Fitchburg State University Foundation, Inc.

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

June 30, 2017

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, 2017, 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, 2017, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Fitchburg State University Foundation, Inc., and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 15, 2016. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended June 30, 2016 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 October 19, 2017, 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, 2017. 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
October 19, 2017

Fitchburg State University Foundation, Inc.

Consolidated Statement of Financial Position
June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

Assets

	2017	2016
Cash and equivalents	$ 1,361,159	$ 1,185,537
Investments	16,861,905	15,256,246
Accrued investment income receivable	32,305	32,740
Accounts receivable	16,934	12,322
Contributions receivable, net	216,185	119,684
Prepaid expenses and other current assets	60,429	68,921
Property and equipment, net of accumulated depreciation	6,773,344	6,249,546
Other assets	85,266	87,916
Total assets	$ 25,407,527	$ 23,012,912

Liabilities and Net Assets

	2017	2016
Liabilities		
Bank line of credit	$ 250,000	$ 250,000
Accounts payable, trade	252,602	51,171
Accrued interest payable	5,978	6,334
Deferred revenue	17,200	69,770
Notes payable - bank	533,121	553,081
First mortgage notes payable	3,099,522	2,500,722
Total liabilities	4,158,423	3,431,078
Net assets		
Unrestricted	5,350,542	5,311,277
Temporarily restricted	6,121,756	4,765,321
Permanently restricted	9,776,806	9,505,236
Total net assets	21,249,104	19,581,834
Total liabilities and net assets	$ 25,407,527	$ 23,012,912

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	2017 Total	2016 Total
Revenue and support					
Program revenues					
Gifts and donations	$ 156,845	$ 304,172	$ 245,750	$ 706,767	$ 568,443
Grants and contracts	-	392,700	-	392,700	25,005
Sales and services	106,886	187,749	-	294,635	309,095
Rental income	165,000	-	-	165,000	165,000
Residence hall income	523,798	-	-	523,798	478,962
License fee income	252,849	-	-	252,849	108,167
Contribution in kind income	146,401	-	-	146,401	135,896
Other revenue					
Interest and dividends	86,354	232,250	-	318,604	320,568
Gain (loss) on investments	387,516	1,063,487	-	1,451,003	(326,661)
Net assets released from restrictions	802,378	(802,378)	-	-	-
Reclassification of net assets	(4,275)	(21,545)	25,820	-	-
Total revenue and support	2,623,752	1,356,435	271,570	4,251,757	1,784,475
Expenses					
Program services	2,147,543	-	-	2,147,543	1,912,731
Management and general	295,484	-	-	295,484	318,354
Fundraising	141,460	-	-	141,460	112,214
Total expenses	2,584,487	-	-	2,584,487	2,343,299
Increase (decrease) in net assets	39,265	1,356,435	271,570	1,667,270	(558,824)
Net assets at beginning of year	5,311,277	4,765,321	9,505,236	19,581,834	20,140,658
Net assets at end of year	$ 5,350,542	$ 6,121,756	$ 9,776,806	$ 21,249,104	$ 19,581,834

See Notes to Consolidated Financial Statements.

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets	$ 1,667,270	$ (558,824)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
(Gain) loss on investments	(1,451,003)	326,661
Impairment losses	285,897	98,446
Depreciation	252,521	246,581
Discount on pledges	(802)	(1,243)
Bad debt expense	11,095	5,529
Amortization of debt issuance costs	3,469	3,467
Contributions restricted for long-term purposes	(245,750)	(159,498)
Contributions of investment securities	(3,147)	(6,426)
Contribution of property and equipment	(1,099)	-
Changes in assets and liabilities		
(Increase) decrease in assets		
Cash surrender value of life insurance	2,650	2,179
Accounts receivable	(4,612)	189
Accrued investment income receivable	435	(5,322)
Contributions receivable	(114,753)	26,034
Prepaid expenses and other current assets	(5,504)	(26,635)
Increase (decrease) in liabilities		
Accounts payable, trade	201,431	(87,516)
Accrued interest payable	(356)	(566)
Deferred revenue	(52,570)	62,975
Net cash provided by (used in) operating activities	545,172	(73,969)
Cash flows from investing activities		
Payments for property and equipment	(646,118)	(226,292)
Change in deposits for purchases of property	14,000	(17,000)
Proceeds from sale of investments	3,175,474	3,747,059
Purchase of investments	(3,326,984)	(3,854,189)
Proceeds from sale of property	-	70,000
Net cash used in investing activities	(783,628)	(280,422)

