Fitchburg State University Foundation, Inc.

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

June 30, 2016

CohnReznick
Accounting • Tax • Advisory

Fitchburg State University Foundation, Inc.

Index

Independent Auditor's Report

The Board of Directors
Fitchburg State University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Fitchburg State University Foundation, Inc. ("Foundation"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fitchburg State University Foundation, Inc. as of June 30, 2016, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Fitchburg State University Foundation, Inc., and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 17, 2015. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of Fitchburg State University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fitchburg State University Foundation, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
November 15, 2016

Fitchburg State University Foundation, Inc.

Consolidated Statement of Financial Position
June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

Assets

	2016	2015
Cash and equivalents	$ 1,185,537	$ 1,287,165
Investments	15,256,246	15,469,351
Accrued investment income receivable	32,740	27,418
Accounts receivable	12,322	82,511
Contributions receivable, net	119,684	157,114
Prepaid expenses and other current assets	68,921	25,286
Property and equipment, net of accumulated depreciation	6,249,546	6,368,281
Deferred financing costs, net of accumulated amortization of $31,463 and $27,996, respectively	27,271	30,738
Other assets	87,916	90,095
Total assets	$ 23,040,183	$ 23,537,959

Liabilities and Net Assets

	2016	2015
Bank line of credit	$ 250,000	$ -
Accounts payable, trade	51,171	138,687
Accrued interest payable	6,334	6,900
Deferred revenue	69,770	6,795
Notes payable - bank	553,081	572,464
First mortgage notes payable	2,527,993	2,672,455
Total liabilities	3,458,349	3,397,301
Net assets		
Unrestricted	5,311,277	5,654,767
Temporarily restricted	4,765,321	5,223,211
Permanently restricted	9,505,236	9,262,680
Total net assets	19,581,834	20,140,658
Total liabilities and net assets	$ 23,040,183	$ 23,537,959

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
Revenue and support					
Program revenues					
Gifts and donations	$ 180,935	$ 228,010	$ 159,498	$ 568,443	$ 815,708
Grants and contracts	25,000	5	-	25,005	71,892
Sales and services	111,688	197,407	-	309,095	322,867
Rental income	165,000	-	-	165,000	165,000
Residence hall income	478,962	-	-	478,962	224,540
License fee income	108,167	-	-	108,167	235,833
Contribution in kind income	135,896	-	-	135,896	132,220
Other revenue					
Interest and dividends	92,977	227,591	-	320,568	309,059
Gain (loss) on investments	(93,603)	(233,058)	-	(326,661)	693,056
Gain on sale of property	-	-	-	-	594,795
Net assets released from restrictions	791,787	(791,787)	-	-	-
Reclassification of net assets	3,000	(86,058)	83,058	-	-
Total revenue and support	1,999,809	(457,890)	242,556	1,784,475	3,564,970
Expenses					
Program services	1,912,731	-	-	1,912,731	1,575,847
Management and general	318,354	-	-	318,354	319,753
Fundraising	112,214	-	-	112,214	268,673
Total expenses	2,343,299	-	-	2,343,299	2,164,273
Increase (decrease) in net assets	(343,490)	(457,890)	242,556	(558,824)	1,400,697
Net assets at beginning of year	5,654,767	5,223,211	9,262,680	20,140,658	18,739,961
Net assets at end of year	$ 5,311,277	$ 4,765,321	$ 9,505,236	$ 19,581,834	$ 20,140,658

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Increase (decrease) in net assets	$ (558,824)	$ 1,400,697
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Gain (loss) on investments	326,661	(693,056)
Gain on sale of property	-	(594,795)
Impairment loss	98,446	31,218
Depreciation	246,581	163,000
Discount on pledges	(1,243)	1,002
Bad debt expense	5,529	12,841
Amortization of deferred financing costs	3,467	3,470
Contributions restricted for long-term purposes	(159,498)	(311,443)
Contributions of investment securities	(6,426)	(11,534)
Changes in assets and liabilities		
(Increase) decrease in assets		
Cash surrender value of life insurance	2,179	1,796
Accounts receivable	189	(18,077)
Accrued investment income receivable	(5,322)	1,512
Contributions receivable	26,034	(10,829)
Prepaid expenses and other current assets	(26,635)	2,293
Increase (decrease) in liabilities		
Accounts payable, trade	(87,516)	99,183
Accrued interest payable	(566)	(2,379)
Deferred revenue	62,975	(79,460)
Net cash used in operating activities	(73,969)	(4,561)
Cash flows from investing activities		
Payments for property and equipment	(226,292)	(1,089,077)
Deposits paid for purchases of property	(17,000)	3,000
Proceeds from sale of investments	3,747,059	3,879,649
Purchase of investments	(3,854,189)	(4,145,346)
Proceeds from sale of property	70,000	891,200
Net cash used in investing activities	(280,422)	(460,574)

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
Cash flows from financing activities		
Proceeds of first mortgage notes payable	-	105,686
Proceeds of bank line of credit	250,000	-
Payments on bank line of credit	-	(225,000)
Payments on first mortgage notes payable	(144,462)	(410,232)
Payments on notes payable - bank	(19,383)	(18,995)
Advance from Fitchburg State University	-	(100,000)
Collections of contributions restricted for long-term purposes	166,608	269,851
Net cash provided by (used in) financing activities	252,763	(378,690)
Net decrease in cash and equivalents	(101,628)	(843,825)
Cash and equivalents, beginning of year	1,287,165	2,130,990
Cash and equivalents, end of year	$ 1,185,537	$ 1,287,165

See Notes to Consolidated Financial Statements.

Note1 - Organization and summary of significant accounting policies

Organization

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

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

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

Summary of significant accounting policies

Principles of consolidation

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

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

Use of estimates

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

Method of accounting

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

Basis of presentation

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

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

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

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

Risks and uncertainties

The Organization maintains an investment portfolio consisting of a combination of U.S. Treasury securities and other government obligations, corporate bonds, equity securities and mutual funds that are invested in equity securities, bonds and other investment securities. The Organization's investments in equity securities, corporate bonds and mutual funds include both domestic and foreign investments. In addition, the Organization has an investment in a real estate fund that is invested in a diversified portfolio of office, residential, industrial and retail properties. Investment securities and real estate investments are exposed to various risks, such as interest rate, market, and credit risks. Real estate investments are exposed to additional risks based on investment concentrations by specific property type and geographic area. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization's investment account balances.

Revenue recognition

Contributions and bequests

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

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

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

Residence hall income
Residence hall fees are recognized when earned.

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

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

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

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

Endowments

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

Interpretation of relevant law

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

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

Investment and spending policies

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

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

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

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

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2016 and 2015, there were no deficiencies of this nature.

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

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

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

Deferred financing costs
Deferred financing costs consist of costs incurred to obtain the first mortgage notes payable. These costs are being amortized on a straight-line basis over the terms of the related debt, which approximates the effective yield method.

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

Income taxes

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

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the consolidated financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of June 30, 2016. Any changes in tax positions will be recorded when the ultimate outcome becomes known. Accrued interest and penalties associated with uncertain tax positions, if any, are recognized as a part of interest expense and miscellaneous other expenses, respectively, in the accompanying consolidated statements of activities. The Foundation and Supporting Organization have no accrued interest and penalties associated with uncertain tax positions at June 30, 2016 and 2015 and none were incurred during the years then ended. The Foundation and Supporting Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2013, 2014, and 2015.

Functional allocation of expenses

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

Summarized comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the fiscal 2015 financial statements to conform to the fiscal 2016 presentation.

Subsequent events

The Organization has evaluated subsequent events through November 15, 2016, which is the date these consolidated financial statements were available to be issued.

Note 2 - Cash and equivalents

Cash and equivalents consist of the following at June 30:

	2016	2015
Cash and other demand deposits	$ 600,755	$ 513,024
Money market funds	584,782	774,141
	$ 1,185,537	$ 1,287,165

Money market funds include the SSgA US Government Money Market Fund in the aggregate amount of $208,180 and $139,750 at June 30, 2016 and June 30, 2015, respectively. The SSgA US Government Money Market Fund invests in obligations of the U.S. Government, or its instrumentalities with remaining maturities of one year or less. The fund seeks to maximize current income to the extent consistent with the preservation of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2016 and June 30, 2015, the fund's investment securities had a weighted average maturity of 28 days and 29 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2016 and June 30, 2015, respectively.

Money market funds include the Schwab Advisor Cash Reserves Fund in the aggregate amount of $79,744 and $42,183 at June 30, 2016 and June 30, 2015, respectively. The Schwab Advisor Cash Reserves Fund invests in high-quality short-term money market investments issued by U.S. and foreign issuers. The fund's goal is to seek the highest current income consistent with stability of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2016 and June 30, 2015, the fund's investment securities had a weighted average maturity of 47 days and 44 days, respectively. The fund was not rated for average credit quality at June 30, 2016 and June 30, 2015, respectively.

Money market funds include the RWM Cash Management Money Market account in the aggregate amount of $155,349 and $151,894 at June 30, 2016 and 2015, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management Money Market account with a balance of $141,509 and $440,314 at June 30, 2016 and June 30, 2015, respectively.

The Organization maintains its operating cash balances in financial institutions located in Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2016 and June 30, 2015, the Organization's uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Schwab Advisor Cash Reserves Fund, Fidelity Bank LifeDesign Business Cash Management Money Market account, and RWM Cash Management Money Market account, amounted to approximately $430,200 and $510,700, respectively.

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

Note 3 - Investments

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

	2016		2015	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,839,660	$ 8,109,970	$ 5,860,876	$ 8,644,818
Preferred stocks	107,779	112,925	119,957	118,798
Mutual funds	3,665,172	3,676,250	3,842,598	3,928,904
Corporate bonds	1,586,976	1,630,038	1,173,863	1,194,283
U.S. government securities	1,693,568	1,727,063	1,576,992	1,570,489
Mortgage backed securities	-	-	12,071	12,059
	$ 12,893,155	$ 15,256,246	$ 12,586,357	$ 15,469,351

At June 30, 2016 and 2015, net unrealized gains in the Organization's investment portfolio amounted to $2,363,091 and $2,882,994, respectively.

At June 30, 2016 and 2015, equities include securities in the consumer goods sector which represent 21% and 18%, respectively, of the fair value of the Organization's investment portfolio.

At June 30, 2016 and 2015, 8% and 6% of the fair value of the Organization's investment portfolio in each year represents foreign investments.

Investments with an equivalent fair value of $9,190,000 at June 30, 2016 collateralize certain debt agreements (see Notes 8 and 10).

Commonfund Realty Investors, LLC (the "Fund") is a commingled, open-end real estate investment fund composed of income oriented, value-add and development properties that have been combined to create a value-added portfolio with a strong focus on distributable income. The Foundation made a capital investment in the Commonfund Realty Investors, LLC totaling $485,000 as of August 2007. Investment units in the Fund are not deemed to be readily marketable pursuant to and as more fully described in the investment agreement. On June 30, 2010, the Organization wrote down its investment in Commonfund Realty Investors, LLC to zero representing its fair value based upon the latest available information (March 31, 2010) provided by its professional investment manager. The decline in the fair value of this investment resulted from the significant, continuing disruptions in the global capital, credit and real estate markets. In the opinion of management, the decline in fair value of this investment was considered to be other-than-temporary. During fiscal 2015, the Organization received a capital gain distribution from Commonfund Realty Investors, LLC totaling $423, which is included in net realized gains (losses) in 2015.

At June 30, 2016, the fair value of investments in debt securities by contractual maturities is as follows:

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

Realized and unrealized gains (losses) on investments are shown net in the consolidated statement of activities. The components (representing the year-to-year activity) for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Net realized gains (losses)	$ 193,242	$ 609,351
Net unrealized gains (losses)	(519,903)	83,705
Net gains (losses) on investments	$ (326,661)	$ 693,056

The Organization incurred investment management fees of $100,290 in 2016 and $94,980 in 2015, which are included in management and general expenses in the consolidated statement of activities.

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

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

The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2015.

	Less than 12 months		12 months or greater		Total	
Description of Investments	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equities	$ 752,333	$ 88,914	$ 169,067	$ 40,958	$ 921,400	$ 129,872
Preferred stocks	-	-	67,437	2,560	67,437	2,560
Mutual funds	1,211,915	57,775	402,592	44,575	1,614,507	102,350
Corporate bonds	347,812	2,429	60,659	1,526	408,471	3,955
U.S. government securities	360,243	1,259	461,432	20,037	821,675	21,296
Mortgage backed securities	-	-	12,059	12	12,059	12
Total	$ 2,672,303	$ 150,377	$ 1,173,246	$ 109,668	$ 3,845,549	$ 260,045

Equities and preferred stocks

The Organization has 93 investments in equities, of which 22 were in an unrealized loss position at June 30, 2016. The Organization also has 17 investments in preferred stocks, of which two were in an unrealized loss position at June 30, 2016. The fluctuation in the equity securities and preferred stocks reflects general economic conditions and current changes in the industries of the companies in which the securities are held. The Organization has evaluated the severity and duration of the impairments. Based on that evaluation and the Organization's ability and intent to hold these investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2016.

Mutual funds

The Organization has 24 mutual fund investments, of which 13 are in an unrealized loss position at June 30, 2016. The mutual funds are invested in equities and debt securities of companies in diverse industries and reflect current general economic conditions. The Organization has evaluated the severity and duration of the impairments. Based on that evaluation and the Organization's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2016.

Corporate bonds

At June 30, 2016, the Organization's investments in corporate debt securities were in the form of interest-bearing securities of top-rated corporate issuers. The Organization has 36 corporate debt security investments, of which two are in an unrealized loss position at June 30, 2016. The securities in an unrealized loss position are comprised of fixed-rate debt securities of varying maturities. The value of fixed income securities is sensitive to interest rate fluctuations and the credit rating of the issuer.

There have been no indications of default on interest or principal payments by the issuers. The Organization does not intend to sell nor does it believe it would be required to sell the corporate bonds before their anticipated market value recovery. Accordingly, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2016.

U.S. government obligations
The Organization has 18 U.S. government investment securities at June 30, 2016, of which six were in an unrealized loss position as a result of interest rate fluctuations. The contractual terms of the investments do not allow the issuer to settle the securities at a price less than the amortized cost of the investment. The Organization does not intend to sell nor does it believe it would be required to sell these investment securities before their anticipated market value recovery. Accordingly, the Organization does not consider the investments to be other-than-temporarily impaired at June 30, 2016.

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

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

Changes in the endowment net assets for the year ended June 30, 2016 are as follows:

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

The endowment net asset composition by type of fund at June 30, 2015 is as follows:

Fund type	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$ 4,460,118	$ 9,262,680	$ 13,722,798

Changes in the endowment net assets for the year ended June 30, 2015 are as follows:

	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 3,997,075	$ 8,936,622	$ 12,933,697
Investment return			
Investment income	216,527	-	216,527
Appreciation (depreciation), realized and unrealized	490,312	-	490,312
Total investment return	706,839	-	706,839
Contributions	55,100	311,443	366,543
Other income	5,254	-	5,254
Appropriation of endowment assets for expenditure	(165,375)	-	(165,375)
Investment management fees	(67,226)	-	(67,226)
Reclassification of net assets	(71,549)	15,000	(56,549)
Transfer upon removal of donor restrictions	-	(385)	(385)
Endowment net assets, end of year	$ 4,460,118	$ 9,262,680	$ 13,722,798

Note 4 - Contributions receivable, net

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

Contributions receivable consist of the following at June 30:

	2016	2015
Receivable in less than one year	$ 81,701	$ 74,874
Receivable in one to five years	40,000	85,500
	121,701	160,374
Discount on pledges	(2,017)	(3,260)
	$ 119,684	$ 157,114

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

During fiscal 2016, a donor made a conditional promise to give in the amount of $100,000. The contribution is to be used for the proposed downtown Fitchburg theater block renovation project. As of June 30, 2016, the conditions of the donation have not been met and accordingly, the contribution has not been recorded. The project is expected to close in fiscal 2017, at which time the conditions of the contribution are expected to be met.

Note 5 - Fair value measurements

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

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

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

The fair value hierarchy under the guidance is as follows:

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

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

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

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

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

When quoted market prices are unobservable, the Organization uses quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. At June 30, 2016 and 2015, Level 2 securities consist primarily of corporate fixed income securities, U.S. government securities, preferred stocks and mortgage backed securities.

At June 30, 2016 and 2015, the Organization's assets included in Level 3 of the fair value measurement hierarchy consisted of its investment in Commonfund Realty Investors, LLC. As discussed in Note 3, the Organization wrote down its investment in Commonfund Realty Investors, LLC to zero at June 30, 2010, representing its estimate of the fair value of the investment at that date.

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

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

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

The fair value of assets measured on a recurring basis at June 30, 2015 is as follows:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities	$ 8,644,818	$ 8,644,818	$ -	$ -
Preferred stocks	118,798	-	118,798	-
Mutual funds	3,928,904	3,928,904	-	-
Corporate bonds	1,194,283	-	1,194,283	-
U.S. government securities	1,570,489	-	1,570,489	-
Mortgage backed securities	12,059	-	12,059	-
Total	$ 15,469,351	$ 12,573,722	$ 2,895,629	$ -

Note 6 - Property and equipment

Property and equipment at June 30, 2016 and 2015 consist of the following:

	2016	2015
Real estate under lease		
Land	$ 402,663	$ 402,663
Building	1,557,724	1,557,724
Building improvements	100,452	100,452
	2,060,839	2,060,839
Real estate used for student housing		
Land	253,555	253,555
Building	434,225	434,225
Building improvements	28,600	28,600
	716,380	716,380
Real estate used for faculty and staff housing		
Land	18,766	18,766
Building	82,099	82,099
	100,865	100,865
Other		
Land	1,895,081	1,873,724
Land improvements	158,127	131,506
Buildings	810,923	810,923
Building improvements	1,109,006	1,031,261
Equipment	116,330	116,330
Computer software	641,878	641,878
Furniture and fixtures	60,773	58,650
Library materials	6,570	6,570
	4,798,688	4,670,842
	7,676,772	7,548,926
Less accumulated depreciation	1,427,226	1,180,645
Property and equipment, net	$ 6,249,546	$ 6,368,281

Accumulated depreciation on real estate under lease amounted to $428,981 and $385,015 at June 30, 2016 and 2015, respectively. Accumulated depreciation on real estate used for student housing amounted to $108,377 and $96,091 at June 30, 2016 and 2015, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $3,079 and $1,026 at June 30, 2016 and 2015, respectively.

At June 30, 2016 and 2015, property and equipment with a cost of approximately $464,300 and $422,000, respectively, were fully depreciated and still in service.

In fiscal 2016, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Organization's mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $119,803 (see Note 9). The Organization intends to raze the building and create green space.

As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $21,357. The impairment charge (a noncash accounting charge) to operations in the amount of $98,446 had no impact on the Organization's fiscal 2016 cash flow or its ability to generate cash flow in the future.

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

In fiscal 2015, the Supporting Organization acquired two properties in close proximity to the Fitchburg State University campus. The properties, including land only, were acquired for a cost of $100,940 and $51,218, respectively. The land acquired for $100,940 was sold to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University during the fiscal year 2015 (see below). The land acquired for $51,218 is currently being used as green space.

In May 2015, the Supporting Organization obtained an appraisal of the property acquired for $51,218. As a result of the appraisal, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $20,000. The impairment charge (a noncash accounting charge) to operations in the amount of $31,218 had no impact on the Organization's fiscal 2015 cash flow or its ability to generate cash flow in the future.

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

During fiscal 2015, the Supporting Organization sold land acquired during the fiscal year at a cost of $100,940. The property was sold to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The property was sold for $70,000. A loss of $30,940 was recorded from the sale of the property and recognized in the accompanying 2015 consolidated statement of activities.

In December 2013, the Supporting Organization entered into a Purchase and Sale Agreement, as last amended on August 25, 2014, to sell a certain parcel of land to an unrelated third party (the "Buyer") in exchange for $800,000 in cash. The land is located at 161 - 181 Main Street in Fitchburg, Massachusetts and was secured by a first mortgage loan provided by Workers' Credit Union. The loan was paid in full upon the sale of the property in fiscal 2015 (see Note 9). The land was being used as green space and had a carrying value of $130,000. During fiscal 2015, the Supporting Organization sold the land for $800,000. A gain of $670,000 was recorded from the sale of the property and recognized in the accompanying 2015 consolidated statement of activities.

During fiscal 2014, two properties, each of which includes land and a building, were purchased for an aggregate cost of $100,865 and $133,065, respectively. During fiscal 2015, these two properties were sold to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University (see below).

The Supporting Organization received a letter of intent from DCAM, dated August 29, 2014, to purchase one of the two properties referred to above under negotiations to be sold in fiscal 2014 and recorded on the books of the Supporting Organization at June 30, 2014 in the amount of $133,065. DCAM agreed to pay the Supporting Organization $69,600 subject to the satisfaction of certain State publication requirements and the execution of a mutually acceptable Purchase and Sale Agreement. As a result of DCAM's offer, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and should be written down to $69,600 at June 30, 2014. During fiscal 2015, the property was sold for $69,600.

The second of the two properties referred to above under negotiations to be sold in fiscal 2014 was sold during fiscal 2015 to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The property was recorded on the books of the Supporting Organization at $100,865 and was sold for $56,600. A loss of $44,265 was recorded from the sale of the property and recognized in the accompanying 2015 consolidated statement of activities.

Note 7 - Other assets

Other assets at June 30, 2016 and 2015 consist of the cash surrender value of life insurance in the amount of $48,891 and $51,070, respectively, and an art collection in the amount of $39,025 in both years.

Note 8 - Lines of credit

Foundation

On April 2, 2015, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% of the pledged investment collateral unless otherwise approved by the lender. At June 30, 2016 and 2015, $250,000 and $0, respectively, was outstanding on the line of credit. The line of credit provides for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At June 30, 2016 and 2015, the effective interest rate was 6% per annum. For the years ended June 30, 2016 and 2015, interest expense incurred on borrowings under this line of credit amounted to $4,078 and $12,834, respectively. The borrowings under the line, during 2016, were advanced to the Supporting Organization. There were no new borrowings under the line during 2015. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Supporting Organization. Borrowings are secured by investments with an equivalent fair value of approximately $7,209,000. The line of credit is also collateralized by all funds held by the lender. At June 30, 2016, the Foundation has total cash balances of $57,903 held by the lender. The line of credit agreement expires on March 17, 2017. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

Supporting Organization

On August 18, 2016, the Supporting Organization entered into a demand, unsecured revolving line of credit agreement with Rollstone Bank and Trust which permits the Supporting Organization to borrow up to $250,000. The line of credit provides for interest at the Wall Street Journal Prime Rate (currently 3.5%) less .25%. The line of credit agreement expires on August 18, 2017. The Supporting Organization may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty. The line of credit agreement contains, among other covenants, the maintenance of a debt service coverage rate, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. As of November 15, 2016, the Supporting Organization has made borrowings of $110,000 under the line of credit agreement.

Note 9 - First mortgage notes payable

Foundation

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

The loan agreement has a term of 20 years and provides for a fixed rate of interest of 5.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate will be fixed at the Federal Home Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final 10 years of the term of the loan plus 118 basis points. The loan requires monthly installments of principal and interest of $3,862. The monthly installments of principal and interest during the final 10 years of the loan term shall be determined based on the interest rate then in effect to provide for the amortization of the then outstanding loan principal over the remaining term of the loan. The note matures on April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2016 and 2015, the outstanding principal balance of this mortgage note payable amounted to $401,297 and $423,463, respectively.

For the years ended June 30, 2016 and 2015, interest expense on this mortgage note payable amounted to $24,128 and $25,312, 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, 2016, are estimated to be as follows:

Year	Amount
2017	$ 23,570
2018	24,981
2019	26,477
2020	28,013
2021	29,740
Thereafter	268,516

Supporting Organization

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

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

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

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

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

At June 30, 2016 and 2015, the outstanding principal balance of this mortgage note payable amounted to $1,199,159 and $1,289,675, respectively.

For the years ended June 30, 2016 and 2015, interest expense on this mortgage note payable amounted to $56,994 and $60,872, 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, 2016, and August 16, 2016, are estimated to be as follows:

Year	Amount
2017	$ 98,976
2018	103,466
2019	107,198
2020	110,984
2021	115,067
Thereafter	663,468

Workers' Credit Union ("WCU") provided financing to the Supporting Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The proceeds of the loan were used primarily to repay advances made to the Supporting Organization by the Foundation for the acquisition of four real estate properties. The note is secured by a first mortgage interest in certain real estate owned by the Supporting Organization and an assignment of certain leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2016 and 2015, the Supporting Organization has total cash balances of $5,660 and $4,914, respectively, held at WCU which serve as additional collateral for both WCU loans to the Supporting Organization.

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

At June 30, 2016 and 2015, the outstanding principal balance of this mortgage note payable amounted to $622,287 and $643,630, respectively.

For the years ended June 30, 2016 and 2015, interest expense on this mortgage note payable amounted to $30,282 and $33,414, respectively.

Aggregate principal maturities on the loan for each of the remaining three years are as follows:

Year	Amount
2017	$ 22,527
2018	23,677
2019	576,083

Workers' Credit Union provided financing to the Supporting Organization in the form of a note, dated February 19, 2010, in the amount of $300,000. The proceeds of the loan were used to finance the acquisition of a real estate property located at 161-181 Main Street in Fitchburg, Massachusetts. The mortgage note had a term of 10 years, expiring on February 19, 2020, and provided for a fixed rate of interest of 6.03% per annum. The interest rate was adjusted to 5.28% per annum on June 20, 2013, pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of $1,939, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest were $1,816, based on a 20-year principal amortization.

