

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
CHARTER OAK STATE COLLEGE FOUNDATION INC.  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007***

**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, 2007, 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, 2007, 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

September 22, 2008  
State Capitol  
Hartford, Connecticut

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ASSETS:

Cash and cash equivalents	\$ 124,073
Investments (note 3)	1,257,145
Computer equipment (note 4)	53,480
Less: Accumulated depreciation	(51,867)
Unconditional promises to give, net (note 5)	1,177
Other receivables	514
Other assets	625
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TOTAL ASSETS	<u>\$ 1,385,147</u>

LIABILITIES AND NET ASSETS

LIABILITIES \$ 0

NET ASSETS:

Unrestricted	27,811
Temporarily restricted (note 6)	420,170
Permanently restricted (note 7)	937,166
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,385,147</u>

See accompanying notes to financial statements.

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT:</b>				
Contributions and other	\$ 11,533	\$ 217,367	\$ 69,432	\$ 298,332
Investment income	856	36,394	-	37,250
Gain/(loss) on investments, net	-	160,888	-	160,888
Net assets released from restrictions				
Restrictions satisfied by payments	<u>208,415</u>	<u>(208,415)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>220,804</u>	<u>206,234</u>	<u>69,432</u>	<u>496,470</u>
 <b>EXPENSES:</b>				
Program services				
Scholarships and grants	22,713	-	-	22,713
Women in transition	39,072	-	-	39,072
Program Innovations	143,650	-	-	143,650
Supporting services				
General and administrative	14,588	-	-	14,588
Fund raising	<u>3,124</u>	<u>-</u>	<u>-</u>	<u>3,124</u>
<b>TOTAL EXPENSES</b>	<u>223,147</u>	<u>-</u>	<u>-</u>	<u>223,147</u>
 CHANGE IN NET ASSETS	 (2,343)	 206,234	 69,432	 273,323
 NET ASSETS, BEGINNING OF YEAR	 <u>\$ 30,154</u>	 <u>\$ 213,936</u>	 <u>\$ 867,734</u>	 <u>\$ 1,111,824</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 27,811</u></u>	 <u><u>\$ 420,170</u></u>	 <u><u>\$ 937,166</u></u>	 <u><u>\$ 1,385,147</u></u>

See accompanying notes to financial statements.

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Services			Supporting Services		Total
	Scholarships and Grants	Women in Transition	Program Innovation	General and Administrative	Fund Raising	
Scholarships and grants	\$ 22,713	\$ 32,730	\$ -	\$ -	\$ -	\$ 55,443
Computers and related services	-	3,715	-	-	-	3,715
Depreciation expense	-	2,627	-	-	-	2,627
Program development	-	-	143,650	-	-	143,650
Insurance	-	-	-	1,317	-	1,317
Postage	-	-	-	1,996	-	1,996
Meetings and conferences	-	-	-	717	-	717
Fund raising	-	-	-	-	3,124	3,124
Office supplies and other expenses	-	-	-	10,558	-	10,558
<b>TOTAL EXPENSES</b>	<u>\$ 22,713</u>	<u>\$ 39,072</u>	<u>\$ 143,650</u>	<u>\$ 14,588</u>	<u>\$ 3,124</u>	<u>\$ 223,147</u>

See accompanying notes to financial statements.

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 273,323
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	2,627
Net unrealized gain on investments	(160,888)
Increase in equipment	(1,462)
Decrease in other receivables	<u>254</u>
Total adjustments	<u>(159,469)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>113,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for purchase of investments, net	(39,346)
Dividends credited to investment accounts	<u>(34,185)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(73,531)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,323
CASH AND CASH EQUIVALENTS - JUNE 30, 2006	<u>83,750</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2007	<u>\$ 124,073</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, 2007, there were no uninsured deposits.

**NOTE 3 INVESTMENTS:**

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

	<u>June 30, 2007</u>
Market Value	\$ 1,257,145
Cost	<u>1,096,257</u>
Excess of market value over cost	<u>\$ 160,888</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, 2007</u>
Computer equipment	\$ 53,480
Less accumulated depreciation	<u>(51,867)</u>
Total	<u>\$ 1,613</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, recent legislation significantly influenced the amount of State matching funds generated from higher education endowment funds raised. Public Act 05-3 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. 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, 2007:

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, 2007, 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>\$ 1,177</u>

#### **NOTE 6 TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes:

Book fund	\$ 683
Educational lectures	30,468
Other funds restricted for program purposes	153,431
Scholarships and grants	42,707
Technology	43,545
Women in transition program	<u>149,336</u>
Total temporarily restricted net assets	<u>\$ 420,170</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		62,115
Other funds restricted for program purposes		458,053
Scholarships and grants		182,799
Technology		100,204
Women in transition program		<u>132,549</u>
Total permanently restricted net assets	\$	<u>937,166</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	\$	39,072
Scholarships or grants		15,950
Program development		143,650
Other funds restricted for program purposes		<u>9,743</u>
Net assets released from restrictions	\$	<u>208,415</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, 2007, and have issued our report dated September 22, 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

September 22, 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, 2007, and have issued our report dated September 22, 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

September 22, 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, 2007, 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:

### **General Ledger Maintenance:**

*Criteria:* Sound internal controls over the general ledger require that transactions be recorded appropriately.

*Condition:* During our testing procedures, we noted the following:

- Numerous adjusting entries prepared by the Foundation to correct previously recorded entries.
- Three receipts transactions that were credited to the incorrect accounts. These exceptions amounted to \$283, or less than one percent of total donor contributions in the fiscal year ended June 30, 2007.
- The purchase of a laptop computer for use in the Women-in-Transition program was recorded as an expense rather than an asset.

- Four checks were recorded in the general ledger between three weeks and two-and-a-half months after they were written.

*Effect:* Improperly recorded transactions and checks not recorded in a timely manner could reduce the reliability of the general ledger for accounting and budgeting purposes.

*Cause:* It appears that the items noted might have been the result of human error during the posting of Foundation transactions to the general ledger.

*Recommendation:* The Foundation should place greater emphasis on the transactions recording process.

*Auditee's Response:* "We concur with the audit findings. Our comments regarding the matters cited above follow:

The numerous adjusting entries were due for the most part to action taken by the Foundation accountant to correct errors found in our review of the records. When an adjusting entry is booked, the accounting software does not allow viewing of the entire transaction including date before posting. Only after it is recorded on the general journal is the whole entry able to be viewed. In some cases, the correction was incorrectly made. This necessitated a correction of the correction in order to achieve the desired result.

The three transactions that were credited to the wrong account were an oversight as was the expensing of the laptop.

Our policy requires that large checks have two signatures. Since Foundation Board members with signing authority are employed and also live a distance from the College, it often takes time to get both signatures. In some cases, the books had been closed and checking account reconciled before a check was recorded. As a consequence, the check was not included in the outstanding checks in the reconciliation. In order to maintain a continuity of reconciled beginning and ending cash balances, the accountant would then enter the check with a later date. We think that this matter can be corrected by recording checks when they are written and not after they are signed. After the check is signed we will retain a copy of both signed and unsigned checks in our files."



## 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

Robert G. Jaekle  
Auditor of Public Accounts