Fitchburg State University Foundation, Inc.

Consolidated Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from financing activities		
Proceeds of first mortgage notes payable	338,000	-
Proceeds of bank line of credit	-	250,000
Payments on first mortgage notes payable	(157,671)	(144,462)
Payments on notes payable - bank	(19,960)	(19,383)
Collections of contributions restricted for long-term purposes	253,709	166,608
Net cash provided by financing activities	414,078	252,763
Net increase (decrease) in cash and equivalents	175,622	(101,628)
Cash and equivalents, beginning of year	1,185,537	1,287,165
Cash and equivalents, end of year	$ 1,361,159	$ 1,185,537

See Notes to Consolidated Financial Statements.

Note1 - Organization and summary of significant accounting policies

Organization

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

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

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

Summary of significant accounting policies

Principles of consolidation

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

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

Use of estimates

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

Method of accounting

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

Basis of presentation

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

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

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

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

Risks and uncertainties

The Organization maintains an investment portfolio consisting of a combination of U.S. Treasury securities and other government obligations, corporate bonds, equity securities and mutual funds that are invested in equity securities, bonds and other investment securities. The Organization's investments in equity securities, corporate bonds and mutual funds include both domestic and foreign investments. 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 100 and 90 individual funds at June 30, 2017 and 2016, respectively, that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. No funds have been designated by the Board of Directors to function as endowments as of June 30, 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, if any. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a variety of investments that aim to preserve principal, generate income and provide the opportunity for conservative growth.

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

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

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

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2017 and 2016, 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, 2017 and 2016. The income and related income taxes thereon, which are not material, are included in the accompanying consolidated financial statements. The Supporting Organization had no unrelated business income for the years ended June 30, 2017 and 2016.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the consolidated financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of June 30, 2017. 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, 2017 and 2016 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, 2014, 2015, and 2016.

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, 2016, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the fiscal 2016 financial statements to conform to the fiscal 2017 presentation.

Subsequent events

The Organization has evaluated subsequent events through October 19, 2017, which is the date these consolidated financial statements were available to be issued.

Recently adopted accounting pronouncement

During fiscal 2017, the Organization adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. This change in accounting principle under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Organization on a retrospective basis. As a result, as of June 30, 2016, $27,268 of debt issuance costs, net of accumulated amortization, related to the Organization's mortgage notes payable were reclassified in the statement of financial position from other assets to first mortgage notes payable and for the year ended June 30, 2016, $3,470 of amortization expense related to such debt issuance costs was reclassified to interest expense on the statement of activities, with no effect on previously reported increase (decrease) in net assets. Other than these reclassifications, the adoption of ASU 2015-03 did not have a material impact on the Organization's financial position, changes in net assets or cash flows.

Note 2 - Cash and equivalents

Cash and equivalents consist of the following at June 30:

	2017	2016
Cash and other demand deposits	$ 708,072	$ 600,755
Money market funds	653,087	584,782
	$ 1,361,159	$ 1,185,537

Money market funds include the SSgA US Government Money Market Fund in the aggregate amount of $51,013 and $208,180 at June 30, 2017 and June 30, 2016, 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, 2017 and 2016, the fund's investment securities had a weighted average maturity of 25 days and 28 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2017 and 2016, respectively.

Money market funds include the Schwab Advisor Cash Reserves Fund in the aggregate amount of $79,744 at June 30, 2016. No amounts were included in the Schwab Advisor Cash Reserves at June 30, 2017. The Schwab Advisor Cash Reserves Fund invests in high-quality short-term money market investments issued by U.S. and foreign issuers. The fund's goal is to seek the highest current income consistent with stability of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2016, the fund's investment securities had a weighted average maturity of 47 days. The fund was not rated for average credit quality at June 30, 2016.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $68,472 at June 30, 2017. No amounts were included in the Goldman Sachs Financial Square Government Fund at June 30, 2016. 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, 2017, the fund's investment securities had a weighted average maturity of 24 days. The fund had an average credit quality rating of AAAm at June 30, 2017.

Money market funds include the RWM Cash Management Money Market account in the aggregate amount of $91,288 and $155,349 at June 30, 2017 and 2016, respectively.

Money market funds also include the Fidelity Bank LifeDesign Business Cash Management Money Market account with a balance of $442,314 and $141,509 at June 30, 2017 and 2016, 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, 2017 and 2016, the Organization's uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Goldman Sachs Financial Square Government Fund, Schwab Advisor Cash Reserves Fund, Fidelity Bank LifeDesign Business Cash Management Money Market account and RWM Cash Management Money Market account, amounted to approximately $706,700 and $430,200, 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:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,735,924	$ 8,765,351	$ 5,839,660	$ 8,109,970
Preferred stocks	95,092	97,245	107,779	112,925
Mutual funds	4,100,943	4,480,726	3,665,172	3,676,250
Corporate bonds	1,570,558	1,579,007	1,586,976	1,630,038
U.S. government securities	1,954,323	1,939,576	1,693,568	1,727,063
	$ 13,456,840	$ 16,861,905	$ 12,893,155	$ 15,256,246

At June 30, 2017 and 2016, net unrealized gains in the Organization's investment portfolio amounted to $3,405,065 and $2,363,091, respectively.

At June 30, 2017 and 2016, equities include securities in the consumer goods sector which represent 17% and 21%, respectively, of the fair value of the Organization's investment portfolio.

At June 30, 2017 and 2016, 8% of the fair value of the Organization's investment portfolio represents foreign investments.

Investments with an equivalent fair value of $10,204,500 at June 30, 2017 collateralize certain debt agreements (see Notes 8 and 10).

At June 30, 2017, 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	$ 261,280	$ 853,493	$ 464,234	$ -	$ 1,579,007
U.S. government securities	400,388	1,187,142	352,046	-	1,939,576
	$ 661,668	$ 2,040,635	$ 816,280	$ -	$ 3,518,583

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, 2017 and 2016 are as follows:

	2017	2016
Net realized gains	$ 409,035	$ 193,242
Net unrealized gains (losses)	1,041,968	(519,903)
Net gains (losses) on investments	$ 1,451,003	$ (326,661)

The Organization incurred investment management fees of $96,279 in 2017 and $100,290 in 2016, 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, 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

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

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

Equities and preferred stocks

The Organization has 91 investments in equities, of which 8 were in an unrealized loss position at June 30, 2017. The Organization also has 15 investments in preferred stocks, of which 6 were in an unrealized loss position at June 30, 2017. 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, 2017.

Mutual funds

The Organization has 26 mutual fund investments, of which 12 were in an unrealized loss position at June 30, 2017. 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, 2017.

Corporate bonds

At June 30, 2017, the Organization's investments in corporate debt securities were in the form of interest-bearing securities of top-rated corporate issuers. The Organization has 37 corporate debt security investments, of which 14 are in an unrealized loss position at June 30, 2017. 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, 2017.

U.S. government obligations

The Organization has 19 U.S. government investment securities at June 30, 2017, of which 11 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, 2017.

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	$ 5,041,099	$ 9,776,806	$ 14,817,905

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

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

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

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

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

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:

	2017	2016
Receivable in less than one year	$ 136,800	$ 81,701
Receivable in one to five years	80,600	40,000
	217,400	121,701
Discount on pledges	(1,215)	(2,017)
	$ 216,185	$ 119,684

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

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

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

The fair value hierarchy under the guidance is as follows:

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

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

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

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

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

When quoted market prices are unobservable, the Organization uses quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. At June 30, 2017 and 2016, 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, 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	$ -

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

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

Note 6 - Property and equipment

Property and equipment at June 30, 2017 and 2016 consist of the following:

	2017	2016
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	2,314,252	1,895,081
Land improvements	158,127	158,127
Buildings	1,166,972	810,923
Building improvements	1,109,006	1,109,006
Equipment	117,429	116,330
Computer software	641,878	641,878
Furniture and fixtures	60,773	60,773
Library materials	6,570	6,570
	5,575,007	4,798,688
	8,453,091	7,676,772
Less accumulated depreciation	1,679,747	1,427,226
Property and equipment, net	$ 6,773,344	$ 6,249,546

Accumulated depreciation on real estate under lease amounted to $472,946 and $428,981 at June 30, 2017 and 2016, respectively. Accumulated depreciation on real estate used for student housing amounted to $120,663 and $108,377 at June 30, 2017 and 2016, respectively. Accumulated depreciation on real estate used for faculty and staff housing amounted to $5,131 and $3,079 at June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, property and equipment with a cost of approximately $507,100 and $464,300, respectively, were fully depreciated and still in service.

On July 12, 2016, 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.

On July 14, 2016, 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.

The July 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.

On November 4, 2016, 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 Supporting Organization intends to use the property for academic support and a theater renovation. Renovations are expected to commence in fiscal year 2018 (see Note 17). The acquisition was financed, in part, with a mortgage note on the property in the amount of $280,000 (see Note 9).

On November 8, 2016, 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 intends to use this property for faculty housing. A contract for the renovations is not expected to be executed until the latter part of calendar year 2017. The acquisition was financed, in part, with a mortgage note on the property in the amount of $135,000 (see Note 9).

On May 24, 2017 and June 16, 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 intends to use the land as green space.

On June 5, 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 intends to raze the building and create green space. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $25,949 resulting in an impairment charge to operations in the amount of $111,046.

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 are included in the program services line item in the accompanying 2017 statement of activities and had no impact on the Organization's fiscal 2017 cash flow or its ability to generate cash flow in the future.

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

In fiscal 2016, 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 $119,803 (see Note 9). The Supporting Organization razed the building and created green space. As a result of its decision to raze the building, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and was written down to its fair value of $21,357. The impairment charge (a noncash accounting charge) to operations in the amount of $98,446 is included in the program services line item in the accompanying 2016 statement of activities and had no impact on the Organization's fiscal 2016 cash flow or its ability to generate cash flow in the future.

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

Note 7 - Other assets

Other assets at June 30, 2017 and 2016 consist of the cash surrender value of life insurance in the amount of $46,241 and $48,891, respectively, and an art collection in the amount of $39,025 in both years.

Note 8 - Lines of credit

Foundation

On April 2, 2015, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permitted the Foundation to borrow up to $250,000. The line of credit agreement expired on March 17, 2017. At June 30, 2016, $250,000 was outstanding on the line of credit. The line of credit provided for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At June 30, 2017 and 2016, the effective interest rate was 6% per annum. For the years ended June 30, 2017 and 2016, interest expense incurred on borrowings under this line of credit amounted to $9,576 and $4,078, respectively. There were no new borrowings under the line during 2017. The borrowings under the line, during 2016, were advanced to the Supporting Organization. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Supporting Organization.

