

STATE OF CONNECTICUT



***AUDITORS' REPORT
CHARTER OAK STATE COLLEGE FOUNDATION INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2006***

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, 2006, 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, 2006, 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

January 24, 2008
State Capitol
Hartford, Connecticut

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

ASSETS:

Cash and cash equivalents	\$ 83,750
Investments (note 3)	1,022,727
Computer equipment (note 4)	52,017
Less: Accumulated depreciation	(49,240)
Unconditional promises to give, net (note 5)	1,177
Other receivables	768
Other assets	<u>625</u>

TOTAL ASSETS \$ 1,111,824

LIABILITIES AND NET ASSETS

LIABILITIES \$ 0

NET ASSETS:

Unrestricted	30,154
Temporarily restricted (note 6)	213,936
Permanently restricted (note 7)	<u>867,734</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,111,824

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:				
Contributions and other	\$ 14,983	\$ 79,266	\$ 791	\$ 95,040
Investment income	804	28,317	-	29,121
Gain/(loss) on investments, net	-	64,941	-	64,941
Net assets released from restrictions				-
Restrictions satisfied by payments	<u>84,028</u>	<u>(84,028)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>99,815</u>	<u>88,496</u>	<u>791</u>	<u>189,102</u>
 EXPENSES:				
Program services				
Scholarships and grants	14,412	-	-	14,412
Women in transition	70,879	-	-	70,879
Program Innovations	3,600	-	-	3,600
Supporting services				
General and administrative	2,841	-	-	2,841
Fund raising	<u>3,096</u>	<u>-</u>	<u>-</u>	<u>3,096</u>
TOTAL EXPENSES	<u>94,828</u>	<u>-</u>	<u>-</u>	<u>94,828</u>
 CHANGE IN NET ASSETS	 5,670	 87,813	 791	 94,274
 NET ASSETS, BEGINNING OF YEAR	 <u>\$ 25,167</u>	 <u>\$ 125,440</u>	 <u>\$ 866,943</u>	 <u>\$ 1,017,550</u>
 NET ASSETS, END OF YEAR	 <u>\$ 30,837</u>	 <u>\$ 213,253</u>	 <u>\$ 867,734</u>	 <u>\$ 1,111,824</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Program Services			Supporting Services		Total
	Scholarships and Grants	Women in Transition	Program Innovation	General and Administrative	Fund Raising	
Scholarships and grants	\$ 14,412	\$ 54,548	\$ -	\$ -	\$ -	\$ 68,960
Computers and related services	-	3,967	-	-	-	3,967
Depreciation expense	-	2,281	-	-	-	2,281
Program development	-	-	3,600	-	-	3,600
Insurance	-	-	-	1,317	-	1,317
Postage	-	765	-	150	-	915
Meetings and conferences	-	-	-	443	-	443
Fund raising	-	9,318	-	-	3,096	12,414
Office supplies and other expenses	-	-	-	931	-	931
TOTAL EXPENSES	<u>\$ 14,412</u>	<u>\$ 70,879</u>	<u>\$ 3,600</u>	<u>\$ 2,841</u>	<u>\$ 3,096</u>	<u>\$ 94,828</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 94,274
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	2,281
Net unrealized gain on investments	(64,941)
Decrease in unconditional promises to give	28,485
Decrease in other receivables	170
Total adjustments	<u>(34,005)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>60,269</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for purchase of investments, net	<u>(255,867)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(255,867)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(195,598)
CASH AND CASH EQUIVALENTS - JUNE 30, 2005	<u>279,348</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2006	<u>\$ 83,750</u>

See accompanying notes to financial statements.

THE 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 stipulations 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 stipulations 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 their present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

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 \$100,000. At June 30, 2006, there were no uninsured deposits.

NOTE 3 INVESTMENTS:

Investments are stated at fair value and consist of mutual funds, as follows:

	<u>June 30, 2006</u>
Market Value	\$ 1,022,727
Cost	<u>937,554</u>
Excess of market value over cost	<u>\$ 85,173</u>

NOTE 4 COMPUTER EQUIPMENT:

The Foundation depreciates its computer equipment using the straight line method over a period of 36 months. The computer equipment category, shown on the Statement of Financial Position, consists of the following:

	<u>June 30, 2006</u>
Computer equipment	\$ 52,017
Less accumulated depreciation	<u>(49,240)</u>
Total	<u>\$ 2,777</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. For the year audited, 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, 2006, it was uncertain whether or not the above condition would be met. Therefore, no conditional promises to give have been reported in Foundation financial statements for the year ended June 30, 2006. 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 January 1, 2005 through June 30, 2005. This Act also eliminated, for eligible endowed gifts received during the period 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 year ended June 30, 2006:

Match receivable for contributions for calendar year 2005, through June 30, 2005	<u>\$ 1,236</u>
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Unconditional promises to give at June 30, 2006, are as follows:

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

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

Book fund	\$ 288
Educational lectures	17,447
Other funds restricted for program purposes	67,653
Scholarships and grants	16,945
Technology	22,436
Women in transition program	<u>89,167</u>
Total temporarily restricted net assets	<u><u>\$ 213,936</u></u>

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS:

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

Book fund	\$	1,446
Educational lectures		61,315
Other funds restricted for program purposes		412,146
Scholarships and grants		162,084
Technology		99,504
Women in transition program		<u>131,239</u>
Total permanently restricted net assets	\$	<u><u>867,734</u></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:

Purpose restrictions accomplished:		
Women in transition program	\$	70,879
Scholarships or grants		3,612
Program development		630
Other funds restricted for program purposes		<u>8,907</u>
Net assets released from restrictions	\$	<u><u>84,028</u></u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

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, 2006, and have issued our report dated January 24, 2008.

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.

Compliance with Sections 4-37e to 4-37k of the Connecticut General Statutes, any other laws, and internal controls relevant to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Foundation's compliance with Sections 4-37e to 4-37k of the Connecticut General Statutes. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such statutes. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein.

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

January 24, 2008
State Capitol
Hartford, Connecticut

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL BASED UPON AN
AUDIT OF FINANCIAL STATEMENTS**

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, 2006, and have issued our report dated January 24, 2008.

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.

The management of the Foundation is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that would be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that are described in the accompanying Management Letter.

This report is intended for the information of the Board of Directors. 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

January 24, 2008
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. for the fiscal year ended June 30, 2006, we considered the Foundation's internal control 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. We noted no matters involving the internal accounting control structure and its operation 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.

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

Recording of Revenues and Support:

<i>Criteria:</i>	Sound internal controls over revenue require that receipts be recorded appropriately, in the correct account, and according to donor intent to ensure proper reporting and use of revenue.
<i>Condition:</i>	We noted 9 instances in which donations designated for certain purposes by the donor were recorded into an incorrect general ledger account. These exceptions amounted to \$655, or less than one percent of total donor contributions of \$95,040 in the fiscal year ended June 30, 2006.
<i>Effect:</i>	Improper classification of donations received could lead to the expenditure of donations in a manner inconsistent with donor intent.
<i>Cause:</i>	It appears that the exceptions noted might have been the result of

human error during the posting of Foundation receipts to the general ledger.

Recommendation: The Foundation should consider periodically reviewing its records to ensure that donations designated by donors for specific purposes are properly recorded in the appropriate ledger account. Further, the Foundation should make adjustments for any posting errors noted.

Auditee's Response: "We have reviewed the auditors' detailed exceptions regarding posting errors found in the deposit detail and concur with the findings. Furthermore, we have instructed the Foundation accountant to review any deposit items that he is unsure about the donor intent with the Executive Director."

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.

Daniel F. Puklin
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts