

STATE OF CONNECTICUT



***AUDITORS' REPORT
CHARTER OAK STATE COLLEGE FOUNDATION, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2021***

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

CLARK J. CHAPIN

October 20, 2021

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Charter Oak State College Foundation, Inc. (Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

Opinion

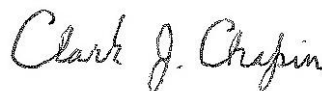
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the Foundation's compliance with Sections 4-37e to 4-37k of the Connecticut General Statutes. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

October 20, 2021
State Capitol
Hartford, Connecticut

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

ASSETS:	
Cash and Cash Equivalents	\$ 90,477
Investments (Note 3)	2,713,650
Other Assets - Donated Art	<u>625</u>
 TOTAL ASSETS	 <u>\$ 2,804,752</u>
 LIABILITIES AND NET ASSETS:	
 LIABILITIES:	
	\$ 695
 NET ASSETS:	
Without Donor Restrictions	\$ 47,315
With Donor Restrictions (Note 5)	<u>2,756,742</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,804,752</u>

See accompanying notes to financial statements.

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions	\$ 32,600	\$ 205,828	\$ 238,428
Interest Income	8	-	8
Investment Return, Net	-	591,233	591,233
Fundraiser Proceeds, Net	-	2,273	2,273
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	137,503	(137,503)	-
TOTAL REVENUES AND SUPPORT	\$ 170,111	\$ 661,831	\$ 831,942
EXPENSES:			
Program Services			
Scholarships and Grants	65,206	-	65,206
Women in Transition	64,650	-	64,650
Supporting Services			
General and Administrative	6,890	-	6,890
Fundraising	7,647	-	7,647
TOTAL EXPENSES	\$ 144,393	\$ -	\$ 144,393
CHANGE IN NET ASSETS	\$ 25,718	\$ 661,831	\$ 687,549
NET ASSETS, BEGINNING OF YEAR	\$ 21,597	\$ 2,094,911	\$ 2,116,508
NET ASSETS, END OF YEAR	\$ 47,315	\$ 2,756,742	\$ 2,804,057

See accompanying notes to financial statements.

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Scholarships and Grants</u>	<u>Women in Transition</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	
Computer and Related	\$ -	\$ 2,566	\$ -	\$ -	\$ 2,566
Scholarships and Grants	65,206	62,084	-	-	\$ 127,290
Bank Fees	-	-	-	1,322	\$ 1,322
Accounting Services	-	-	3,227	-	\$ 3,227
Insurance	-	-	1,398	-	\$ 1,398
Postage	-	-	1,690	-	\$ 1,690
Other	-	-	575	6,325	\$ 6,900
TOTAL EXPENSES	\$ 65,206	\$ 64,650	\$ 6,890	\$ 7,647	\$ 144,393

See accompanying notes to financial statements.

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Assets - FY2020	2,116,508
Net Assets - FY2021	2,804,057
Change in Net Assets	<u>\$ 687,549</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:	
Decrease in Accounts Payable	(17)
Net Realized and Unrealized Gain on Investments	(544,580)
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 142,952</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Investments	(971,693)
Sales of Investments	855,040
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 <u>\$ (116,653)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>\$ 26,299</u>
 CASH AND CASH EQUIVALENTS - JUNE 30, 2020	 <u>\$ 64,178</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2021	<u>\$ 90,477</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. (Foundation) operates exclusively for charitable and educational purposes. The Foundation 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 for the benefit of Charter Oak State College.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification. 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:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions, including net assets with restrictions that will be met either by actions of the Foundation or by the passage of time (temporarily restricted), and net assets that must be maintained permanently by the Foundation (permanently restricted). When a restriction has been met or expires, temporarily restricted assets are reclassified to Net Assets without Donor Restrictions and reported in the statement of activities as net assets released from restrictions. For permanently restricted net assets, 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.

Contributions

Contributions are available for unrestricted use unless specifically restricted by the donor.

Investments

Investments with readily determinable fair values are valued at their fair values in the statement of financial position. Net investment return is included in the change in net assets and includes

investment income and net realized and unrealized gains and losses, net of related investment expenses.

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cost Allocation

There are no expenses included in the financial statements that require allocation to more than one program or supporting function.

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, 2021, there were no uninsured deposits.

