

STATE OF CONNECTICUT



*AUDITORS' REPORT
CHARTER OAK STATE COLLEGE FOUNDATION, INC.
FOR THE FISCAL YEARS ENDED
JUNE 30, 2009*

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Charter Oak State College Foundation, Inc.:

We have audited the accompanying statement of financial position of the Charter Oak State College Foundation, Inc., (the Foundation) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009, and the change in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

November 2, 2010
State Capitol
Hartford, Connecticut

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

ASSETS:

Cash and cash equivalents	\$	139,698
Investments (note 3)		990,717
Computer equipment (note 4)		53,474
Less: Accumulated depreciation		(53,100)
Unconditional promises to give, net (note 5)		1,177
Other receivables		514
Other assets		625
		<hr/>
TOTAL ASSETS	\$	<u>1,133,105</u>

LIABILITIES AND NET ASSETS:

LIABILITIES	\$	-
NET ASSETS:		
Unrestricted		54,304
Temporarily restricted (note 6)		69,124
Permanently restricted (note 7)		1,009,677
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,133,105</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Contributions	\$ 9,903	67,115	30,610	\$ 107,628
Investment income	343	36,840	-	37,183
Gain/(loss) on investments, net	-	(221,589)	-	(221,589)
Net assets released from restrictions				-
Restrictions satisfied by payments	111,262	(111,262)	-	-
TOTAL REVENUES AND SUPPORT	<u>121,508</u>	<u>(228,896)</u>	<u>30,610</u>	<u>(76,778)</u>
EXPENSES:				
Program services				
Scholarships and grants	29,000	-	-	29,000
Women in transition	66,071	-	-	66,071
Shea lectures	10,000	-	-	10,000
Supporting services				
General and administrative	7,245	-	-	7,245
Fund raising	6,191	-	-	6,191
TOTAL EXPENSES	<u>118,507</u>	<u>-</u>	<u>-</u>	<u>118,507</u>
CHANGE IN NET ASSETS	3,001	(228,896)	30,610	(195,285)
NET ASSETS, BEGINNING OF YEAR	<u>\$ 51,303</u>	<u>\$ 298,020</u>	<u>\$ 979,067</u>	<u>\$ 1,328,390</u>
NET ASSETS, END OF YEAR	<u>\$ 54,304</u>	<u>\$ 69,124</u>	<u>\$ 1,009,677</u>	<u>\$ 1,133,105</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Program Services			Supporting Services		Total
	Scholarships and Grants	Women in Transition	Shea Lectures	General and Administrative	Fund Raising	
Computer and related services	\$ -	\$ 6,949	\$ -	\$ -	\$ -	\$ 6,949
Scholarships and grants	29,000	58,735	-	-	-	87,735
Depreciation expense	-	191	-	-	-	191
Insurance	-	-	-	1,317	-	1,317
Meetings and conferences	-	196	10,000	617	-	10,813
Postage	-	-	-	780	-	780
Annual Appeal	-	-	-	727	-	727
Office supplies and other expenses	-	-	-	3,804	6,191	9,995
TOTAL EXPENSES	<u>\$ 29,000</u>	<u>\$ 66,071</u>	<u>\$ 10,000</u>	<u>\$ 7,245</u>	<u>\$ 6,191</u>	<u>\$ 118,507</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (195,285)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Charge off of computer equipment, net	2,072
Depreciation	191
Net unrealized loss on investments	221,589
Decrease in other receivables	655
Total adjustments	<u>224,507</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>29,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for purchases of investments (reinvested dividends), net	<u>(35,115)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(35,115)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,893)
CASH AND CASH EQUIVALENTS - JUNE 30, 2008	<u>145,591</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2009	<u>\$ 139,698</u>

See accompanying notes to financial statements

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

The Charter Oak State College Foundation, Inc. (the Foundation) operates exclusively for charitable and educational purposes and as such promotes interest in and support of open learning and credentialing in higher education. The Foundation solicits contributions of funds for the support of such activities.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets--Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets--Net assets subject to donor imposed restrictions that may or will be met, either by actions of the Foundation and/or by the passage of time. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets--Net assets subject to donor-imposed restrictions that may be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specified purposes.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in checking and savings accounts, as well as highly liquid investments that are readily convertible into cash.

Contributions:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Therefore, conditional promises to give are not recorded on the Foundation's financial statements.

However, the total amount of conditional promises to give, as well as a description of the condition that must be met before these amounts can be reclassified as unconditional, is provided in "NOTE 5" below.

Investments:

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Income Taxes:

The Foundation is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation's bank deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2009, there were no uninsured deposits.

NOTE 3: INVESTMENTS

Investments are stated at market value and consist of mutual funds.

	<u>June 30, 2009</u>
Market Value	\$ 990,717
Less cost	<u>(1,086,315)</u>
Excess of cost over market value	<u>\$ 95,598</u>

NOTE 4: COMPUTER EQUIPMENT

The Foundation depreciates its computer equipment using the straight line method over a period of three years. The computer equipment category, shown on the Statement of Financial Position, consists of the following:

	<u>June 30, 2009</u>
Computer equipment	\$ 53,474
Less accumulated depreciation	<u>(53,100)</u>
Total	<u>\$ 374</u>

NOTE 5: PROMISES TO GIVE

The State of Connecticut has established a Higher Education State Matching Grant Fund to be administered by the Department of Higher Education in accordance with Section 10a-8b of the General Statutes. Section 10a-143a of the General Statutes requires the Board for State Academic Awards (the Board) to establish a permanent Endowment Fund to encourage donations from the private sector. The net earnings on the endowment principal are dedicated and made available to Charter Oak State College for scholarships and programmatic enhancements. During the fiscal year ended June 30, 2005, legislation became effective that significantly influenced the amount of State matching funds generated from higher education endowment funds raised. Public Act 05-3 (June Special Session), effective June 30, 2005, reduced the amount of State matching funds granted for eligible endowment funds raised from a 50 percent matching rate to a 25 percent rate for endowment gifts received during the 2005 calendar year forward. The Act also eliminated appropriations for Higher Education State Matching Grant Funds until the amount in the State's Budget Reserve Fund equals ten percent of the net General Fund appropriations for the fiscal year in progress. This had the effect of transforming all such outstanding State matching funds receivable into conditional promises to give. According to Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," such amounts, "shall be recognized when the conditions on which they depend are substantially met." As of June 30, 2008, it was uncertain whether or not the above condition would be met. Therefore, no conditional promises to give have been reported in the Foundation's financial statements for the fiscal year ended June 30, 2009. Subsequently, Public Act 06-135, effective July 1, 2006, restored such State matching funds at the 50 percent matching rate for eligible endowed gifts received during the period of January 1, 2005 through June 30, 2005. This Act also eliminated, for eligible endowed gifts received during the period of January 1, 2005 through June 30, 2005, the above condition that made appropriations for Higher Education State Matching Grant Funds contingent upon whether or not the amount in the State's Budget Reserve Fund equals ten percent of the net General Fund appropriations for the fiscal year in progress.

Based on the above legislation, the Foundation recognized the following amounts for the fiscal year ended June 30, 2009:

Unconditional match receivables for contributions received January 1, 2005, through June 30, 2005	<u>\$1,236</u>
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Unconditional promises to give at June 30, 2009, are as follows:

Unconditional receivables due in less than one year	\$ -
Unconditional receivables due in one to five years	1,236
Total unconditional promises to give	<u>1,236</u>
Less: discount to net present value at 5% discount rate	<u>(59)</u>
Net unconditional promises to give	<u>\$ 1,177</u>

Conditional promises to give consist entirely of State match receivables for endowment fund contributions received by the Foundation. These receivables will continue to be classified as conditional until the State's Budget Reserve Fund equals or exceeds ten percent of the net General Fund appropriations for the fiscal year in progress. Conditional promises to give at June 30, 2009, are as follows:

Conditional receivables due	\$ 45,988
Total conditional promises to give	<u>\$ 45,988</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Educational lectures	\$ 3,965
Other funds restricted for program purposes	(49,180)
Technology	16,875
Women in transition program	97,464
Total temporarily restricted net assets	<u>\$ 69,124</u>

NOTE 7: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, though restricted in perpetuity, generate income which is expendable to support the following purposes:

Educational lectures	\$ 63,278
Other funds restricted for program purposes	490,081
Scholarships and grants	203,176
Technology	102,373
Women in transition program	150,769
Total permanently restricted net assets	<u>\$ 1,009,677</u>

NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions during the year by incurring expenses satisfying the restricted purpose specified by the donor. The temporarily restricted net assets released from restriction related to the following:

Women in transition program	\$ 66,070
Scholarships and grants	(27,211)
Other funds restricted for program purposes	72,403
Net assets released from restrictions	<u>\$ 111,262</u>

**INDEPENDENT AUDITORS' 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**

The Board of Directors
Charter Oak State College Foundation, Inc.:

We have audited the financial statements of the Charter Oak State College Foundation, Inc., (the Foundation) as of and for the year ended June 30, 2009, and have issued our report dated February 2, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Foundation's financial operations that we consider to be material weaknesses, as defined above. However, we noted certain other matters, which are described in the accompanying "Management Letter" section of this report.

Compliance and Other Matters

Compliance with Sections 4-37e to 4-37k of the General Statutes, and any other laws, regulations, contracts, and grant agreements relevant to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with Sections 4-37e to 4-37k of the General Statutes and certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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* issued by the Comptroller General of the United States. However, we noted certain other matters that we reported to the Foundation's management in the accompanying "Management Letter" section of this report.

This report is intended for the information of the Board of Directors and any applicable regulatory body. However, this report is a matter of public record, and its distribution is not limited.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

November 2, 2010
State Capitol
Hartford, Connecticut

MANAGEMENT LETTER

The Board of Directors
Charter Oak State College Foundation, Inc.:

In planning and performing our audit of the financial statements of the Charter Oak State College Foundation, Inc. (the Foundation) for the fiscal year ended June 30, 2009, we considered the Foundation's internal control and compliance with certain provisions of laws, regulations, contracts, and grant agreements in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control or compliance. We noted no matters involving the internal accounting control structure and its operation or the Foundation's compliance with certain provisions of laws, regulations, contracts, and grant agreements that we consider to be material weaknesses according to 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. However, during our audit, we became aware of certain matters that present opportunities for strengthening internal controls and compliance.

Our comments and suggestions, which have already been discussed with various personnel affiliated with the Foundation, are summarized below.

Consideration of the "Uniform Prudent Management of Institutional Funds Act" on Foundation Policies and Procedures:

Criteria: Sections 28 through 37 of Public Act 07-91, cited as the "Uniform Prudent Management of Institutional Funds Act", became effective on October 1, 2007. The Act, which was codified in Sections 45a-535 through 45a-535i of the Connecticut General Statutes, contains several provisions.

Section 30, subsection (b) of the Act is related to the management and investment of endowment funds.

Section 31, subsection (a) of the Act contains provisions related to the prudent use of institutional funds in accordance with donor intent.

Condition: The Board of Directors of the Foundation has not reviewed the Act and its impact on Foundation policies and procedures.

Effect: The Foundation has not reviewed the provisions of the Act.

Cause: The cause is unknown.

Recommendation: The Foundation's Board of Directors should consider the impact of the Uniform Prudent Management of Institutional Funds Act on its policies and procedures.

Agency Response: "The Foundation was not aware of this requirement but is now formulating a policy to bring us in to compliance."

Internal Controls Related to Cash Receipts and Disbursements:

Criteria: Proper internal controls over cash require that receipts and disbursements be recorded in the General Ledger in a timely manner and that checks be approved for payment prior to being written.

Condition: In our review of cash transactions, we noted the following:

- A deposit that was posted to the General Ledger one month after being received;
- two checks that were posted one month after being written; and
- an instance in which a check was approved for expenditure one month after being written.

Effect: Internal controls were weakened.

Cause: The cause is unknown.

Recommendation: The Foundation should improve internal controls over cash.

Agency Response: "Our review of the findings detailed above found that the deposit was a key stroke error - keying a 12 instead of an 11 in the month field. The error is accounted for in our checkbook reconciliation of 11/30/2008. The errors involving the two checks were discovered during a reconciliation of the bank statement and were recorded in the following month to avoid having to change the bank reconciliation of the previous month. The finding regarding approval of an expenditure after the check was written was caused by the copy of the check and the backup being separated. We made another copy of the authorization and signed it with a current date."

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies shown to our representatives during the course of our audit. The assistance and cooperation extended to them by members of the Charter Oak State College Foundation, Inc. greatly facilitated the conduct of this examination.

Timothy M. LePore
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts
State Capitol
November 2, 2010

Robert G. Jaekle
Auditor of Public Accounts