On August 23, 2017, the Foundation renewed, under substantially the same terms, its demand revolving working capital line of credit agreement which expired on March 17, 2017. 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 line of credit provides for interest at 5.25% through September 1, 2017 and, thereafter, at the Wall Street Journal Prime Rate (currently 4.25%) plus 1%. The interest rate charged to the Foundation may not exceed a rate of 18%. Borrowings under the line are secured by investments with an equivalent fair value of approximately $8,088,500 at June 30, 2017. The line is also collateralized by all funds held by the lender. At June 30, 2017, the Foundation has total cash balances of $58,329 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 rate of 4% at June 30, 2017). For the year ended June 30, 2017, interest expense incurred on borrowings under this line of credit amounted to $2,470. The line of credit agreement expired on August 18, 2017. The line of credit was extended through November 30, 2017, under the same terms and conditions of the previous agreement. On November 30, 2017, 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 rate, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. As of 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 is $250,000.

On October 4, 2017, the line of credit balance outstanding as of June 30, 2017 of $250,000 was paid in full.

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, 2017 and 2016, the outstanding principal balance of this mortgage note payable amounted to $385,211 and $401,297, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $18,734 and $24,128, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 13,029
2019	13,605
2020	14,205
2021	14,833
2022	15,488
Thereafter	314,051
Total balance due	$ 385,211

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, 2017, the outstanding principal balance of the loan of $1,100,877, less net debt issuance costs of $23,801, amounted to $1,077,076.

As of June 30, 2016, the outstanding principal balance of the mortgage note payable of $1,199,159, less net debt issuance costs amounted to $27,268, amounted to $1,171,891.

Debt issuance costs, net of accumulated amortization, totaled $23,801 and $27,268 as of June 30, 2017 and 2016, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 3.64% as of June 30, 2017 and 4.68% as of June 30, 2016.

For the years ended June 30, 2017 and 2016, interest expense (including amortization of debt issuance costs) on this mortgage note payable amounted to $46,292 and $60,464, 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, 2017, are estimated to be as follows:

Year	Amount
2018	$ 103,466
2019	107,198
2020	110,984
2021	115,067
2022	119,217
Thereafter	544,945
Total balance due	$ 1,100,877

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, 2017 and 2016, the Supporting Organization has total cash balances of $6,308 and $5,660, 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, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $599,769 and $622,287, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note amounted to $30,532 and $30,282, respectively.

Aggregate principal maturities on the loan for each of the remaining years to maturity at June 30, 2017 are as follows:

Year	Amount
2018	$ 23,677
2019	576,092
Total balance due	$ 599,769

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, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $217,912 and $226,969, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $7,296 and $7,649, respectively.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 9,361
2019	9,674
2020	9,980
2021	10,331
2022	10,678
Thereafter	167,888
Total balance due	$ 217,912

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 requires monthly installments of principal and interest of $376 until the next five-year interval adjustment date of June 26, 2018. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. 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, 2017 and 2016, the outstanding principal balance of the mortgage loan amounted to $76,518 and $78,281, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $2,749 and $2,818, 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, 2017, are estimated to be as follows:

Year	Amount
2018	$ 1,826
2019	1,892
2020	1,953
2021	2,030
2022	2,104
Thereafter	66,713
Total balance due	$ 76,518

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

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

As of June 30, 2017, the outstanding principal balance of the loan amounted to $115,273.

For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $2,666.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 3,973
2019	4,142
2020	4,306
2021	4,501
2022	4,692
Thereafter	93,659
Total balance due	$ 115,273

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 July 2016 (see Note 6). 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, 2017, the outstanding principal balance of the loan amounted to $216,683.

For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $4,858.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 6,838
2019	7,176
2020	7,504
2021	7,901
2022	8,291
Thereafter	178,973
Total balance due	$ 216,683

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 is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

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

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

For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $3,680.

Aggregate principal maturities on the loan for each of the next five years and thereafter at June 30, 2017 are as follows:

Year	Amount
2018	$ 2,916
2019	3,061
2020	3,214
2021	3,374
2022	3,542
Thereafter	117,257
Total balance due	$ 133,364

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, 2017, the outstanding principal balance of the loan amounted to $277,716.

