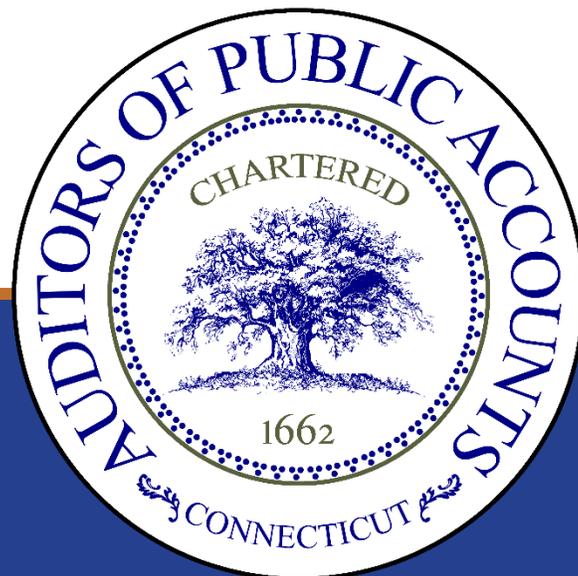


AUDITORS' REPORT

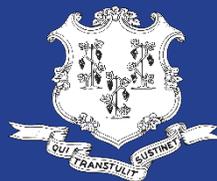
Charter Oak State College Foundation, Inc.

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CLARK J. CHAPIN
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CLARK J. CHAPIN

January 4, 2024

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2024, 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 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 the Foundation’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 the Foundation’s internal control over financial reporting and compliance.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

January 4, 2024
State Capitol
Hartford, Connecticut

CHARTER OAK STATE COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

Assets

Cash and cash equivalents	\$ 39,820
Investments	2,577,541
Pledges receivable	24,228
Art collection	<u>625</u>

Total Assets \$ 2,642,214

Liabilities and Net Assets

Liabilities

Grants payable	<u>\$ -</u>
----------------	-------------

Total Liabilities \$ -

Net Assets

Without donor restrictions	599,312
With donor restrictions	<u>2,042,902</u>

Total Net Assets 2,642,214

Total Liabilities and Net Assets \$ 2,642,214

The accompanying notes are an integral part of the financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	26,906	\$ 306,812	\$ 333,718
Contributed wages	55,048	-	55,048
Investment return, net	60,470	201,953	262,423
Special events	45,620	-	45,620
Net assets released from restrictions	335,133	(335,133)	-
Total Revenues and Support	523,177	173,632	696,809
Expenses			
Program	352,873	-	352,873
Management and general	52,435	-	52,435
Fundraising	76,041	-	76,041
Total Expenses	481,349	-	481,349
Reclassification of Net Assets	511,100	(511,100)	
Change in Net Assets	552,928	(337,468)	215,460
Net Assets - beginning of year	46,384	2,380,370	2,426,754
Net Assets - end of year	\$ 599,312	\$ 2,042,902	\$ 2,642,214

The accompanying notes are an integral part of the financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the fiscal year ended June 30, 2023

	Program	Management and General	Fundraising	Total
Scholarships and grants	\$ 342,299	\$ -	\$ -	\$ 342,299
Personnel	10,574	10,574	33,900	55,048
Professional fees	-	26,367	-	26,367
Donor events	-	-	41,393	41,393
Miscellaneous	-	15,494	748	16,242
Total	<u>\$ 352,873</u>	<u>\$ 52,435</u>	<u>\$ 76,041</u>	<u>\$ 481,349</u>

The accompanying notes are an integral part of the financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the fiscal year ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 215,460
Adjustments to reconcile change in net assets to net change in cash from operating activities:	
Unrealized (gains)/losses on investments	(214,204)
Realized gains on investments	2,437
(Increase)/decrease in assets:	
Accounts receivable	(22,371)
Increase/(decrease) in liabilities:	
Grants payable	<u>(7,662)</u>
Net change in cash from operating activities	<u>(26,340)</u>
Cash flows from investing activities:	
Purchase of investments	(50,633)
Sales of investments	<u>50,000</u>
Net change in cash from investing activities	<u>(633)</u>
Net change in cash and cash equivalents	(26,973)
Cash and cash equivalents - beginning of year	<u>66,793</u>
Cash and cash equivalents - end of year	<u><u>\$ 39,820</u></u>

The accompanying notes are an integral part of the financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

The Foundation complies with the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (FASB) Codification. Under this topic, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions.

Net assets with donor restrictions - These net assets include contributions, unconditional promises to give and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time, can be fulfilled and removed by actions of the Foundation, or may be perpetual. This classification includes investment income and appreciation, which can be expended, but for which restrictions have not yet been met.