Upon the sale of the property located at 161 - 181 Main Street during fiscal 2015, the loan was paid in full (see Note 6).

For the year ended June 30, 2015, interest expense on this mortgage note amounted to $10,229.

In June 2013 Rollstone Bank & Trust provided financing to the Supporting Organization in the form of a note, dated June 19, 2013, in the amount of $142,000. The proceeds of the loan were used to repay an advance made to the Supporting Organization by the Foundation in May, 2013 for the acquisition, at a cost of $172,483, of a real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts. The mortgage note had a term of 20 years, maturing on June 19, 2033, and provided for a fixed rate of interest of 3.25% per annum. Commencing in July, 2013, the loan required monthly installments of principal and interest of $809 based on a 20-year principal amortization.

On December 22, 2014, the Supporting Organization refinanced its Rollstone Bank & Trust first mortgage note, with an outstanding balance of $134,314, with a new note dated December 22, 2014 in the amount of $240,000. As a result, the Supporting Organization received additional loan proceeds of $105,686. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage 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. Commencing in January, 2015, the loan requires monthly installments of principal and interest of $1,367 based on a 20-year principal amortization. The loan agreement requires the Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

At June 30, 2016 and 2015, the outstanding principal balance of the mortgage note payable amounted to $226,969 and $235,713, respectively.

For the years ended June 30, 2016 and 2015, interest expense on the mortgage note payable amounted to $7,649 and $6,291, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter are as follows:

Year	Amount
2017	$ 9,058
2018	9,361
2019	9,674
2020	9,980
2021	10,331
Thereafter	178,565

In June 2013, Fidelity Co-Operative Bank provided financing to the Supporting Organization in the form of a note, dated June 26, 2013, in the amount of $83,200. The proceeds of the loan were used to repay an advance made to the Supporting Organization by the Foundation in May 2013 for the acquisition, at a cost of $144,975, of a real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage note has a term of 20 years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 2.75% per annum. Commencing in July, 2013, the loan requires monthly installments of principal and interest of $376 until the next five-year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement.

At June 30, 2016 and 2015, the outstanding principal balance of the mortgage note payable amounted to $78,281 and $79,974, respectively.

For the years ended June 30, 2016 and 2015, interest expense on this mortgage note payable amounted to $2,818 and $2,870, 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, 2016, are estimated to be as follows:

Year	Amount
2017	$ 1,762
2018	1,826
2019	1,892
2020	1,953
2021	2,030
Thereafter	68,818

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

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

Aggregate principal maturities on the loan for each of the next five years and thereafter are estimated to be as follows:

Year	Amount
2017	$ 2,536
2018	3,973
2019	4,142
2020	4,306
2021	4,501
Thereafter	98,542

In November 2016, Enterprise Bank and Trust Company provided financing to the Supporting Organization in the form of a promissory note, dated November 4, 2016, in the amount of $280,000. The proceeds of the loan were used for the acquisition, at a cost of $358,287, of a real estate property located at 689-717 Main Street in Fitchburg, Massachusetts (see Note 12). The note is secured by a first mortgage interest in the property and an assignment of 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 Federal Home Loan Bank Boston Classic Advance Ten Year Rate plus 1.95% per annum. Commencing on January 1, 2017, the loan requires monthly installments of principal and interest of $1,401 based on a 30 year principal amortization schedule. If the note is prepaid in whole or in part during the first 117 months of each fixed rate period for the purpose of refinancing the note with another financial institution, the note provides for a prepayment penalty equal to 3% of any principal reduction. Except for the forgoing, the note may be prepaid in whole or in part without penalty. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Supporting Organization.

Aggregate principal maturities on the loan for each of the next five years and thereafter are estimated to be as follows:

Year	Amount
2017	$ 2,255
2018	4,712
2019	4,923
2020	5,143
2021	5,374
Thereafter	257,593

In November 2016, Hometown Bank provided financing to the Supporting Organization in the form of a commercial note, dated November 8, 2016, in the amount of $135,000. The proceeds of the loan were used for the acquisition, at a cost of $183,237, of a real estate property located at 132

Highland Avenue in Fitchburg, Massachusetts (see Note 12). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

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

Aggregate principal maturities on the loan for each of the next five years and thereafter are estimated to be as follows:

Year	Amount
2017	$ 1,637
2018	2,916
2019	3,061
2020	3,214
2021	3,374
Thereafter	120,798

Note 10 - Note payable - bank

Supporting Organization

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

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

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

At June 30, 2016 and 2015, the outstanding principal balance of this note payable amounted to $553,081 and $572,464, respectively.

For the years ended June 30, 2016 and 2015, interest expense on this note payable amounted to $14,953 and $15,486, 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, 2016, are estimated to be as follows:

Year	Amount
2017	$ 20,044
2018	20,583
2019	21,137
2020	21,670
2021	22,288
Thereafter	447,359

Note 11 - Lease and license agreements

As disclosed in Note 9, the Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006. The lease is for a term of 10 years and provides for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University is also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease expired on August 16, 2016. The Supporting Organization and DCAM are operating under the same terms and conditions as the expired lease agreement for the operation and use of the property while the parties negotiate a new lease agreement. For the years ended June 30, 2016 and 2015, rental income amounted to $165,000 in each year. Future minimum rental income to be received on this lease for the year ending June 30, 2017 is $20,625.

On August 6, 2008, the Supporting Organization entered into a 10-year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and expires on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provided for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease, there will be a 7.5% increase at the commencement of each three-year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to $18,947 for the next three-year period of the lease term, payable in monthly installments of $1,579. On July 1, 2014, the Supporting Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above mentioned office space and extending the lease term through June 30, 2019. The amended lease provides for a base annual rent of $28,495 for each of the first three years of the lease term, payable biannually in installments of $14,247. On July 1, 2017, the annual rent on the lease shall increase by 7.5% to $30,632. The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time with the payment of two months' base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2016 and 2015, rent expense amounted to $28,495 and $28,494, respectively.

The following is a schedule of future minimum rental payments under this operating lease agreement:

Year ending June 30,	Amount
2017	$ 28,495
2018	30,632
2019	30,632
	$ 89,759

On February 1, 2013, the Supporting Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time after February 1, 2014 with the payment of two months' base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2016 and 2015, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement:

Year ending June 30,	Amount
2017	$ 5,696
2018	5,696
2019	5,696
2020	5,696
2021	5,696
Later years	9,019
	$ 37,499

On June 25, 2015, the Supporting Organization entered into an operating lease agreement with an unrelated third party for a building containing residential suites designed for use as a dormitory for college students. The lease commenced on August 1, 2015 and expired on May 31, 2016. The lease provided for annual rent of $220,000 to be paid in two installments of $110,000 each on August 1, 2015 and January 1, 2016. In July 2016, the Supporting Organization extended the initial term of the lease under the same terms and conditions for the period August 1, 2016 through May 31, 2017. Subject to availability, the Supporting Organization may extend the term of the lease, under the same terms and conditions, for the periods June 1, 2017 through July 31, 2017 and August 1, 2017 through May 31, 2018. For the year ended June 30, 2016, rent expense amounted to $220,000.

The Supporting Organization and the University are parties to License Agreements whereby the Supporting Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Supporting Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in four equal quarterly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreements may be terminated by 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, 2016 and 2015, license fee income amounted to $108,167 and $235,833, respectively.

Note 12 - Property purchase commitments and closings

On February 3, 2016, the Supporting Organization entered into a purchase and sale agreement for the purchase of a property, including land and a building, for a price of $350,000. The Supporting Organization made a deposit of $10,000 on the property during fiscal 2016 which is included in prepaid expenses and other current assets in the accompanying 2016 consolidated statement of financial position. The Supporting Organization intends to use the property for academic support and a theater renovation. On November 4, 2016, the Supporting Organization closed on this acquisition at a total cost of $358,287. The acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 9).

On May 5, 2016, the Supporting Organization entered into a purchase and sale agreement for the purchase of a property, including land and a building, for a price of $140,000. The Supporting Organization made a deposit of $3,000 on the property during fiscal 2016 which is included in prepaid expenses and other current assets in the accompanying 2016 consolidated statement of financial position. The Supporting Organization intends to raze the building and create green space. On July 12, 2016, the Supporting Organization closed on this acquisition at a total cost of $141,515.

On June 10, 2016, the Supporting Organization entered into a purchase and sale agreement for the purchase of a property, including land and building, for a price of $80,000. The Supporting Organization made a deposit of $4,000 on the property during fiscal 2016 which is included in prepaid expenses and other current assets in the accompanying 2016 consolidated statement of financial position. The Supporting Organization intends to raze the building and create green space. On July 14, 2016, the Supporting Organization closed on this acquisition at a total cost of $81,275.

The July acquisitions were funded with operating cash of the Supporting Organization in the amount of $147,790 and the proceeds of an advance in the amount of $75,000 from the Foundation.

On July 26, 2016, the Supporting Organization entered into a purchase and sale agreement for the purchase of a property, including land and building, for a price of $180,000. The Supporting Organization intends to use this property for faculty housing. On November 8, 2016, the Supporting Organization closed on this acquisition at a total cost of $183,237. The acquisition was financed, in part, with a mortgage note on the property in the amount of $135,000 (see Note 9).

Note 13 - Restricted net assets

Temporarily restricted net assets in the amount of $4,765,321, as of June 30, 2016, are available as follows: equipment which use is restricted, in the amount of $2,365; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of

$4,762,956. Temporarily restricted net assets in the amount of $5,223,211, as of June 30, 2015, were available as follows: equipment which use is restricted, in the amount of $10,786; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $5,212,425.

Temporarily restricted net assets released from restrictions during 2016 represent the satisfaction of program restrictions in the amount of $474,409; the satisfaction of scholarship-related restrictions in the amount of $308,957 and the satisfaction of equipment donation restrictions in the amount of $8,421.

Permanently restricted net assets in the amounts of $9,505,236 and $9,262,680 as of June 30, 2016 and 2015, respectively, are invested in perpetuity. Income from the investments is expendable for the program services of the Organization, including the granting of scholarships and to fund other academic and cultural programs.

During 2016, $83,058 was reclassified from temporarily restricted net assets to permanently restricted net assets. In accordance with the donor's restrictions, this amount together with current year donations met the Organization's minimum requirement to establish permanent endowments. Accordingly, the $83,058 was reclassified to permanently restricted net assets. In addition, $3,000 was reclassified from temporarily restricted net assets to unrestricted net assets during the year reflecting a change in donor intentions.