NOTE 3: INVESTMENTS:

The Foundation's investments are carried at fair value and consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Metropolitan West Total	183,127	191,969
Blackrock Strat Incm	210,735	220,007
Dodge & Cox Intl Stock	179,488	206,887
MFS Instl Intl Equity	153,067	199,032
Schwab S&P 500 Index Fd	479,163	729,885
Vanguard Total Intl Stk	125,608	166,396
Principal Diversified RE	120,521	137,954
Pimco Rae Emerging Market	103,705	110,130
Conestoga Small Cap	57,715	61,330
Baird Aggregate Bond	193,339	191,521
PGIM Global Bond	55,500	54,306
GQG Global Bond	115,015	110,974
Hotchkis & Wiley	49,879	56,444

CS US Mid Cap Index	146,587	154,188
Vanguard Real Estate Ind	96,614	94,595
Bank Sweep	28,032	28,032
	\$ 2,298,095	\$ 2,713,650

NOTE 4: FAIR VALUE MEASUREMENT:

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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). The three levels of the fair value are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Foundation's investments are carried at fair value using Level 1 inputs.

NOTE 5: RESTRICTIONS ON NET ASSETS:

Net assets with donor restrictions are restricted for the following purposes:

Program Restrictions:

Educational Lectures	\$ 126,303	
Scholarships and Grants	880,580	
Technology	196,203	
Women in Transition Program	401,967	
Total Program Restrictions	\$ 1,605,053	

Endowments:

Endowments to be Held in Perpetuity	\$ 1,151,689	
Total Endowments	\$ 1,151,689	
Total Net Assets with Donor Restrictions	\$ 2,756,742	

Net assets with donor restrictions were released from donor restrictions during the year by incurring expenses satisfying the restricted purpose specified by the donor.

Program Restrictions Fulfilled	\$ 137,503
Total Net Assets Released From Restrictions	<u>\$ 137,503</u>

NOTE 6: ENDOWMENT:

The Charter Oak State College Foundation, Inc.'s endowment consists of individual funds established for scholarship and program services. The endowment includes donor-restricted funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Foundation's board of directors has interpreted the State of Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the face value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In accordance with the act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. The general economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and appreciation of investment.
6. The investment policies of the organization.

Funds with Deficiencies

From time to time, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Despite this adverse investment performance, the annual income generated from the Foundation's investment portfolio will be used to support programs deemed prudent by the board of directors. There were no such deficiencies as of June 30, 2021.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this board-approved policy, the endowment assets are invested in the following asset classes: bonds, domestic equities, and international equities. These asset classes are intended to

produce results that will approximate the price and yield performance generated by an appropriate major bond or stock index relevant to each specific asset class held by the Foundation.

A major function of the board's Investment Committee is to determine the percentage allocation among the asset classes. Factors to be weighed in reaching any such decisions are: the need for income, the desire for asset appreciation, economic outlook both near and longer term, and risk level associated with each asset class.

The changes in the endowment net assets as of June 30, 2021 are as follows:

Endowment net assets, July 1, 2020	\$ 1,126,624
Contributions	25,065
Endowment net assets, June 30, 2021	<u>1,151,689</u>

NOTE 7: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year end	\$ 2,804,127
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted to maintain as an endowment	<u>(1,151,689)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 1,652,438</u>

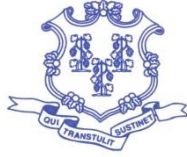
NOTE 8: TRANSACTIONS WITH CHARTER OAK STATE COLLEGE:

To ensure the proper use of funds, the Foundation disburses certain funds directly to Charter Oak State College. The Foundation provides institutional support to Charter Oak State College for various programs and other services. All of the Foundation's expenditures are in an effort to advance the college.

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through October 20, 2021, the date which the financial statements were available to be issued.

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**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Charter Oak State College Foundation, Inc. (Foundation) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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

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. In our opinion, the Charter Oak State College Foundation, Inc. complied, in all material respects, with the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes for the year ended June 30, 2021.

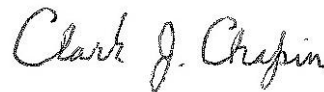
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of 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.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

October 20, 2021
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT



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JOHN C. GERAGOSIAN

CLARK J. CHAPIN

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. (Foundation) for the fiscal year ended June 30, 2021, 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 compliance with Sections 4-37e through 4-37k of the Connecticut General Statutes, and not to provide an opinion on internal control. 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.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Charter Oak State College Foundation, Inc. contained 1 recommendation. That recommendation has been implemented or otherwise resolved during the current audit.

1. *The Charter Oak State College Foundation, Inc. should follow established procedures to address the lack of segregation of duties. **This recommendation has been resolved.***

Current Audit Recommendations:

There are no current audit recommendations.

ACKNOWLEDGEMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Charter Oak State College Foundation, Inc. during the course of our examination.

The Auditors of Public Accounts also would like to recognize the auditors who contributed to this report:

Jamie Drozdowski



Jamie Drozdowski
Associate Auditor

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor