Fitchburg State University Foundation, Inc.

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

June 30, 2018

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, 2018, 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, 2018, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Fitchburg State University Foundation, Inc., and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 19, 2017. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2017 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 6, 2018, 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, 2018. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fitchburg State University Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fitchburg State University Foundation, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
November 6, 2018

Fitchburg State University Foundation, Inc.

Consolidated Statement of Financial Position
June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

Assets

	2018	2017
Cash and equivalents	$ 1,304,617	$ 1,361,159
Investments	18,789,504	16,861,905
Accrued investment income receivable	34,179	32,305
Accounts receivable	2,981	16,934
Contributions receivable, net	106,469	216,185
Prepaid expenses and other current assets	28,195	60,429
Property and equipment, net of accumulated depreciation	6,043,323	6,773,344
Other assets	91,381	85,266
Total assets	$ 26,400,649	$ 25,407,527

Liabilities and Net Assets

	2018	2017
Liabilities		
Bank lines of credit	$ 320,000	$ 250,000
Accounts payable, trade	239,810	252,602
Accrued expenses	9,342	-
Accrued interest payable	6,888	5,978
Deferred revenue	43,475	17,200
Notes payable - bank	514,276	533,121
First mortgage notes payable	3,044,446	3,099,522
Total liabilities	4,178,237	4,158,423
Net assets		
Unrestricted	4,779,703	5,350,542
Temporarily restricted	7,239,743	6,121,756
Permanently restricted	10,202,966	9,776,806
Total net assets	22,222,412	21,249,104
Total liabilities and net assets	$ 26,400,649	$ 25,407,527

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Unrestricted	Temporarily restricted	Permanently restricted	2018 Total	2017 Total
Revenue and support					
Program revenues					
Gifts and donations	$ 98,708	$ 361,037	$ 427,010	$ 886,755	$ 706,767
Grants and contracts	-	98,042	-	98,042	392,700
Sales and services	125,010	6,353	-	131,363	294,635
Rental income	165,000	-	-	165,000	165,000
Residence hall income	262,981	-	-	262,981	523,798
License fee income	193,272	-	-	193,272	252,849
Contribution in kind income	153,182	-	-	153,182	146,401
Other revenue					
Interest and dividends	97,485	245,296	-	342,781	318,604
Gain (loss) on investments	463,534	1,199,428	-	1,662,962	1,451,003
Net assets released from restrictions	796,019	(794,669)	(1,350)	-	-
Reclassification of net assets	(3,000)	2,500	500	-	-
Total revenue and support	2,352,191	1,117,987	426,160	3,896,338	4,251,757
Expenses					
Program services	2,492,202	-	-	2,492,202	2,147,543
Management and general	327,646	-	-	327,646	295,484
Fundraising	103,182	-	-	103,182	141,460
Total expenses	2,923,030	-	-	2,923,030	2,584,487
Increase (decrease) in net assets	(570,839)	1,117,987	426,160	973,308	1,667,270
Net assets at beginning of year	5,350,542	6,121,756	9,776,806	21,249,104	19,581,834
Net assets at end of year	$ 4,779,703	$ 7,239,743	$ 10,202,966	$ 22,222,412	$ 21,249,104

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities		
Increase in net assets	$ 973,308	$ 1,667,270
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
(Gain) loss on investments	(1,662,962)	(1,451,003)
Impairment losses	-	285,897
Losses on transfers and sale of land and buildings	724,376	-
Depreciation	249,358	252,521
Discount on pledges	(516)	(802)
Bad debt expense	3,665	11,095
Amortization of debt issuance costs	3,468	3,469
Contributions restricted for long-term purposes	(427,010)	(245,750)
Contributions of investment securities	(6,216)	(3,147)
Contributions of investment securities used for operations	6,216	-
Contributions of investment securities restricted for long term	(156,452)	-
Contribution of property and equipment	-	(1,099)
Changes in assets and liabilities		
(Increase) decrease in assets		
Cash surrender value of life insurance	3,227	2,650
Accounts receivable	13,953	(4,612)
Accrued investment income receivable	(1,874)	435
Contributions receivable	95,958	(114,753)
Prepaid expenses and other current assets	30,234	(5,504)
Increase (decrease) in liabilities		
Accounts payable, trade	(12,792)	201,431
Accrued interest payable	910	(356)
Deferred revenue	26,275	(52,570)
Net cash provided by (used in) operating activities	(136,874)	545,172
Cash flows from investing activities		
Payments for property and equipment	(376,909)	(646,118)
Change in deposits for purchases of property	2,000	14,000
Proceeds from sale of investments	3,231,959	3,175,474
Purchase of investments	(3,496,596)	(3,326,984)
Proceeds from sale of land and buildings	133,196	-
Net cash used in investing activities	(506,350)	(783,628)

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Cash flows from financing activities		
Proceeds of first mortgage notes payable	250,000	338,000
Proceeds of bank lines of credit	70,000	-
Payments on first mortgage notes payable	(308,544)	(157,671)
Payments on notes payable - bank	(18,845)	(19,960)
Collections of contributions restricted for long-term purposes	437,619	253,709
Proceeds from sale of donated securities restricted for in permanent endowment	156,452	-
Net cash provided by financing activities	586,682	414,078
Net increase (decrease) in cash and equivalents	(56,542)	175,622
Cash and equivalents, beginning of year	1,361,159	1,185,537
Cash and equivalents, end of year	$ 1,304,617	$ 1,361,159

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, 2018, 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. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization's investment account balances.

Revenue recognition

Contributions and bequests

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based 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 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 110 and 100 individual funds at June 30, 2018 and 2017, respectively, that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. During 2018, the Board of Directors voted to earmark a board-designated fund entitled The Fund for Fitchburg State to function as an endowment fund. The fund will be invested and generate earnings which will be used to fill the gap for students with financial need. During fiscal 2018, $25,000 of unrestricted net assets were board-designated to function as an endowment (Note 3). No funds have been designated by the Board of Directors to function as endowments as of June 30, 2017. 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. 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, 2018 and 2017, there were no deficiencies of this nature.

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

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

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

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

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

Income taxes
The Foundation and the Supporting Organization are classified by the Internal Revenue Service as "publicly supported organizations" exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation or Supporting Organization's tax-exempt purposes are subject to taxation as unrelated business income. The Foundation has unrelated business income for the years ended June 30, 2018 and 2017. The income and related income taxes thereon, which are not material, are included in the accompanying consolidated financial statements. The Supporting Organization did not have any material unrelated business income for the years ended June 30, 2018 and 2017. Accordingly, no provision for income taxes has been made for the Supporting Organization in the accompanying consolidated financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the consolidated financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of June 30, 2018. 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, 2018 and 2017 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, 2015, 2016, and 2017.

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, 2017, from which the summarized information was derived.

Subsequent events
The Organization has evaluated subsequent events through November 6, 2018, 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:

	2018	2017
Cash and other demand deposits	$ 471,462	$ 708,072
Money market funds	833,155	653,087
	$ 1,304,617	$ 1,361,159

Money market funds include the SSGA US Government Money Market Fund in the aggregate amount of $112,880 and $51,013 at June 30, 2018 and June 30, 2017, 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, 2018 and 2017, the fund's investment securities had a weighted average maturity of 22 days and 25 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2018 and 2017, respectively.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $104,726 and $68,472 at June 30, 2018 and June 30, 2017, respectively. The Goldman Sachs Financial Square Government Fund invests in U.S. Government securities and repurchase agreements. The fund seeks to maximize current income to the extent consistent with the preservation of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2018 and 2017, the fund's investment securities had a weighted average maturity of 32 days and 24 days respectively. The fund had an average credit quality rating of AAAm at June 30, 2018 and June 30, 2017, respectively.

Money market funds include the RWM Cash Management Money Market account in the aggregate amount of $146,615 and $91,288 at June 30, 2018 and 2017, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management Money Market account with a balance of $468,934 and $442,314 at June 30, 2018 and 2017, 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, 2018 and 2017, the Organization's uninsured cash and cash equivalent balances, including the SSGA US Government Money Market Fund, Goldman Sachs Financial Square Government Fund, Fidelity Bank LifeDesign Business Cash Management Money Market account and RWM Cash Management Money Market account, amounted to approximately $554,900 and $706,700, 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:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,956,602	$ 9,755,423	$ 5,735,924	$ 8,765,351
Preferred stocks	72,335	73,216	95,092	97,245
Mutual funds	4,546,413	5,207,596	4,100,943	4,480,726
Corporate bonds	1,795,019	1,751,921	1,570,558	1,579,007
U.S. government securities	2,056,409	2,001,348	1,954,323	1,939,576
	$ 14,426,778	$ 18,789,504	$ 13,456,840	$ 16,861,905

At June 30, 2018 and 2017, net unrealized gains in the Organization's investment portfolio amounted to $4,362,726 and $3,405,065 , respectively.

At June 30, 2018 and 2017, equities include securities in the consumer goods sector which represent 17% of the fair value of the Organization's investment portfolio.

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

At June 30, 2018 and 2017, 8% of the fair value of the Organization's investment portfolio represents foreign investments.

Investments with an equivalent fair value of $11,338,000 at June 30, 2018 collateralize certain debt agreements (see Notes 8 and 10).

At June 30, 2018, the fair value of investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total
Corporate bonds	$ 25,005	$ 1,462,981	$ 263,935	$ -	$ 1,751,921
U.S. government securities	242,898	1,494,970	263,480	-	2,001,348
	$ 267,903	$ 2,957,951	$ 527,415	$ -	$ 3,753,269

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, 2018 and 2017 are as follows:

	2018	2017
Net realized gains	$ 705,301	$ 409,029
Net unrealized gains (losses)	957,661	1,041,974
Net gains (losses) on investments	$ 1,662,962	$ 1,451,003

The Organization incurred investment management fees of $107,210 in 2018 and $96,279 in 2017, 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, 2018.

	Less than 12 months		12 months or greater		Total	
Description of investments	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equities	$ 796,356	$ 94,162	$ 121,075	$ 16,183	$ 917,431	$ 110,345
Preferred stocks	6,383	30	21,491	549	27,874	579
Mutual funds	332,751	15,564	1,238,480	62,443	1,571,231	78,007
Corporate bonds	934,286	17,636	604,577	27,662	1,538,863	45,298
U.S. government securities	901,604	9,731	1,001,189	45,404	1,902,793	55,135
Total	$ 2,971,380	$ 137,123	$ 2,986,812	$ 152,241	$ 5,958,192	$ 289,364

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, 2017.

	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	$ 193,887	$ 13,556	$ 373,822	$ 54,147	$ 567,709	$ 67,703
Preferred stocks	31,555	480	6,273	190	37,828	670
Mutual funds	545,899	9,090	890,363	43,684	1,436,262	52,774
Corporate bonds	629,238	9,318	-	-	629,238	9,318
U.S. government securities	777,915	10,587	246,080	13,142	1,023,995	23,729
Total	$ 2,178,494	$ 43,031	$ 1,516,538	$ 111,163	$ 3,695,032	$ 154,194

Equities and preferred stocks
The Organization has 91 investments in equities, of which 15 were in an unrealized loss position at June 30, 2018. The Organization also has 12 investments in preferred stocks, of which 5 were in an unrealized loss position at June 30, 2018. 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, 2018.

Mutual funds
The Organization has 30 mutual fund investments, of which 10 were in an unrealized loss position at June 30, 2018. 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, 2018.

Corporate bonds
At June 30, 2018, the Organization's investments in corporate debt securities were in the form of interest-bearing securities of top-rated corporate issuers. The Organization has 39 corporate debt security investments, of which 34 are in an unrealized loss position at June 30, 2018. 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, 2018.

U.S. government obligations
The Organization has 23 U.S. government investment securities at June 30, 2018, of which 22 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, 2018.

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

Fund type	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$ -	$ 6,200,638	$ 10,202,966	$ 16,403,604
Board-designated endowment	25,000	-	-	25,000
Total funds	$ 25,000	$ 6,200,638	$ 10,202,966	$ 16,428,604

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

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ -	$ 5,065,644	$ 9,776,806	$ 14,842,450
Investment return				
Investment income	-	244,587	-	244,587
Appreciation (depreciation), realized and unrealized	-	1,195,940	-	1,195,940
Total investment return	-	1,440,527	-	1,440,527
Contributions	-	13,975	427,010	440,985
Appropriation of endowment assets for expenditure	-	(218,165)	-	(218,165)
Investment management fees	-	(77,283)	-	(77,283)
Reclassification of net assets	-	(24,060)	500	(23,560)
Other changes				
Transfers to create board-designated endowment funds	25,000	-	-	25,000
Transfer upon removal of donor restrictions	-	-	(1,350)	(1,350)
Endowment net assets, end of year	$ 25,000	$ 6,200,638	$ 10,202,966	$ 16,428,604

The endowment net asset composition by type of fund at June 30, 2017 is as follows:

Fund type	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$ 5,065,644	$ 9,776,806	$ 14,842,450

Changes in the endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 4,130,783	$ 9,505,236	$ 13,636,019
Investment return			
Investment income	231,627	-	231,627
Appreciation (depreciation), realized and unrealized	1,060,615	-	1,060,615
Total investment return	1,292,242	-	1,292,242
Contributions	12,140	245,750	257,890
Appropriation of endowment assets for expenditure	(284,794)	-	(284,794)
Investment management fees	(70,933)	-	(70,933)
Reclassification of net assets	(13,794)	25,820	12,026
Endowment net assets, end of year	$ 5,065,644	$ 9,776,806	$ 14,842,450

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:

	2018	2017
Receivable in less than one year	$ 106,585	$ 136,800
Receivable in one to five years	400	80,600
	106,985	217,400
Discount on pledges	(516)	(1,215)
	$ 106,469	$ 216,185

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

Note 5 - Fair value measurements

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

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

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

The fair value hierarchy under the guidance is as follows:

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

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

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

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

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

When quoted market prices are unobservable, the Organization uses quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. At June 30, 2018 and 2017, Level 2 securities consist primarily of corporate fixed income securities, U.S. government securities and preferred stocks.

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

The fair value of assets measured on a recurring basis at June 30, 2018 is as follows:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities	$ 9,755,423	$ 9,755,423	$ -	$ -
Preferred stocks	73,216	-	73,216	-
Mutual funds	5,207,596	5,207,596	-	-
Corporate bonds	1,751,921	-	1,751,921	-
U.S. government securities	2,001,348	-	2,001,348	-
Total	$ 18,789,504	$ 14,963,019	$ 3,826,485	$ -

The fair value of assets measured on a recurring basis at June 30, 2017 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	$ 8,765,351	$ 8,765,351	$ -	$ -
Preferred stocks	97,245	-	97,245	-
Mutual funds	4,480,726	4,480,726	-	-
Corporate bonds	1,579,007	-	1,579,007	-
U.S. government securities	1,939,576	-	1,939,576	-
Total	$ 16,861,905	$ 13,246,077	$ 3,615,828	$ -

Note 6 - Property and equipment

Property and equipment at June 30, 2018 and 2017 consist of the following:

	2018	2017
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	1,697,931	2,314,252
Land improvements	158,127	158,127
Buildings	1,297,818	1,166,972
Building improvements	1,109,006	1,109,006
Equipment	117,429	117,429
Computer software	641,878	641,878
Furniture and fixtures	60,773	60,773
Library materials	6,570	6,570
	5,089,532	5,575,007
	7,967,616	8,453,091
Less accumulated depreciation	1,924,293	1,679,747
Property and equipment, net	$ 6,043,323	$ 6,773,344

Accumulated depreciation on real estate under lease amounted to $516,912 and $472,946 at June 30, 2018 and 2017, respectively. Accumulated depreciation on real estate used for student housing amounted to $132,948 and $120,663 at June 30, 2018 and 2017, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $7,184 and $5,131 at June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, property and equipment with a cost of approximately $507,100 were fully depreciated and still in service.

On July 11, 2017, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $51,708. The Supporting Organization intends to renovate the property and use it for academic support and a day care facility. Renovations are not expected to commence until fiscal 2020 and the property is currently vacant. As of the report date, no construction contracts have been executed.

On June 4, 2018, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $172,106. The Supporting Organization, currently, has not made a final determination for the use of this property. The Supporting Organization is also considering a sale of the property to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The acquisition was funded with operating cash of the Supporting Organization and the proceeds of $150,000 drawn on the Supporting Organization's bank line of credit (see Note 8).

On June 15, 2018, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $153,096. A minor portion of the building is currently being leased to an unrelated third-party tenant, effective July 1, 2018, pursuant to a commercial lease agreement dated June 22, 2018. The rental income from this lease is not material to the Supporting Organization's operations and consists of $1,600 per month through the lease termination date of June 30, 2021. The Supporting Organization eventually intends to either raze the building and create a parking lot or renovate the building to support the operations of the University. The acquisition was funded with operating cash of the Supporting Organization and the proceeds of an advance of $170,000 from the Foundation used to reimburse the Supporting Organization for the acquisition (see Note 8).

On November 28, 2017, the Supporting Organization transferred seven properties, consisting solely of land, to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. On the date the properties were transferred, the seven properties collectively had a net book value of $678,470. A loss of $678,470 was recorded from the transfers of the properties and recognized in losses on transfers and sale of land and buildings in the accompanying consolidated statement of activities for the year ended June 30, 2018.

In fiscal 2017, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $183,914. The Supporting Organization intended to renovate and use this property for faculty/staff housing. The acquisition was financed, in part, with a mortgage note on the property in the amount of $135,000 (see Note 9). On April 5, 2018, the Supporting Organization sold the property to Massachusetts State College Building Authority ("MSCBA") for a net sales price of $133,196. A loss of $45,906 was recorded from the sale of the property and recognized in losses on transfers and sale of land and buildings in the accompanying consolidated statement of activities for the year ended June 30, 2018. The property is being renovated by MSCBA for use by the University for faculty/staff housing.

In fiscal 2017, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $141,374. The Supporting Organization razed the building and created green space during the year ended June 30, 2017. 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 $32,983, resulting in an impairment charge to operations in the amount of $108,391.

In fiscal 2017, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $81,098. The Supporting Organization razed the building and created green space during fiscal 2017. 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 $14,638, resulting in an impairment charge to operations in the amount of $66,460.

These two acquisitions were funded with operating cash of the Supporting Organization in the amount of $147,472 and the proceeds of an advance in the amount of $75,000 from the Foundation.

In fiscal 2017, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Supporting Organization 's mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $360,305. The acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 9). The Supporting Organization is planning a major renovation and expansion of the property which, when completed, is expected to cost approximately $25,000,000 and consist of a multi-phased project providing academic space, student support services space, retail and community space and a theatre renovation. The space is expected to be used by the University and the Fitchburg and surrounding communities. Fitchburg State University will be responsible for the costs of the project's development and construction pursuant to the terms of the license agreement between the University and the Supporting Organization. Funding for the project is expected to come from a variety of sources including, but not limited to, New Market Tax Credits, Historic Tax Credits, bonds, grants and philanthropy. The project is in the very early stages of development and is estimated to require four years to completion. At some point during that period, the property will be transferred to a new entity. The Supporting Organization will pay for certain legal services incurred in connection with the project which the Supporting Organization currently estimates to be approximately $148,000 for the entire project. The Supporting Organization expects to fund these costs through operating cash. For the year ended June 30, 2018, the Supporting Organization has incurred $9,342 of legal costs related to the project which have been recorded in other assets and accrued expenses in the accompanying 2018 consolidated statement of financial position.

In fiscal 2017, 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 $126,926 and $30,506, respectively. The Supporting Organization is using the land as green space.

In fiscal 2017, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus. The property, which includes land and a building, was purchased for a total cost of $136,995. The Supporting Organization razed the building and created green space during fiscal 2018. 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 $25,949 resulting in an impairment charge to operations in the amount of $111,046 in fiscal 2017.

The fair values of the properties for which impairment losses were recorded in fiscal 2017 were measured using significant unobservable inputs (Level 3) pursuant to the FASB's guidance on fair value measurements. The fair values of the properties were determined based upon the property assessment values at the purchase dates.

The impairment charges (noncash accounting charges) to operations on the above properties had no impact on the Supporting Organization's fiscal 2017 cash flow or its ability to generate cash flow in the future.

These three acquisitions were funded in part with the proceeds of $250,000 drawn in fiscal 2017 on the Supporting Organization 's bank line of credit (see Note 8).

Note 7 - Other assets

Other assets at June 30, 2018 and 2017 consist of the cash surrender value of life insurance in the amount of $43,014 and $46,241, respectively, an art collection in the amount of $39,025 in both years, and legal costs related to a development project in the amount of $9,342 at June 30, 2018.

Note 8 - Lines of credit

Foundation

On August 23, 2017, the Foundation renewed, under substantially the same terms, its existing demand revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. The line of credit agreement which expired on March 17, 2017 provided for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% of the pledged investment collateral unless otherwise approved by the lender. The renewed line of credit provides for interest at 5.25% through September 1, 2017 and, thereafter, at the Wall Street Journal Prime Rate (currently 5%) plus 1%. The interest rate charged to the Foundation may not exceed a rate of 18%. At June 30, 2018 and 2017, the effective interest rate was 6% per annum. In fiscal 2018, the line of credit was drawn down in the amount of $170,000 and advanced to the Supporting Organization. As of June 30, 2018, the outstanding borrowings payable under the line of credit amounted to $170,000. There were no draws on the line of credit in fiscal 2017 and no outstanding liability under the line of credit at June 30, 2017. For the years ended June 30, 2018 and 2017, interest expense incurred on borrowings under this line of credit amounted to $830 and $9,576, respectively. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Supporting Organization.

Borrowings under the line are secured by investments with an equivalent fair value of approximately $9,085,000 at June 30, 2018. The line is also collateralized by all funds held by the lender. At June 30, 2018, the Foundation has total cash balances of $58,583 held by the lender. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part without premium or penalty. The line of credit agreement expires on March 25, 2022.

Supporting Organization

On August 18, 2016, the Supporting Organization entered into a demand unsecured revolving line of credit agreement with Rollstone Bank and Trust which permits the Supporting Organization to borrow up to $250,000. The line of credit provides for interest at the Wall Street Journal Prime Rate less .25% (effective rates of 4.75% at June 30, 2018 and 4% at June 30, 2017). For the years ended June 30, 2018 and 2017, interest expense incurred on borrowings under this line of credit amounted to $3,440 and $2,470, respectively. The line of credit agreement expired on August 18,

2017. The line of credit was extended through November 30, 2017, and again through November 30, 2018, under the same terms and conditions of the previous agreement. On November 30, 2018, the line of credit will be up for renewal. The Supporting Organization may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty. The line of credit agreement contains, among other covenants, the maintenance of a debt service coverage ratio, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. As of June 30, 2018, the Supporting Organization has made payments of $250,000 and borrowings of $150,000 under the line of credit agreement. The balance outstanding as of June 30, 2018 is $150,000 (see Note 17). As of June 30, 2017, the Supporting Organization has made payments of $110,000 and borrowings of $360,000 under the line of credit agreement. The balance outstanding as of June 30, 2017 was $250,000.

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

At June 30, 2018 and 2017, the outstanding principal balance of this mortgage note payable amounted to $372,278 and $385,211, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note payable amounted to $16,410 and $18,734, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2018 are as follows:

Year	Amount
2019	$ 13,605
2020	14,205
2021	14,833
2022	15,488
2023	16,172
Thereafter	297,975
Total balance due	$ 372,278

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, shipping and receiving and financial services.

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

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

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

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

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

As of June 30, 2017, the outstanding principal balance of the mortgage note payable of $1,100,877, less net debt issuance costs of $23,801, amounted to $1,077,076.

Debt issuance costs, net of accumulated amortization, totaled $20,333 and $23,801 as of June 30, 2018 and 2017, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2018 and 2017.

For the years ended June 30, 2018 and 2017, interest expense (including amortization of debt issuance costs) on the mortgage note payable amounted to $41,112 and $46,292, 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, 2018, are estimated to be as follows:

Year	Amount
2019	$ 107,198
2020	110,984
2021	115,067
2022	119,217
2023	123,518
Thereafter	421,430
Total balance due	$ 997,414

Workers' Credit Union ("WCU") provided financing to the Supporting Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The note is secured by a first mortgage interest in certain real estate owned by the Supporting Organization and an assignment of certain related leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2018 and 2017, the Supporting Organization has total cash balances of $6,935 and $6,308, respectively, held at WCU which serve as additional collateral for the loan.

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.

As of June 30, 2018 and 2017, the outstanding principal balance of the mortgage loan amounted to $576,100 and $599,769, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $30,392 and $30,532, respectively.

Aggregate principal maturities on the loan for each of the remaining years to maturity at June 30, 2018 are $576,100 for the year ending June 30, 2019.

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

As of June 30, 2018 and 2017, the outstanding principal balance of the mortgage loan amounted to $208,551 and $217,912, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $7,055 and $7,296, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2018 are as follows:

Year	Amount
2019	$ 9,674
2020	9,980
2021	10,331
2022	10,678
2023	11,035
Thereafter	156,853
Total balance due	$ 208,551

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

As of June 30, 2018 and 2017, the outstanding principal balance of the mortgage loan amounted to $74,685 and $76,518, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $2,685 and $2,749, 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, 2018 and August 27, 2018, are estimated to be as follows:

Year	Amount
2019	$ 1,540
2020	1,564
2021	1,659
2022	1,748
2023	1,843
Thereafter	66,331
Total balance due	$ 74,685

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

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

As of June 30, 2018 and 2017, the outstanding principal balance of the loan amounted to $111,291 and $115,273, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $4,732 and $2,666, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2018 are as follows:

Year	Amount
2019	$ 4,142
2020	4,306
2021	4,501
2022	4,692
2023	4,891
Thereafter	88,759
Total balance due	$ 111,291

In January 2017, Fidelity Co-Operative Bank provided financing to the Supporting Organization in the form of a promissory note, dated January 13, 2017, in the amount of $220,000. The proceeds of the loan were used to reimburse the Supporting Organization for the acquisition, at a cost of $222,472, of two real estate properties located at 9 Clinton Street and 85 - 87 Pearl Street in Fitchburg, Massachusetts in fiscal 2017. The note is secured by a Negative Pledge Agreement on the properties.

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

As of June 30, 2018 and 2017, the outstanding principal balance of the loan amounted to $209,819 and $216,683, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $10,319 and $4,858, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2018 are as follows:

Year	Amount	
2019	$	7,176
2020		7,504
2021		7,901
2022		8,291
2023		8,700
Thereafter		170,247
Total balance due	$	209,819

In November 2016, Hometown Bank provided financing to the Supporting Organization in the form of a commercial note, dated November 8, 2016, in the amount of $135,000. The proceeds of the loan were used for the acquisition, at a cost of $183,914, of a real estate property located at 132 Highland Avenue in Fitchburg, Massachusetts (see Note 6). The note was secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

The commercial note has a term of 25 years, maturing on November 8, 2041, and provided for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan required monthly installments of principal and interest of $779 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

On April 5, 2018, the Supporting Organization paid off the loan balance in full and related interest with the proceeds from the sale of the 132 Highland Avenue property (see Note 6).

As of June 30, 2017, the outstanding principal balance of this loan amounted to $133,364.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $4,935 and $3,680, respectively.

In November 2016, Enterprise Bank and Trust Company provided financing to the Supporting Organization in the form of a promissory note, dated November 4, 2016, in the amount of $280,000. The proceeds of the loan were used for the acquisition, at a cost of $360,305, of a real estate property located at 689 - 717 Main Street in Fitchburg, Massachusetts (see Note 6). The note is secured by a first mortgage interest in the property and an assignment or rents on the property.

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

As of June 30, 2018 and 2017, the outstanding principal balance of the loan amounted to $273,003 and $277,716, respectively.

For the years ended June 30, 2018 and 2017, interest expense on this mortgage note amounted to $11,547 and $7,089, 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, 2018, are estimated to be as follows:

Year	Amount
2019	$ 4,923
2020	5,143
2021	5,374
2022	5,614
2023	5,866
Thereafter	246,083
Total balance due	$ 273,003

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

As of June 30, 2018, the outstanding principal balance of the loan amounted to $241,638.

For the year ended June 30, 2018, interest expense on this mortgage note amounted to $6,395.

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

Year	Amount
2019	$ 13,053
2020	13,551
2021	14,068
2022	14,605
2023	15,162
Thereafter	171,199
Total balance due	$ 241,638

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 owned by the Foundation with a fair value of approximately $2,253,000 and $2,116,000 at June 30, 2018 and 2017, respectively. In addition, payment and performance of the Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

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

As of June 30, 2018 and 2017, the outstanding principal balance of the loan amounted to $514,276 and $533,121, respectively.

For the years ended June 30, 2018 and 2017, interest expense on the note amounted to $18,489 and $14,680, 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, 2018, are estimated to be as follows:

Year	Amount
2019	$ 19,498
2020	20,152
2021	20,924
2022	21,677
2023	22,456
Thereafter	409,569
Total balance due	$ 514,276

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 and expired on August 16, 2016. The lease provided for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University was also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease continued in effect, after its expiration, under the same terms and conditions until March 9, 2017 when the Supporting Organization signed a new 10-year lease with the same terms and conditions as the previous agreement. The new lease agreement became effective as of August 16, 2016. For the years ended June 30, 2018 and 2017, rental income amounted to $165,000 in each year.

The following is a schedule of future minimum rental income under the operating lease agreement at June 30, 2018:

June 30,	Amount
2019	$ 165,000
2020	165,000
2021	165,000
2022	165,000
2023	165,000
Later years	515,625
	$ 1,340,625

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 (biannual installments of $15,316). The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time with the payment of two months' base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2018 and 2017, rent expense amounted to $30,632 and $28,495 respectively.

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

On February 1, 2013, the Supporting Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. Effective July 1, 2017, the lease agreement was amended to extend the term of the lease until June 30, 2023 and modify the lease payment provisions to be in biannual installments of $2,848. The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time after February 1, 2014 with the payment of two months base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2018 and 2017, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2018:

June 30,	Amount
2019	$ 5,696
2020	5,696
2021	5,696
2022	5,696
2023	5,696
	$ 28,480

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. The Supporting Organization did not renew the lease for an additional term after the expiration on May 31, 2017. Instead, the building was purchased by MSCBA and is being used by and billed directly to Fitchburg State University by MSCBA as a part of its semi-annual residence hall revenue assessments. For the year ended June 30, 2017, 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, 2018 and 2017, license fee income amounted to $193,272 and $252,849, respectively.

Note 12 - Restricted net assets

Temporarily restricted net assets in the amount of $7,239,743, as of June 30, 2018, are available as follows: equipment which use is restricted in the amount of $1,625; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $7,238,118. Temporarily restricted net assets in the amount of $6,121,756, as of June 30, 2017, are available as follows: equipment which use is restricted in the amount of $2,562; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $6,119,194.

Temporarily restricted net assets released from restrictions during 2018 represent the satisfaction of program restrictions in the amount of $483,995; the satisfaction of scholarship-related restrictions in the amount of $309,738 and the satisfaction of equipment donation restrictions in the amount of $936.

Permanently restricted net assets in the amounts of $10,202,966 and $9,776,806 as of June 30, 2018 and 2017, 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 2018, $500 was reclassified from unrestricted 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 $500 was reclassified to permanently restricted net assets.

Note 13 - Transactions with a related party

Fitchburg State University renders certain administrative services to the Foundation and Supporting Organization. These services, with a value of $153,182 and $146,401, 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, 2018 and 2017.

Repairs and maintenance expense in the accompanying 2018 and 2017 consolidated statements of activities includes $33,352 and $32,147, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing. At June 30, 2018, none of the balance remained unpaid. At June 30, 2017, $32,147 remained unpaid and is reflected as accounts payable, trade in the accompanying 2017 consolidated statement of financial position.

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

As of June 30, 2018 and June 30, 2017, the Supporting Organization has miscellaneous accounts receivable totaling $2,981 and $16,934 from the Fitchburg State University, respectively, which are reflected as accounts receivable in the accompanying consolidated statements of financial position.

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

At June 30, 2018 and 2017, the Foundation has miscellaneous payables to Fitchburg State University in the amounts of $200,417 and $197,731, respectively, which are included in accounts payable, trade in the accompanying consolidated statements of financial position.

Note 14 - Major donors

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

During fiscal 2017, the Organization received temporarily restricted grant donations totaling $340,000 from two donors which represents approximately 31% of total gifts, donations and grant revenue during 2017.

Note 15 - Supplemental cash flow information

	2018	2017
Cash paid for interest during the year	$ 153,959	$ 148,956

Schedule of noncash investing and financing activities:

	2018	2017
Donations of publicly traded common stock at their readily determinable fair value	$ 162,668	$ 3,147

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

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

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

In fiscal 2017, the Supporting Organization financed, in part, two real estate property acquisitions through long-term mortgage notes in the amounts of $280,000 and $135,000 (total of $415,000).

During fiscal 2017, the Foundation received donated equipment for $1,099.

Note 16 - Foundation revenue and expenses

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

A comparison of the expenses incurred in fiscal 2018 and recorded on the University's books with those expenses incurred and reflected in the Foundation's fiscal 2017 consolidated statement of activities are as follows:

Expense	University 2018	Foundation 2017
Community services	$ 1,575	$ -
Outside services	54,536	56,500
Supplies	42,715	57,000
Postage	7,989	7,600
Equipment and maintenance	50,682	29,500
Printing and publications	74,146	83,400
Travel	23,120	23,000
Meetings and conferences	17,230	9,000
Miscellaneous	2,430	-
	$ 274,423	$ 266,000

During fiscal 2018, the Foundation and Fitchburg State University determined that the University's Booster Clubs' donations and activities each year should be transferred to and then accounted for on the books of the University. During fiscal 2018, amounts transferred to the University consisted of donations received in fiscal 2018 in the amount of $59,391 and accumulated Booster Clubs' fund balances at July 1, 2017 in the amount of $67,157. The donations are included as revenue in temporarily restricted net assets. The transfer of the funds to the University in the aggregate amount of $126,548 is included in net assets released from restrictions and within awards and grants expense in program services in the accompanying 2018 consolidated statement of activities. In fiscal 2017, Booster Clubs' donations amounted to $30,105 and Booster Clubs' awards and grants amounted to $172,380. In subsequent years, Booster Clubs' donations shall be accounted for as revenue in temporarily restricted net assets of the Foundation and upon transfer to the University each year, as net assets released from restrictions and awards and grants expense.