Contributions - The Foundation reports unconditional promises to give as revenue when the promise is received. Conditional promises to give with a measurable performance barrier and right of return or release are recognized as revenue when the condition is met. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services - The College provides administrative staffing to the Foundation at no cost. Staffing expense and the corresponding in-kind contribution from the College have been recognized in the statement of activities. Salaries provided by the College totaled \$55,048 for the year ended June 30, 2023.

Federal Income Taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal or state income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash in checking and savings accounts.

Investments - The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position.

Investment Income and Gains - Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Realized and unrealized gains and losses on donor restricted endowment funds that have no donor stipulated intent are included in net assets with donor restrictions under State law, which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Foundation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Fair Value - The Foundation adheres to the Fair Value Measurements topic of the FASB Codification for all assets that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Fair Value Measurements topic defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Fair Value Measurements topic defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

In addition to defining fair value, the Fair Value Measurements topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Concentrations - The Foundation maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents.

Three donors comprised 79% of contributions for the year ended June 30, 2023.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses – Grant expenses are classified as program and all other expenses are classified as fundraising or management and general. Management and general expenses as well as fundraising support the grant making activity of the Foundation. No costs are allocated among the three categories.

Reclassifications – Certain net asset balances have been reclassified from with donor restrictions to without donor restrictions as the Foundation has determined these amounts lack donor stipulations.

Subsequent Events Measurement Date – The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended June 30, 2023 through January 4, 2024, the date on which financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets available to meet general expenditures over the next twelve months as of June 30, 2023:

Cash and cash equivalents	\$	39,820
Investments		2,577,541
Accounts receivable		<u>24,228</u>
Total financial assets		2,641,589
Less net assets with donor restrictions		(2,042,902)
Less board designated quasi endowment		(571,570)
Net assets with donor restrictions expected to be released		184,034
Allowable spending draw		<u>125,923</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u><u>337,074</u></u>

NOTE 4 - INVESTMENTS

The fair value of the Foundation’s investments, measured using Level 1 inputs, is as follows at June 30, 2023:

Short term	\$	10,304
Fixed income funds		457,301
Equity funds		<u>2,109,936</u>
Total investments	\$	<u><u>2,577,541</u></u>

NOTE 5 - ENDOWMENT

Endowment Investment and Spending Policies – The Charter Oak State College foundation’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 deciding to appropriate or accumulate donor-restricted endowment funds:

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

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, 2023.

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 amount among the asset classes. Factors to be weighed in reaching any such decision are the need for income, the desire for asset appreciation, economic outlook both near and longer term, and the risk level associated with each asset class.

The changes in the Foundation's endowment are as follows:

	Board Designated Endowment	Donor Restricted Endowment	Total
Balance at June 30, 2022	\$ 511,100	\$ 1,706,915	\$ 2,218,015
Interest and dividends, net of fees	11,489	38,371	49,860
Realized and unrealized losses	48,981	163,582	212,563
Additions	-	4,400	4,400
Appropriations for expenditures	-	(54,400)	(54,400)
Balance at June 30, 2023	<u>\$ 571,570</u>	<u>\$ 1,858,868</u>	<u>\$ 2,430,438</u>

The Foundation's donor restricted endowment is comprised of the following at June 30, 2023:

	Held in Perpetuity	Aggregate Earnings	Total
Educational Lectures	\$ 95,238	\$ 120,504	\$ 215,787
Scholarships and Grants	321,583	513,186	834,769
Technology	103,383	189,909	293,292
WIT	<u>162,585</u>	<u>352,435</u>	<u>515,020</u>
Total endowment with donor restrictions	<u>\$ 682,834</u>	<u>\$ 1,176,034</u>	<u>\$ 1,858,868</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows as of June 30, 2023:

	Endowment	Purpose	Total
Educational Lectures	\$ 215,787	\$ -	\$ 215,787
Scholarships and Grants	834,769	23,652	858,421
Technology	293,292	-	293,292
WIT	515,020	150,732	665,752
Other	<u>-</u>	<u>9,650</u>	<u>9,650</u>
Total net assets with donor restrictions	<u>\$ 1,858,868</u>	<u>\$ 184,034</u>	<u>\$ 2,042,902</u>

Net assets released from restrictions were as follows for the fiscal year ended June 30, 2023:

Educational Lectures	\$ -
Scholarships and Grants	111,569
Technology	6,776
WIT	75,086
Other	<u>141,702</u>
Total releases	<u>\$ 335,133</u>

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

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210 CAPITOL AVENUE
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CLARK J. CHAPIN

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Charter Oak State College Foundation, Inc. (Foundation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 4, 2024.

Report on 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) as a basis for designing 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.

