Deposit	10,000	-
Prepaid expenses and other assets	64,845	126,582
Property and equipment, net of accumulated depreciation	6,666,823	6,781,506
Total assets	$ 6,841,585	$ 7,125,562
Liabilities and Net Assets		
Liabilities		
Accounts payable, trade	$ 19,864	$ 4,269
Due to affiliates	-	14,359
Agency fund	31,080	31,080
Accrued interest payable	6,183	6,923
Note payable - bank	432,326	453,794
First mortgage notes payable	3,759,244	3,590,174
Environmental remediation liability	198,784	536,901
Deferred revenue	-	30,000
Total current liabilities	4,447,481	4,667,500
Net assets		
Without donor restrictions	2,394,104	2,458,062
Total net assets	2,394,104	2,458,062
Total liabilities and net assets	$ 6,841,585	$ 7,125,562

See accompanying independent auditor's report and notes to financial statements.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Revenue and support		
Program revenues		
Rental income	$ 188,496	$ 187,968
Residence hall income	-	95,326
License fee income	450,848	356,337
Contributed nonfinancial assets and services	12,068	719,697
Other income		
Other income	107,136	-
Interest income	466	501
Total revenue and support	759,014	1,359,829
Expenses and losses		
Program services	776,575	1,017,042
Management and general	46,397	27,735
Total expenses	822,972	1,044,777
Losses on transfers and sale of land and buildings	-	587,581
Change in net assets	(63,958)	(272,529)
Net assets, beginning of year	2,458,062	2,730,591
Net assets, end of year	$ 2,394,104	$ 2,458,062

See accompanying independent auditor’s report and notes to financial statements.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Totals 2022
Affiliate personnel costs	$ -	$ 12,069	$ -	$ 12,069
Insurance	113,581	-	-	113,581
Rent	37,588	-	-	37,588
Professional services	-	20,912	-	20,912
Landscaping	9,835	-	-	9,835
Other costs	400	13,416	-	13,816
Real estate and other taxes	2,693	-	-	2,693
Depreciation	174,194	-	-	174,194
Repairs and maintenance	273,176	-	-	273,176
Interest	165,108	-	-	165,108
	$ 776,575	$ 46,397	$ -	$ 822,972

See accompanying independent auditor's report and notes to financial statements.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Affiliate personnel costs	$ -	$ 10,197	$ -	$ 10,197
Insurance	110,706	-	-	110,706
Rent	36,941	-	-	36,941
Professional services	-	10,200	-	10,200
Landscaping	11,662	-	-	11,662
Other costs	1,400	7,338	-	8,738
Utilities	22,601	-	-	22,601
Real estate and other taxes	8,250	-	-	8,250
Depreciation	163,178	-	-	163,178
Repairs and maintenance	18,545	-	-	18,545
Interest	178,063	-	-	178,063
Environmental costs	465,696	-	-	465,696
	$ 1,017,042	$ 27,735	$ -	$ 1,044,777

See accompanying independent auditor’s report and notes to financial statements.

FSU FOUNDATION SUPPORTING ORGANIZATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (63,958)	$ (272,529)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Losses on transfers and sale of land and buildings	-	587,581
Depreciation	174,194	163,178
Amortization of debt issuance costs	-	14,813
Donation of propety and equipment	-	(709,500)
Decrease (increase) in operating assets:		
Due from affiliate	(2,838)	24,445
Deposits received	(10,000)	-
Prepaid expenses and other assets	61,737	8,595
Increase (decrease) in operating liabilities:		
Accounts payable, trade	86,800	28,015
Due to affiliate	(14,359)	(1,835)
Environmental liability	(338,117)	436,901
Accrued interest payable	(740)	1,202
Deferred revenue	(30,000)	-
Net cash provided by (used in) operating activities	(137,281)	280,866
Cash flows from investing activities:		
Payments for property and equipment	(130,716)	(564,466)
Net cash used in investing activities	(130,716)	(564,466)
Cash flows from financing activities:		
Proceeds of first mortgage notes payable	126,724	1,538,000
Payments on first mortgage notes payable	(188,700)	(921,995)
Payments on note payable - bank	(21,468)	(20,891)
Payments on bank line of credit	-	(250,000)
Payments of deferred financing costs	(18,954)	(20,507)
Advances from affiliates	250,000	250,000
Payments on advances from affiliates	-	(250,000)
Net cash provided by financing activities	147,602	324,607
Net change in cash and cash equivalents	(120,395)	41,007
Cash and cash equivalents, beginning of year	217,474	176,467
Cash and cash equivalents, end of year	$ 97,079	$ 217,474

See accompanying independent auditor's report and notes to financial statements.

1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

FSU Foundation Supporting Organization, Inc. (the "Organization") was organized on October 29, 1999 to be a supporting organization operated, supervised and controlled for the exclusive benefit of Fitchburg State University Foundation, Inc. (the "Foundation") and all of its educational and charitable activities. As of June 30, 2022, the Organization's sole program activity has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and Fitchburg State University (the "University").

Accounting pronouncements adopted

During the year ended June 30, 2022, the Organization adopted FASB Accounting Standards Update 2020-07: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard requires the disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities from contributions of cash and other financial assets, as well as certain additional disclosures regarding the nature of these contributions. This change has no effect on net assets as previously reported..

Use of estimates

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

Method of accounting

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

Basis of presentation

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

Without donor restrictions

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

With donor restrictions

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

As of June 30, 2022 and 2021, the Organization's net assets are not subject to donor-imposed restrictions; accordingly, all of the net assets are accounted for as net assets without donor restrictions.

1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made, collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are recognized only when the conditions on which they depend are substantially met. Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received.

Contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. All donor-restricted contributions are recorded as increases in donor restricted net assets. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions.

Rental and license fee income

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

Residence hall income

Residence hall fees are recognized when earned.

Accounts receivable

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

Property and equipment

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

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

1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

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

Debt issuance costs

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

Statement of cash flows

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

Income taxes

The Organization is classified by the Internal Revenue Service as a "publicly supported organization" exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization did not have any material unrelated business income for the years ended June 30, 2022 and 2021. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of June 30, 2022. Any changes in tax positions will be recorded when the ultimate outcome becomes known. Accrued interest and penalties associated with uncertain tax positions are recognized as a part of interest expense and miscellaneous other expenses, respectively, in the accompanying statements of activities. The Organization has no accrued interest and penalties associated with uncertain tax positions at June 30, 2022 and 2022 and none were incurred during the years then ended. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2019, 2020 and 2021.

Functional expenses

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

Subsequent events

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

2 - CASH AND CASH EQUIVALENTS

The Organization maintains its operating cash and cash equivalent balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to these cash and cash equivalent balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash and cash equivalent balances at June 30, 2022 and 2021.

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year as of June 30, 2022 and 2021 consist of the following:

	2022	2021
Financial assets at year end		
Cash (excluding agency fund)	$ 65,999	$ 186,394
Due from affiliate	2,838	-
Total financial assets	$ 68,837	$ 186,394
Finance assets available to meet general expenditures within one year	$ 68,837	$ 186,394

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

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

The Organization has various sources of liquidity at its disposal including cash and a steady revenue stream from license fees. In addition, the Organization has access to a line of credit of $250,000 (See Note 9).

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Further, the Foundation anticipates collecting sufficient contributions and revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of the Foundation's cash for fiscal years 2022 and 2021.

4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consist of the following:

	2022	2021
Real estate under lease		
Land	$ 402,664	$ 402,664
Building	1,557,724	1,557,724
Building improvements	342,079	342,079
	2,302,467	2,302,467
Real estate used for student housing		
Land	236,524	236,524
Building	434,225	434,225
Building improvements	28,600	28,600
	699,349	699,349
Real estate used for faculty and staff housing		
Land	133,619	133,619
Building	533,508	533,508
	667,127	667,127
Other		
Land	1,868,460	1,808,949
Building	1,507,891	1,507,891
Land improvements	96,228	96,228
Building improvements	1,069,436	1,069,436
Furniture and fixtures	28,446	28,446
	4,570,461	4,510,950
	8,239,404	8,179,893
Less accumulated depreciation	1,572,581	1,398,387
	$ 6,666,823	$ 6,781,506

Accumulated depreciation on real estate under lease amounted to $707,876 and $651,829 at June 30, 2022 and 2021, respectively. Accumulated depreciation on real estate used for student housing amounted to $182,091 and $169,805 at June 30, 2022 and 2021, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $50,189 and $36,852 at June 30, 2022 and 2021, respectively.

On June 23, 2022, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property which includes land and a building was purchased for a total cost of $287,377. The Organization intends to raze the building and use the property for green space and possible future parking.

On June 28, 2021, the Organization transferred seven properties which consists of land and one building to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. On the date the properties were transferred the seven properties collectively had a cost basis and accumulated depreciation of $660,367 and $72,786 respectively. A loss of $587,581 was recorded from the transfers of the properties and recognized in losses on transfers and sale of land and buildings in the accompanying statement of activities for the year ended June 30, 2021.

On December 22, 2020 the Organization acquired a property in close proximity to the Fitchburg State University campus. The property which includes land and a building was purchased for a total cost of $121,813. The Organization intends to use this property for green space and possible future parking.

4 - PROPERTY AND EQUIPMENT (Continued)

On November 30, 2020, the Organization received a donation of the former Fidelity Bank property in downtown Fitchburg. The property includes the bank building and three parcels of land. This property was recorded at fair market value of $709,500, $526,617 of which was recorded as building and $182,883 as land based on an appraisal completed utilizing the sales comparative approach. The property is being held for development of the Theater complex.

On September 18, 2020, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property which includes land and a building was purchased for a total cost of $172,231. The Organization intends to use this property for green space with possible future parking.

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

On June 2, 2020, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property which includes land and a building was purchased for a total cost of $240,775. The Organization intends to use this property for open green space. The acquisition was funded, in part, through the proceeds of an advance $250,000 on a line of credit (see Note 9).

On November 13, 2019, the Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which consists of land and a building, was purchased for $1 as current environmental remediation is needed before the property is usable. The property was acquired to support the downtown Theater project and the Organization intends to raze the building on the property and convert the land to a parking lot. The Organization was notified by the Massachusetts Department of Environmental Protection ("DEP") about an environmental issue with the property that requires remediation. For the year ended June 30, 2020, the Organization had purchased an insurance policy with a determined deductible of $100,000, which it determined increased the value of the land and was recorded as land. For the year ended June 30, 2021, the Organization determined that additional costs of the remediation are expected above the insured policy limits in the amount of $465,696, which has been expensed during the year ended June 30, 2021 and included in environmental costs in the accompanying schedule of functional expenses. As of June 30, 2022, and 2021, the remaining environmental liability of $198,784 and $536,901, respectively is shown on the accompanying statements of financial position.

In fiscal 2017, the Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Organization's mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $360,305. The acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 6). The Organization is planning a major renovation and expansion of the property which, when completed, is expected to cost approximately $25,000,000 and consist of a multi-phased project providing academic space, student support services space, retail and community space and a theatre renovation. The space is expected to be used by the University and the City of Fitchburg and surrounding communities. Fitchburg State University will be responsible for the costs of the project's development and construction pursuant to the terms of the license agreement between the University and the Organization. Funding for the project is expected to come from a variety of sources including, but not limited to, New Markets Tax Credits, Historic Tax Credits, bonds, grants and philanthropy. The project is in the very early stages of development and is estimated to require four years to completion. At some point during that period, the property will be transferred to a new entity. The Organization will pay for certain legal services incurred in connection with the project which the Organization currently estimates to be approximately $148,000 for the entire project. The Organization expects to fund these costs through operating cash. As of June 30,2022, and 2021, the Organization incurred $26,448, and $73,491 of legal costs related to the project which have been recorded in prepaid expenses and other assets in the accompanying 2022 and 2021 statement of financial position.

5 - AGENCY FUND

The Organization is part of a collaboration, called Re-imagine North of Main, of local businesses and non-profit organizations located in Fitchburg, Massachusetts committed to making a collective impact and dedicated to improving the quality of life in Fitchburg. The Organization is holding monies for the benefit of North of Main projects and disbursing that as needed to specific vendors identified by the members of the coalition. For the year ended June 30, 2022 and 2021, the Organization had no transactions in connection with this collaboration. At June 30, 2022 and 2021, the Organization holds $31,080 of funds that is to be used exclusively by the members of the coalition.

6 - FIRST MORTGAGE NOTES PAYABLE

Massachusetts Development Finance Agency ("MDFA")

MDFA is providing financing to the Organization in the form of a General Fund loan in the amount of $500,000 per the agreement dated June 28, 2021. The loan will be disbursed by a series of advances, per the terms and conditions stipulated in the Construction Loan Agreement. The proceeds are to be used for predevelopment costs in connection with the proposed redevelopment of the Theater Block. The note is secured by a first mortgage on and assignment of leases and rents for the real estate located at 675 Main Street, Fitchburg, Massachusetts. The note has a term of 5 years, maturing on June 28, 2026, and provides for a fixed rate of interest of 4% per annum. The loan requires monthly installments of interest effective August 1, 2021. The entire outstanding principal balance shall be due and paid at the earlier of (i) a triggering event or (ii) at maturity, June 28, 2026. A triggering event occurs when the property is transferred to another, abandoned, or financing of $20MM or more is secured. Disbursements to June 30, 2022 and 2021 are $73,846 and $0, respectively.

2023	$ -
2024	-
2025	-
2026	73,846
	$ 73,846

MDFA is providing financing to the Organization in the form of a Brownfields loan in the amount of $500,000 per the agreement dated June 28, 2021. The loan will be disbursed by a series of advances, per the terms and conditions stipulated in the Construction Loan Agreement. The proceeds are to be used for remediation costs in connection with the proposed redevelopment of the Theater Block. The note is secured by a first mortgage on and assignment of leases and rents for the real estate located at 15 Central Street and 675 Main Street and 689-717 Main Street, Fitchburg, Massachusetts. The note has a term of 10 years, amortizing over 30 years, and provides for a fixed rate of interest of 3% per annum. The loan requires monthly installments of interest for the first twelve months after closing; and thereafter principal and interest payable over 30 years. Repayments of principal are currently on hold. If the Organization has a Debt Service Coverage Ratio in any given fiscal year of less than 1.2:1, then Organization may choose to defer payments due by notifying the lender within thirty days of commencement. Disbursements to June 30, 2022 and 2021 are $52,878 and $0, respectively.

Workers' Credit Union ("WCU")

Workers' Credit Union ("WCU") provided financing to the Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The note is secured by a first mortgage interest in certain real estate owned by the Organization and an assignment of certain related leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2022 and 2021, the Organization has total cash balances of $8,874 and $8,456 respectively, held at WCU which serve as additional collateral for the loan.

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Workers' Credit Union ("WCU") (continued)

The mortgage note had an original term of 10 years, expiring on February 27, 2019, and provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2015 pursuant to the provisions of a loan modification agreement. On February 27, 2020, the interest rate was adjusted to 5.25% per annum expiring on February 27, 2024 pursuant to the provisions of a loan modification agreement. The note requires monthly installments of principal and interest of $4,517 through February 27, 2024. Commencing thereafter, the interest rate will be adjusted to the FHLB 5-year Classic Advance plus 2.25% until the maturity date of February 27, 2029 and monthly payments for principal and interest will be determined at that point.

As of June 30, 2022 and 2021, the outstanding principal balance of the mortgage loan amounted to $469,538 and $498,266, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2022, are as follows:

2023	$ 30,272
2024	31,839
2025	33,612
2026	35,420
2027	37,325
Thereafter	301,070
	$ 469,538

Rollstone Bank & Trust

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

As of June 30, 2022 and 2021, the outstanding principal balance of the mortgage loan amounted to $167,889 and $178,567, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2022, are as follows:

2023	$ 11,035
2024	11,389
2025	11,784
2026	12,178
2027	12,586
Thereafter	108,917
	$ 167,889

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Rollstone Bank & Trust (continued)

Rollstone Bank & Trust provided refinancing to the Organization in the form of a note, dated December 9, 2020 in the amount of $1,538,000. The proceeds of the note were used to (i) refinance existing debt owed by the Organization, (ii) to purchase, raze and develop the real property located at 175-179 Myrtle Street, Fitchburg, Massachusetts, (iii) to finance a new roof at the property located at 167 Klondike Avenue. This note is secured by a first mortgage interest in the real estate property located at 167 Klondike Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note bears interest at a fixed rate of 3.5% per annum until December 9, 2030. Thereafter the note shall bear interest at a per annum rate equal to the Federal Home Loan Bank of Boston “Five Year Classic Advance Rate” plus 2.25%. The loan requires monthly installments of principal and interest of $11,032 based on a 15-year principal amortization. The loan agreement requires the Organization to maintain a debt service ratio equal to or greater than 1:1. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

As of June 30, 2022 and 2021, the outstanding principal balance of the mortgage loan amounted to $1,418,087 and $1,498,585, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2022, are as follows:

2023	$ 83,396
2024	86,278
2025	89,516
2026	92,744
2027	96,090
Thereafter	970,063
	$ 1,418,087

Fidelity Co-Operative Bank

Fidelity Co-Operative Bank provided financing to the Organization in the form of a note, dated June 26, 2013, in the amount of $83,200. The note is secured by a first mortgage interest in the real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note has a term of 20 years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 2.75% per annum. The loan required monthly installments of principal and interest of $376 through June 26, 2018. The interest rate was adjusted to 5.93% per annum on June 26, 2018 pursuant to the provisions of the loan agreement. The July and August 2018 monthly installments of principal and interest remained at $376. On August 27, 2018, the Organization entered into a Change in Terms Agreement with the lender in which the interest rate on the note was modified to a fixed rate of 5.20% per annum until June 26, 2023. At that time, the interest rate will be adjusted pursuant to the terms of the original note described above. All other terms, provisions and conditions of the original note agreement remain in full force and effect. Commencing with the September 2018 monthly installment of principal and interest, the monthly installments shall be $450. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note.

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Fidelity Co-Operative Bank (continued)

The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Organization.

As of June 30, 2022 and 2021, the outstanding principal balance of the mortgage loan amounted to $68,484 and $70,255, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rates in effect at June 30, 2022, are estimated to be as follows:

2023	$	1,843
2024		1,933
2025		2,046
2026		2,157
2027		2,274
Thereafter		58,231
	$	68,484

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

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

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $93,637 and $98,339, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2022 are as follows:

2023	$	4,891
2024		5,089
2025		5,315
2026		5,541
2027		72,801
	$	93,637

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Fidelity Co-Operative Bank (continued)

In January 2017, Fidelity Co-Operative Bank provided financing to the Organization in the form of a promissory note, dated January 13, 2017, in the amount of $220,000. The proceeds of the loan were used to reimburse the Organization for the acquisition, at a cost of $222,472, of two real estate properties in fiscal 2017. The note is secured by a Negative Pledge Agreement on the properties.

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

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $178,835 and $187,181, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2022 are as follows:

2023	$ 8,700
2024	9,107
2025	9,578
2026	10,051
2027	10,570
Thereafter	130,829
	$ 178,835

Hometown Bank

In June, 2019, Hometown Bank provided financing to the Organization in the form of a commercial note, dated June 18, 2019, in the amount of $312,000. The proceeds of the loan were used for the acquisition, at a cost of $393,780, of a real estate property located at 164 Highland Avenue in Fitchburg, Massachusetts (see Note 4). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property. In addition, the loan agreement requires the Organization to maintain a Debt Service Coverage Ratio, as defined, of no less than 1.10 to 1 to be measured annually at the end of the fiscal year. The loan agreement also requires the Organization to maintain a Loan-to-Value Ratio of no more than 80% at any time during the term of the loan.

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2020, the loan requires monthly installments of principal and interest of $1,752 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Hometown Bank (continued)

As of June 30,2022, and 2021, the outstanding principal balance of the loan amounted to $290,537 and $298,009, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2022 are as follows:

2023	$	7,822
2024		8,190
2025		8,575
2026		8,977
2027		9,399
Thereafter		247,574
	$	290,537

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

The commercial note has a term of 10 years, maturing on June 18, 2029, and provides for a fixed rate of interest of 4.60% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 18, 2024) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.75% per annum. Commencing on July 18, 2020, the loan requires monthly installments of principal and interest of $777 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $128,879 and $132,193 respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2022 are as follows:

2023	$	3,470
2024		3,633
2025		3,804
2026		3,982
2027		4,169
Thereafter		109,821
	$	128,879

Fitchburg Historical Society

In April, 2019, Fitchburg Historical Society provided financing to the Organization in the form of a promissory note, dated April 4, 2019, in the amount of $90,000. The proceeds of the loan were used for the acquisition, at a cost of $114,774, of a real estate property located at 0 Main Street in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Fitchburg Historical Society (continued)

The commercial note has a term of 5 years, maturing on April 1, 2024, and provides for a fixed rate of interest of 5.00% per annum. Commencing on May 1, 2020, the loan requires monthly installments of principal and interest of $1,698 based on a 5-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $35,633 and $53,738 respectively.

Aggregate principal maturities on the loan for each of the next four years at June 30, 2022 are as follows:

2023	$ 19,031
2024	16,602
	$ 35,633

Enterprise Bank and Trust Company

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

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

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $251,983 and $257,956, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2022, are estimated to be as follows:

2023	$ 5,866
2024	6,128
2025	6,403
2026	6,690
2027	6,987
Thereafter	219,909
	$ 251,983

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

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Enterprise Bank and Trust Company (continued)

The promissory note has a term of 20 years, maturing on November 5, 2038. The note provides for a fixed rate of interest of 5% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Five Year Regular Rate plus 1.95% per annum. The loan will have a minimum floor rate of 5%. Commencing on January 1, 2020, the loan requires monthly installments of principal and interest of $983 based on a 20-year principal amortization schedule. If the note is prepaid in whole or in part during the term of the loan for the purpose of refinancing the loan with another financial institution, the loan provides for a prepayment penalty equal to 3% of any principal reduction. Except for the forgoing, the note may be prepaid in whole or in part without penalty. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Organization.

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $131,631 and $136,612, respectively.

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

2023	$ 5,240
2024	5,495
2025	5,797
2026	6,098
2027	6,414
Thereafter	102,587
	$ 131,631

Webster First Federal Credit Union

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

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $186,847 and $201,340, respectively.

6 - FIRST MORTGAGE NOTES PAYABLE (Continued)

Webster First Federal Credit Union (continued)

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2022, are estimated to be as follows:

2023	$ 15,162
2024	15,741
2025	16,341
2026	16,869
2027	17,521
Thereafter	105,213
	$ 186,847

7 - NOTE PAYABLE - BANK

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

The acquisitions were funded with the proceeds of a note payable in the amount of $680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investments owned by the Foundation with a fair value of approximately $2,357,000 and $2,855,000 at June 30, 2022 and 2021, respectively. In addition, payment and performance of the Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The promissory note has a term of 30 years, expiring on May 5, 2037, and provides for a fixed rate of interest of 6% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (April 26, 2012, 2017, 2022, 2027 and 2032) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The interest rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $4,122 through May 7, 2012 and $2,875 until April 26, 2017. The interest rate was adjusted from 3.49% per annum on April 26, 2017 to 4.24% on April 26, 2022 pursuant to the provisions of the loan agreement. The monthly installments of principal and interest was changed from $3,115 monthly payment on April 26, 2017 to $3,280 on April 26, 2022 until the next five-year interval adjustment date of April 26, 2027. The note may be prepaid at any time, in whole or in part, without premium or penalty.

As of June 30, 2022 and 2021, the outstanding principal balance of the loan amounted to $432,326 and $453,794, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2022, are estimated to be as follows:

2023	$ 21,196
2024	22,078
2025	23,093
2026	24,106
2027	25,162
Thereafter	316,691
	$ 432,326

8 - LEASE AND LICENSE AGREEMENTS

As disclosed in Note 6, the Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006 and expired on August 16, 2016. The lease provided for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University was also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease continued in effect, after its expiration, under the same terms and conditions until March 9, 2017 when the Organization signed a new 10-year lease with the same terms and conditions as the previous agreement. The new lease agreement became effective as of August 16, 2016. For the years ended June 30, 2022 and 2021, rental income amounted to $165,000 in each year.

The following is a schedule of future minimum rental income under the operating lease agreement at June 30, 2022:

2023	$ 165,000
2024	165,000
2025	165,000
2026	165,000
2027	20,625
	$ 680,625

On August 6, 2008, the Organization entered into a 10-year operating lease agreement with an unrelated third-party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and expired on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provided for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease, there will be a 7.5% increase at the commencement of each three-year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to $18,947 for the next three-year period of the lease term, payable in monthly installments of $1,579. Effective July 1, 2014, the Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above-mentioned office space and extended the lease term through June 30, 2019. The amended lease provides for a base annual rent of $28,495 for each of the first three years of the lease term, payable biannually in installments of $14,247. On July 1, 2017, the annual rent on the lease increased by 7.5% to $30,632 (biannual installments of $15,316). Effective July 1, 2019, the Organization entered into an operating lease agreement with the unrelated third party for the same space. The new lease provides a base annual rent of $30,632 per annum and will increase 2% at the end of each year period of the lease term to be effective commencing July 1st of the following year, including the continuous period of any extension. The Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Organization may cancel the lease at any time with the payment of two months' base rent as a termination charge. The Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2022 and 2021, rent expense amounted to $31,870 and $31,245, respectively.

The future minimum rental payments under this operating lease agreement at June 30, 2023 is $32,507 for the fiscal years ending June 30, 2023.

8 - LEASE AND LICENSE AGREEMENTS (Continued)

On February 1, 2013, the Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. Effective July 1, 2017, the lease agreement was amended to extend the term of the lease until June 30, 2023 and modify the lease payment provisions to be in biannual installments of $2,848. The Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Organization may cancel the lease at any time after February 1, 2014 with the payment of two months' base rent as a termination charge. The Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2022 and 2021, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2022:

2023	$ 5,696

The Organization and the University are parties to License Agreements whereby the Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in 4 equal quarterly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreements may be terminated by either party upon the expiration of the initial term of the agreements and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreements at any time with the giving of proper notice. For the years ended June 30, 2022 and 2021, license fee income amounted to $450,849 and $356.337, respectively.

On June 22, 2018, the Organization entered into a three-year operating lease agreement with an unrelated third party after purchasing a property for a total cost of $153,096 located in Fitchburg, Massachusetts. The lease agreement provided for monthly lease payment of $1,600 commencing on July 1, 2018. The lease agreement was amended effective July 1, 2019 and provided for monthly lease payment of $1,358. A new five-year lease commenced on July 1, 2021 with a monthly lease payment of $1,914. For the year ended June 30, 2022, and 2021, rental income amounted to $23,496 and $ 22,968 respectively.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2022:

2023	$ 23,496
2024	23,496
2025	23,496
2026	23,496
	$ 93,984

Effective on August 6, 2020, the Organization entered into a lease agreement with Fitchburg Housing Authority ("FHA") to lease the land located at 66 Day Street to be used for parking by FHA employees. The Organization is leasing the property solely for convenience to FHA; no revenue is being generated by this lease agreement.

9 - <u>LINE OF CREDIT</u>

On August 18, 2016, the Organization entered into a demand unsecured revolving line of credit agreement with Rollstone Bank and Trust which permits the Organization to borrow up to $250,000. The line of credit provides for interest at *The Wall Street Journal* Prime Rate less .25% (effective rates of 4.5% at June 30, 2022 and 3.0% at June 30, 2021). The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, and again through November 30, 2018, under the same terms and conditions of the previous agreement. On November 30, 2018, the line of credit was renewed through November 30, 2021 and again through November 30, 2022. The Organization may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty. The line of credit agreement contains, among other covenants, the maintenance of a debt service coverage ratio, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. The Organization made no borrowings in the year ending June 30, 2022. As of June 30, 2021, the Organization made payments of $250,000 under the line of credit agreement. The balance outstanding as of June 30, 2022 and June 30, 2021 were $0, respectively.

10 - <u>TRANSACTIONS WITH RELATED PARTIES</u>

Fitchburg State University and the Foundation render certain administrative services to the Organization. For the years ended June 30, 2022 and 2021, these services with a value of $12,068 and $10,197, respectively, have been recognized as contribution in kind income in the accompanying statements of activities in accordance with FASB guidance.

There were no repairs and maintenance expense in the accompanying 2022 and 2021 statements of activities to be paid to Fitchburg State University for maintenance services provided to the Organization for the real estate used for student housing.

From time to time, the Foundation makes advances to the Organization to assist with the financing of its acquisitions of real estate properties located in Fitchburg, Massachusetts. The advances do not have any specified repayment provisions and due dates and are noninterest-bearing except to the extent that they are funded from the proceeds of draws on the Foundation's working capital line of credit. In those instances, the Foundation charges interest to the Organization at a rate equivalent to the Foundation's borrowing rate on its working capital line of credit agreement. At June 30, 2022 and 2021, the effective interest rate was 0% and 3.25% per annum, respectively. Interest expense incurred by the Organization on advances amounted to $0 and $1,558 in fiscal 2022 and 2021, respectively. As of June 30, 2022, and 2021, there was no accrued interest payable to the Foundation. During fiscal 2021, an advance of $250,000 was made to the Organization in November 2020 and repaid in January 2021. During fiscal 2022, the Foundation made an advance of $250,000 on June 15, 2022 to the Organization. As of June 30, 2022 and 2021, there were $250,000 and $0 outstanding advances payable to the Foundation.

As of June 30, 2022 and June 30, 2021, the Organization has miscellaneous accounts receivable totaling $4,060 and $0 from the University, respectively, which are reflected as due from affiliate in the accompanying statements of financial position.

As of June 30, 2022 and 2021, the Organization has miscellaneous payables of $1,222 and $14,359 payable to the University, which are included in due to affiliates in the accompanying June 30, 2022 and 2021 statement of financial position.

11 - SUPPLEMENTAL CASH FLOW INFORMATION

	2022	2021
Cash paid for interest during the year	$ 165,848	$ 162,048

During the years ended June 30, 2022 and 2021, cash paid for property additions is as follows:

	2022	2021
Costs incurred for the purchase of property	$ 59,511	$ 584,804
Donated property	-	(709,500)
Transfer of 7 properties to the Commonwealth of Massachusetts with a cost basis of $660,367	-	660,367
Amounts included in accounts payable at the beginning of the year	71,205	100,000
Amounts included in accounts payable at the end of the year	-	(71,205)
Cash paid for property and equipment	$ 130,716	$ 564,466

12 - CONTINGENCY

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities leading to an overall decline in economic activity. As of June 30, 2022, there was no significant impact to the Organization's operations. However, the Organization is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Organization's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects on the Organization's financial position, results of operations and cash flow.

13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through ________________, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
FSU Foundation Supporting Organization, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of FSU Foundation Supporting Organization, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _______________, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Purpose of This Report

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

Worcester, Massachusetts
_________________________, 2022