Note 17 - Subsequent events

Effective on July 3, 2018, as amended on August 24, 2018, the Supporting Organization entered into a Purchase and Sale Agreement to acquire a property consisting of land and building in close proximity to the Fitchburg State University campus at a cost of $389,900 plus closing costs. Effective on July 4, 2018, the Supporting Organization entered into a Purchase and Sale Agreement to acquire an adjacent property consisting of land and building at a cost of $169,900 plus closing costs. The Supporting Organization made an aggregate deposit of $1,000 on the properties, during fiscal 2018 which is included in prepaid expenses and other current assets in the accompanying 2018 consolidated statement of financial position. The closings on the acquisitions are currently expected to occur in May 2019. The Supporting Organization expects to use debt financing to purchase the properties. The Supporting Organization is currently planning to use one of the properties for University faculty/staff housing and to raze the building on the other property and convert it into a parking lot to support the operations of the adjacent housing property.

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

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

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

Year	Amount
2019	$ 2,178
2020	4,483
2021	4,736
2022	4,982
2023	5,240
Thereafter	126,381
Total balance due	$ 148,000

The Supporting Organization's outstanding line of credit balance at June 30, 2018 of $150,000 was subsequently repaid on November 5, 2018, in part, from the net proceeds of $142,653 of the Enterprise Bank and Trust Company mortgage and the remainder of $7,347 from operating cash.

Supplementary Information

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ADVISORY • ASSURANCE • TAX

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, 2018, and our report thereon dated November 6, 2018 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 2018 consolidated financial statements as a whole. The information for the year ended June 30, 2018 contained on page 44 is presented for purposes of additional analysis and is not a required part of the 2018 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 2018 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 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 2018 consolidated financial statements or to the 2018 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 2018 consolidated financial statements as a whole. The prior year summarized comparative information has been derived from the supplementary information accompanying the Foundation's 2017 consolidated financial statements and, in our report on supplementary information dated October 19, 2017, we expressed our opinion that such information was fairly stated in all material respects in relation to the 2017 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, 2017, from which the summarized information was derived.

CohnReznick LLP

Boston, Massachusetts
November 6, 2018

Fitchburg State University Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Program services	Management and general	Fundraising	2018 consolidated total	2017 consolidated total
Scholarships	$ 309,738	$ -	$ -	$ 309,738	$ 354,401
Community services	32,417	-	-	32,417	44,017
Speakers and cultural programs	38,619	-	-	38,619	48,275
Outside services	1,884	-	-	1,884	65,058
Accounting and audit	-	21,318	-	21,318	16,944
Insurance	73,610	25,338	-	98,948	101,821
Affiliate personnel costs	-	96,480	56,702	153,182	146,401
Supplies	3,052	-	55	3,107	67,682
Postage	-	-	-	-	7,589
Equipment and maintenance	60,470	30,300	-	90,770	105,931
Printing and publications	22,953	-	10,757	33,710	116,192
Travel	4,890	-	33	4,923	30,473
Meetings and conferences	28,748	-	34,539	63,287	120,769
Professional and consulting services	5,057	350	-	5,407	-
Awards and grants	437,207	-	-	437,207	221,430
Contribution made to University	266,000	-	-	266,000	-
Fees, fines, licenses, permits	5,215	-	1,096	6,311	5,752
Repairs and maintenance	33,352	-	-	33,352	32,147
Rent	36,328	-	-	36,328	254,191
Utilities	26,180	-	-	26,180	30,739
Interest	141,931	16,410	-	158,341	150,622
Miscellaneous	437	13,824	-	14,261	23,148
Investment management fees	-	107,210	-	107,210	96,801
Other financial fees	1,650	5,146	-	6,796	5,686
	1,529,738	316,376	103,182	1,949,296	2,046,069
Impairment losses	-	-	-	-	285,897
Losses on transfers and sale of land and buildings	724,376	-	-	724,376	-
Depreciation	238,088	11,270	-	249,358	252,521
	$ 2,492,202	$ 327,646	$ 103,182	$ 2,923,030	$ 2,584,487

See Independent Auditor's Report on Supplementary Information.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Fitchburg State University Foundation, Inc., which comprise the consolidated statement of financial position as of June 30, 2018, 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 6, 2018.

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 6, 2018

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