Report on Compliance and Other Matters

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 certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*. However, we noted certain matters that we reported to the Foundation's management in the accompanying Management Letter section of this report.

Foundation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying Management Letter. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

January 4, 2024
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CLARK J. CHAPIN

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE PROVISIONS OF SECTIONS 4-37e TO 4-37k OF THE CONNECTICUT GENERAL STATUTES

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

Report on Compliance with the Provisions of Sections 4-37e to 4-37k

Opinion

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 *Government Auditing Standards*, the financial statements of the Charter Oak State College Foundation, Inc. (Foundation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 4, 2024.

In our opinion, the Foundation complied in all material respects with the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes for the fiscal year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes.

Responsibilities of Management

Management is responsible for compliance with the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed.

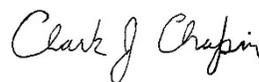
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing, based on the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes. Accordingly, this communication is not suitable for any other purpose.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

January 4, 2024
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

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, 2023, we considered the Foundation's internal control and compliance with certain provisions of laws, regulations, contracts, and grant agreements as a basis for designing our audit 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, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, during our audit we identified certain deficiencies in internal control, other than significant deficiencies and material weaknesses, and other matters that are opportunities to strengthen the Foundation's internal control and improve the efficiency of its operations.

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

Finding 1

Untimely Bank Reconciliations

Criteria	The Foundation's reconciliation procedures require its Treasurer or a member of the Executive or Finance Committee to conduct a quarterly review of all bank reconciliations and underlying supporting documentation.
Condition	The Foundation did not conduct its required quarterly bank reconciliations. It reviewed and approved the January through April 2023 bank reconciliations in August 2023.
Context	As of June 30, 2023, the Foundation had two checking accounts, two money market accounts, and an additional account used to track certain grant funds. We reviewed all bank reconciliations prepared during the audited period.
Effect	Untimely review and approval of bank reconciliations increases the risk that discrepancies will not be detected and resolved.
Cause	The condition appeared to be caused by a change in the Foundation's accountant during the audited period.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Charter Oak State College Foundation, Inc. should follow established procedures to ensure timely review and approval of bank reconciliations.
Foundation Response	<p>"Due to the size of the organization, the Executive Director is a check signatory and has access to both the online banking and the general ledger software. To mitigate this lack of segregation of duties, governance reviews and approves the monthly cash reconciliations that are prepared by the third-party bookkeepers.</p> <p>The delay in approval was a result of the transition to a new bookkeeping firm. All bank reconciliations prepared by the current bookkeepers for the fiscal year ended June 30, 2023 have been reviewed and approved by governance. Monthly bank reconciliations prepared by the third-party bookkeepers are now reviewed and approved by governance timely."</p>

Finding 2

Tracking of Net Assets

Criteria	The Foundation should properly classify and report its net assets and changes therein to reflect whether they include donor restrictions.
Condition	The Foundation did not properly track donor-imposed restrictions on net assets. In preparing its financial statements, the Foundation made \$511,100 in adjustments to reflect proper classification of its net asset balances.
Context	The Foundation received \$306,812 in donor-restricted cash receipts and expended \$335,133 of restricted funds during fiscal year 2023.
Effect	There is a risk of inaccurate financial reporting, and an increased risk that funds will not be spent in accordance with donor-imposed restrictions.
Cause	The condition appears to be caused by a lack of understanding of the requirements.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Charter Oak State College Foundation should properly track, classify, and report net assets based on the existence of donor-imposed restrictions.
Foundation Response	"As part of the transition to new bookkeepers during the year ended June 30, 2023, the Foundation created a comprehensive tracking system for contributions and net assets with donor restrictions. As a result of the implementation of the system, the Foundation reclassified certain amounts from net assets with donor restrictions to net assets without donor restrictions."

Finding 3

Board Meeting Minutes

Criteria	Sound business practice for board meeting minutes is to discuss and document the approval of the previous meeting's minutes. This
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practice requires the minutes to be drafted and distributed to board members for review.

Condition

At the time of our review in October 2023, the Foundation had not prepared meeting minutes for the November 2022 and June 2023 board meetings.

Context

The board held four meetings during fiscal year 2023. We requested copies of all meeting minutes.

Effect

There is a risk that board discussions and decisions will not be adequately supported should they be called into question.

Cause

The condition appears to be caused by Foundation staff's lack of available time.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Charter Oak State College Foundation should promptly prepare minutes for all board meetings.

Foundation Response

"It is the Foundation's policy to record board meetings which are later transcribed into minutes. Although written minutes were not prepared until after year end, recordings of the meetings were made available."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

There were no prior 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 acknowledge the auditors who contributed to this report:

Jamie Drozdowski



Jamie Drozdowski
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor