

STATE OF CONNECTICUT



*AUDITORS' REPORT
CHARTER OAK STATE COLLEGE FOUNDATION, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2008*

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, 2008, 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, 2008, 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

October 16, 2009
State Capitol
Hartford, Connecticut

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ASSETS:

Cash and cash equivalents	\$	145,591
Investments (note 3)		1,177,193
Computer equipment (note 4)		55,668
Less: Accumulated depreciation		(53,033)
Unconditional promises to give, net (note 5)		1,177
Other receivables		1,169
Other assets		625
		<hr/>
TOTAL ASSETS	\$	<u>1,328,390</u>

LIABILITIES AND NET ASSETS

LIABILITIES \$ -

NET ASSETS:

Unrestricted		51,303
Temporarily restricted (note 6)		298,020
Permanently restricted (note 7)		979,067
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,328,390</u>

See accompanying notes to financial statements.
CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:				
Contributions	\$ 22,383	44,025	41,901	\$ 108,309
Investment income	1,109	43,134	-	44,243
Gain/(loss) on investments, net	-	(119,522)	-	(119,522)
Net assets released from restrictions				-
Restrictions satisfied by payments	<u>89,787</u>	<u>(89,787)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>113,279</u>	<u>(122,150)</u>	<u>41,901</u>	<u>33,030</u>
EXPENSES:				
Program services				
Scholarships and grants	21,810	-	-	21,810
Women in transition	53,687	-	-	53,687
Program Innovations	200	-	-	200
Supporting services				
General and administrative	8,993	-	-	8,993
Fund raising	<u>5,097</u>	<u>-</u>	<u>-</u>	<u>5,097</u>
TOTAL EXPENSES	<u>89,787</u>	<u>-</u>	<u>-</u>	<u>89,787</u>
CHANGE IN NET ASSETS	23,492	(122,150)	41,901	(56,757)
NET ASSETS, BEGINNING OF YEAR	<u>\$ 27,811</u>	<u>\$ 420,170</u>	<u>\$ 937,166</u>	<u>\$ 1,385,147</u>
NET ASSETS, END OF YEAR	<u>\$ 51,303</u>	<u>\$ 298,020</u>	<u>\$ 979,067</u>	<u>\$ 1,328,390</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Program Services			Supporting Services		Total
	Scholarships and Grants	Women in Transition	Program Innovation	General and Administrative	Fund Raising	
Computer and related services	\$ -	\$ 6,026	\$ -	\$ -	\$ -	\$ 6,026
Scholarships and grants	21,810	46,496	-	-	-	68,306
Depreciation expense	-	1,165	-	-	-	1,165
Program development	-	-	200	-	-	200
Insurance	-	-	-	1,317	-	1,317
Meetings and conferences	-	-	-	348	-	348
Postage	-	-	-	-	1,300	1,300
Annual Appeal	-	-	-	-	3,797	3,797
Office supplies and other expenses	-	-	-	7,328	-	7,328
TOTAL EXPENSES	<u>\$ 21,810</u>	<u>\$ 53,687</u>	<u>\$ 200</u>	<u>\$ 8,993</u>	<u>\$ 5,097</u>	<u>\$ 89,787</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (56,757)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	1,165
Net unrealized loss on investments	119,522
Increase in other receivables	<u>(655)</u>
Total adjustments	<u>120,032</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>63,275</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment for computer equipment	(2,188)
Payments for purchases of investments (reinvested dividends), net	<u>(39,569)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(41,757)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,518
CASH AND CASH EQUIVALENTS - JUNE 30, 2007	<u>124,073</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2008	<u>\$ 145,591</u>

See accompanying notes to financial statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

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

Basis of Presentation:

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

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

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

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

Cash and Cash Equivalents:

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

Contributions:

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

Conditional promises to give, which depend on the occurrence of a specified future and uncertain

event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Therefore, conditional promises to give are not recorded on the Foundation's financial statements. However, the total amount of conditional promises to give, as well as a description of the condition that must be met before these amounts can be reclassified as unconditional, is provided in "NOTE 5" below.

Investments:

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

Income Taxes:

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

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation's bank deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 (up to \$100,000 during the audited period). At June 30, 2008, there were no uninsured deposits.

NOTE 3: INVESTMENTS

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

	June 30, 2008
Market Value	\$ 1,177,193
Less cost	(1,051,359)
Excess of market value over cost	<u>\$ 125,834</u>

NOTE 4: COMPUTER EQUIPMENT

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

	June 30, 2008
Computer equipment	\$ 55,668
Less accumulated depreciation	(53,033)
Total	<u>\$ 2,635</u>

NOTE 5: PROMISES TO GIVE

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

Based on the above legislation, the Foundation recognized the following amounts for the fiscal year ended June 30, 2008:

Unconditional match receivables for contributions received January 1, 2005, through June 30, 2005	<u><u>\$1,236</u></u>
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Unconditional promises to give at June 30, 2008, are as follows:

Unconditional receivables due in less than one year	\$ -
Unconditional receivables due in one to five years	<u>1,236</u>
Total unconditional 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>

Conditional promises to give consist entirely of State match receivables for endowment fund contributions received by the Foundation. These receivables will continue to be classified as conditional until the State's Budget Reserve Fund equals or exceeds ten percent of the net General Fund appropriations for the fiscal year in progress. Conditional promises to give at June 30, 2008, are as follows:

Conditional receivables due	\$ 39,131
Total conditional promises to give	<u>\$ 39,131</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Educational lectures	\$ 25,549
Other funds restricted for program purposes	102,424
Scholarships and grants	8,220
Technology	35,609
Women in transition program	<u>126,218</u>
Total temporarily restricted net assets	<u>\$ 298,020</u>

NOTE 7: PERMANENTLY RESTRICTED NET ASSETS

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

Educational lectures	\$ 63,048
Other funds restricted for program purposes	473,164
Scholarships and grants	192,698
Technology	101,723
Women in transition program	<u>148,434</u>
Total permanently restricted net assets	<u>\$ 979,067</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:

Program Development	\$ 200
Women in transition program	53,687
Scholarships and grants	21,810
Other funds restricted for program purposes	<u>14,090</u>
Net assets released from restrictions	<u>\$ 89,787</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Charter Oak State College Foundation, Inc., (the Foundation) as of and for the year ended June 30, 2008, and have issued our report dated October 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or

detected by the Foundation's internal control.

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

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

Compliance and Other Matters

Compliance with Sections 4-37e to 4-37k of the General Statutes, and any other laws, regulations, contracts, and grant agreements relevant to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with Sections 4-37e to 4-37k of the General Statutes and certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States. However, we noted certain other matters that we reported to the Foundation's management in the accompanying "Management Letter" section of this report.

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

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

October 16, 2009
State Capitol
Hartford, Connecticut

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Charter Oak State College Foundation, Inc. (the Foundation) for the fiscal year ended June 30, 2008, we considered the Foundation's internal control and compliance with certain provisions of laws, regulations, contracts, and grant agreements in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control or compliance. We noted no matters involving the internal accounting control structure and its operation or the Foundation's compliance with certain provisions of laws, regulations, contracts, and grant agreements that we consider to be material weaknesses according to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. However, during our audit, we became aware of certain matters that present opportunities for strengthening internal controls and compliance.

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

Recording of Revenues and Support:

Criteria: Sound internal controls over revenues require that receipts be recorded appropriately, in the correct account, and according to donor intent to ensure proper reporting and use of revenue.

Condition: We noted six instances in which donations designated for certain purposes by the donor were recorded into an incorrect general ledger account. These exceptions amounted to \$572, or less than one percent of total donor contributions of \$108,309 during the fiscal year ended June 30, 2008. In addition, we noted two instances, totaling \$275, where endowment fund donations received were not credited to the designated endowment account.

- Effect:* Improper classification of donations received or failure to post donations received to the general ledger could lead to the expenditure of donations in a manner inconsistent with donor intent.
- Cause:* It appears that the exceptions noted were 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.
- Agency Response:* “We have strengthened the controls for recording of revenue by periodically reviewing and reconciling receipts recorded on the general ledger with the receipts recorded on our donor tracking software. This procedure provides us with a valuable second look at the receipts and backup documentation which ensures proper recording of receipts.”

Compliance with Statutory Donor Confidentiality Requirements:

- Criteria:* Section 4-37h of the General Statutes states, “Any person soliciting funds or any other thing of value for donation to a foundation by a person, firm, corporation or other entity shall, at the time of such solicitation or in any receipt for or other written confirmation of such donations, clearly and conspicuously disclose to the person, firm, corporation or other entity that the funds or other things of value donated are to be provided to the foundation and that the person, firm, corporation or other entity may request in writing that its identity be confidential, and upon such request, the identity of the person, firm, corporation or other entity shall not be publicly disclosed.”
- Condition:* We noted that during the audited period the Foundation failed to notify donors that they may request, in writing, that their identities remain confidential. Therefore, the Foundation did not fully comply with Section 4-37h of the General Statutes. When we brought this matter to the attention of the Foundation’s Interim Executive Director, she informed us that a new procedure would be implemented to correct this condition.
- Effect:* The Foundation was not in full compliance with Section 4-37h of the General Statutes.
- Cause:* It appears that the Foundation was unaware of the specific requirements set forth by Section 4-37h.

Recommendation: The Foundation should ensure that it fully complies with Section 4-37h of the General Statutes by informing all donors that they may request, in writing, that their identities remain confidential.

Agency Response: “We have corrected this condition by including the necessary terminology for this requirement in bold font as part of our official receipt letter that we use to acknowledge donations.”

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