For the year ended June 30, 2017, interest expense on this mortgage note payable amounted to $7,089.

Aggregate principal maturities on the loan for each of the next five years and thereafter, using the interest rate in effect at June 30, 2017, are estimated to be as follows:

Year	Amount
2018	$ 4,712
2019	4,923
2020	5,143
2021	5,374
2022	5,614
Thereafter	251,950
Total balance due	$ 277,716

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 $2,116,000 and $1,981,000 at June 30, 2017 and 2016, 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, 2017 and 2016, the outstanding principal balance of the loan amounted to $533,121 and $553,081, respectively.

For the years ended June 30, 2017 and 2016, interest expense on this mortgage note payable amounted to $14,680 and $14,953, 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, 2017, are estimated to be as follows:

Year	Amount
2018	$ 18,967
2019	19,498
2020	20,152
2021	20,924
2022	21,677
Thereafter	431,903
Total balance due	$ 533,121

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, 2017 and 2016, rental income amounted to $165,000 in each year.

The following is a schedule of future minimum rental income under the new operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 165,000
2019	165,000
2020	165,000
2021	165,000
2022	165,000
Later years	680,625
	$ 1,505,625

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

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2017:

Year ending June 30,	Amount
2018	$ 30,632
2019	30,632
	$ 61,264

On February 1, 2013, the Supporting Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space.

The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time after February 1, 2014 with the payment of two months base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2017 and 2016, 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, 2017:

Year ending June 30,	Amount
2018	$ 5,696
2019	5,696
2020	5,696
2021	5,696
2022	5,696
Later years	3,323
	$ 31,803

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 the Massachusetts State College Building Authority ("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 years ended June 30, 2017 and June 30, 2016, rent expense amounted to $220,000 in each year.

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, 2017 and 2016, license fee income amounted to $252,849 and $108,167, respectively.

Note 12 - Restricted net assets

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 in the amount of $4,765,321, as of June 30, 2016, were available as follows: equipment which use is restricted in the amount of $2,365; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $4,762,956.

Temporarily restricted net assets released from restrictions during 2017 represent the satisfaction of program restrictions in the amount of $447,074; the satisfaction of scholarship-related restrictions in the amount of $354,401 and the satisfaction of equipment donation restrictions in the amount of $903.

Permanently restricted net assets in the amounts of $9,776,806 and $9,505,236 as of June 30, 2017 and 2016, 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 2017, $25,820 was reclassified from temporarily restricted and 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 $25,820 was reclassified to permanently restricted net assets.

Note 13 - Transactions with a related party

Fitchburg State University renders certain administrative services to the Organization. These services, with a value of $146,401 and $135,896, 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, 2017 and 2016.

For the years ended June 30, 2017 and 2016, the Supporting Organization incurred expenses totaling $32,147 and $31,787, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing. At June 30, 2017, $32,147 remained unpaid and is included in accounts payable, trade in the accompanying 2017 consolidated statement of financial position.

As of June 30, 2017 and 2016, the Supporting Organization has miscellaneous accounts receivable totaling $16,934 and $1,650 from Fitchburg State University, respectively, which are included in accounts receivable in the accompanying consolidated statements of financial position.

At June 30, 2017 and 2016, the Foundation has miscellaneous payables to Fitchburg State University in the amounts of $197,731 and $20,201, respectively, which are included in accounts payable, trade in the accompanying consolidated statements of financial position.

Note 14 - Major donors

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.

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

Note 15 - Supplemental cash flow information

	2017	2016
Cash paid for interest during the year	$ 148,956	$ 141,468

Schedule of noncash investing and financing activities:

	2017	2016
Acquisition of property and equipment	$ 1,062,217	$ 226,292
Less: Financed by long-term mortgage notes	(415,000)	-
Property donation	(1,099)	-
Cash paid for property and equipment	$ 646,118	$ 226,292

Note 16 - Subsequent events

On July 11, 2017, the Supporting Organization closed on the acquisition of a property, including land and a building, for a price of $51,708. The Supporting Organization made a deposit of $3,000 on the property during fiscal 2017, which is included in prepaid expenses and other current assets in the accompanying 2017 statement of financial position. 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.

The Commonwealth of Massachusetts, acting by and through the Awarding Authority of Fitchburg State University, entered into a construction contract, dated August 3, 2017, with an unrelated third party contractor for the initial phase of renovations to the property at 689 - 717 Main Street. The renovations will be paid for by Fitchburg State University in accordance with the terms and provisions of the license agreement between the University and the Supporting Organization. The construction contract is in the aggregate amount of $2,390,908, including approved change orders of $27,795. This phase of the renovations is expected to be completed by early January, 2018.

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 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 five years of the loan term. 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.

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

Year	Amount
2018	$ 8,203
2019	13,053
2020	13,551
2021	14,068
2022	14,605
Thereafter	186,520
Total balance due	$ 250,000

Supplementary Information

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. ("Foundation") as of and for the year ended June 30, 2017, and our report thereon dated October 19, 2017, which appears on pages 2, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the 2017 consolidated financial statements as a whole. The information for the year ended June 30, 2017 contained on page 41 is presented for purposes of additional analysis and is not a required part of the 2017 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 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 consolidated financial statements or to the 2017 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 2017 consolidated financial statements as a whole. The prior year summarized comparative information has been derived from the supplementary information accompanying the Foundation's 2016 consolidated financial statements and, in our report on supplementary information dated November 15, 2016, we expressed our opinion that such information was fairly stated in all material respects in relation to the 2016 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, 2016, from which the summarized information was derived.

CohnReznick LLP

Boston, Massachusetts
October 19, 2017

Fitchburg State University Foundation, Inc.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Program services	Management and general	Fundraising	2017 consolidated total	2016 consolidated total
Scholarships	$ 354,401	$ -	$ -	$ 354,401	$ 308,957
Community services	44,017	-	-	44,017	43,493
Speakers and cultural programs	48,275	-	-	48,275	35,553
Outside services	61,795	-	3,263	65,058	69,386
Accounting and audit	-	16,944	-	16,944	37,626
Insurance	75,089	26,732	-	101,821	81,760
Affiliate personnel costs	-	90,185	56,216	146,401	135,896
Supplies	65,945	75	1,662	67,682	67,199
Postage	1,126	-	6,463	7,589	40,936
Equipment and maintenance	97,034	8,897	-	105,931	124,921
Printing and publications	79,965	-	36,227	116,192	105,826
Travel	29,663	-	810	30,473	106,453
Meetings and conferences	84,324	477	35,968	120,769	94,584
Professional and consulting services	-	-	-	-	5,587
Awards and grants	221,430	-	-	221,430	155,128
Fees, fines, licenses, permits	4,901	-	851	5,752	1,124
Repairs and maintenance	32,147	-	-	32,147	31,787
Rent	254,191	-	-	254,191	254,191
Utilities	30,739	-	-	30,739	24,915
Interest	131,888	18,734	-	150,622	144,372
Miscellaneous	2,393	20,755	-	23,148	23,177
Investment management fees	-	96,801	-	96,801	100,290
Other financial fees	1,420	4,266	-	5,686	5,114
	1,620,743	283,866	141,460	2,046,069	1,998,275
Impairment losses	285,897	-	-	285,897	98,446
Depreciation	240,903	11,618	-	252,521	246,578
	$ 2,147,543	$ 295,484	$ 141,460	$ 2,584,487	$ 2,343,299

See Independent Auditor's Report on Supplementary Information.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Fitchburg State University Foundation, Inc., which comprise the consolidated statement of financial position as of June 30, 2017, 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 October 19, 2017.

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
October 19, 2017

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