Note 14 - Transactions with a related party

Fitchburg State University renders certain administrative services to the Organization. These services, with a value of $135,896 and $132,220, respectively, have been recognized as contribution in kind income in the accompanying consolidated statement of activities in accordance with FASB guidance for the years ended June 30, 2016 and 2015.

For the years ended June 30, 2016 and 2015, the Supporting Organization incurred expenses totaling $31,787 and $29,564, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing.

As of June 30, 2015, the Supporting Organization has miscellaneous payables in the amount of $5,272 to Fitchburg State University, which are included in accounts payable, trade in the accompanying 2015 consolidated statement of financial position.

As of June 30, 2016, the Supporting Organization has miscellaneous accounts receivable in the amount of $1,650 from Fitchburg State University, which are included in accounts receivable in the accompanying 2016 consolidated statement of financial position.

At June 30, 2016 and 2015, the Foundation has miscellaneous payables to Fitchburg State University in the amounts of $20,201 and $95,491 which are included in accounts payable, trade in the accompanying 2016 and 2015 consolidated statements of financial position, respectively.

During fiscal 2014, the University made a noninterest-bearing advance to the Supporting Organization in the amount of $100,000 to fund a portion of the rehabilitation costs of the campus residence for the University President. The advance was repaid during fiscal 2015. The outstanding advance did not have any specified repayment provisions and due date.

Note 15 - Major donors

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

During fiscal 2015, the Organization received temporarily restricted donations of $140,200 from one donor which represent approximately 17% of total gifts and donations revenue during 2015.

Note 16 - Supplemental cash flows information

	2016	2015
Cash paid for interest during the year	$ 141,468	$ 169,687

Schedule of noncash investing and financing activities:

	2016	2015
Acquisition of property and equipment	$ 226,292	$ 962,002
Accounts payable thereon		
Beginning of year	-	127,075
End of year	-	-
Cash paid for property and equipment	$ 226,292	$ 1,089,077

During fiscal 2015, the Supporting Organization sold certain of its land and buildings with an aggregate net book value of $401,405 for $996,200 resulting in an aggregate gain of $594,795. Sales proceeds of $70,000 were receivable as of June 30, 2015 and were received in July 2015.

Supplementary Information

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. ("Foundation") as of and for the year ended June 30, 2016, and our report thereon dated November 15, 2016, which appears on page 2, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the 2016 consolidated financial statements as a whole. The information for the year ended June 30, 2016 contained on page 39 is presented for purposes of additional analysis and is not a required part of the 2016 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 consolidated financial statements or to the 2016 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2016 consolidated financial statements as a whole. The prior year summarized comparative information has been derived from the supplementary information accompanying the Foundation's 2015 consolidated financial statements and, in our report on supplementary information dated November 17, 2015, we expressed our opinion that such information was fairly stated in all material respects in relation to the 2015 consolidated financial statements as a whole. Such information should be read in conjunction with the Foundation's consolidated financial statements and accompanying supplementary information for the year ended June 30, 2015, from which the summarized information was derived.

CohnReznick LLP

Boston, Massachusetts
November 15, 2016

Fitchburg State University Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Program services	Management and general	Fundraising	2016 consolidated total	2015 consolidated total
Scholarships	$ 308,957	$ -	$ -	$ 308,957	$ 380,967
Community services	43,493	-	-	43,493	17,710
Speakers and cultural programs	35,553	-	-	35,553	67,857
Outside services	68,725	-	661	69,386	132,363
Accounting and audit	-	37,626	-	37,626	26,270
Insurance	57,436	24,324	-	81,760	74,695
Affiliate personnel costs	-	85,073	50,823	135,896	132,220
Supplies	67,174	-	25	67,199	86,906
Postage	26,356	-	14,580	40,936	29,950
Equipment and maintenance	109,719	14,626	576	124,921	135,358
Printing and publications	90,711	112	15,003	105,826	189,158
Travel	106,292	-	161	106,453	123,945
Meetings and conferences	64,205	331	30,048	94,584	106,576
Professional and consulting services	5,587	-	-	5,587	9,083
Awards and grants	155,128	-	-	155,128	69,190
Fees, fines, licenses, permits	787	-	337	1,124	4,926
Repairs and maintenance	31,787	-	-	31,787	29,564
Rent	254,191	-	-	254,191	34,190
Utilities	24,915	-	-	24,915	22,971
Interest	116,774	24,128	-	140,902	167,308
Miscellaneous	7,363	15,814	-	23,177	24,521
Investment management fees	-	100,290	-	100,290	94,980
Other financial fees	1,400	3,714	-	5,114	5,877
	1,576,553	306,038	112,214	1,994,805	1,966,585
Impairment loss	98,446	-	-	98,446	31,218
Depreciation and amortization	237,732	12,316	-	250,048	166,470
	$ 1,912,731	$ 318,354	$ 112,214	$ 2,343,299	$ 2,164,273

See Independent Auditor's Report on Supplementary Information.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Fitchburg State University Foundation, Inc., which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 15, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Boston, Massachusetts
November 15, 2016

CohnReznick
Accounting • Tax • Advisory