

STATE OF CONNECTICUT



*AUDITORS' REPORT
CHARTER OAK STATE COLLEGE FOUNDATION, INC.
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

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. (Foundation) as of June 30, 2011, 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, 2011, and the change in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John C. Geragosian".

John C. Geragosian
Auditor of Public Accounts

A handwritten signature in black ink, appearing to read "Robert M. Ward".

Robert M. Ward
Auditor of Public Accounts

November 29, 2012
State Capitol
Hartford, Connecticut

**CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ASSETS:

Cash and Cash Equivalents	\$	59,839
Investments (note 3)		1,369,627
Computer Equipment (note 4)		53,474
Less: Accumulated Depreciation		(53,474)
Unconditional Promises to Give, Net (note 5)		1,177
Other Receivables		1,014
Other Assets		625
		<hr/>
TOTAL ASSETS	\$	<u><u>1,432,282</u></u>

LIABILITIES AND NET ASSETS:

LIABILITIES	\$	-
NET ASSETS:		
Unrestricted		72,310
Temporarily Restricted (note 6)		343,518
Permanently Restricted (note 7)		1,016,454
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,432,282</u></u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Contributions	\$ 17,738	50,725	2,783	\$ 71,246
Investment Income	114	36,759	-	36,873
Gain/(loss) on Investments, Net	-	178,849	-	178,849
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	93,386	(93,386)	-	-
TOTAL REVENUES AND SUPPORT	<u>111,238</u>	<u>172,947</u>	<u>2,783</u>	<u>286,968</u>
EXPENSES:				
Program Services				
Scholarships and Grants	23,700	-	-	23,700
Women in Transition	65,197	-	-	65,197
Supporting Services				
General and Administrative	9,210	-	-	9,210
Fund Raising	4,489	-	-	4,489
TOTAL EXPENSES	<u>102,596</u>	<u>-</u>	<u>-</u>	<u>102,596</u>
CHANGE IN NET ASSETS	8,642	172,947	2,783	184,372
NET ASSETS, BEGINNING OF YEAR	<u>\$ 63,668</u>	<u>\$ 170,571</u>	<u>\$ 1,013,671</u>	<u>\$ 1,247,910</u>
NET ASSETS, END OF YEAR	<u>\$ 72,310</u>	<u>\$ 343,518</u>	<u>\$ 1,016,454</u>	<u>\$ 1,432,282</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Scholarships and Grants</u>	<u>Women in Transition</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Computer and Related Services	\$ -	\$ 5,008	\$ -	\$ -	\$ 5,008
Scholarships and Grants	23,700	60,189	-	-	83,889
Investment-related Charges	-	-	5,431	-	5,431
Insurance	-	-	1,317	-	1,317
Meetings and Conferences	-	-	689	-	689
Postage	-	-	185	-	185
Annual Appeal	-	-	1,338	-	1,338
Office Supplies and Other Expenses	-	-	250	4,489	4,739
TOTAL EXPENSES	<u>\$ 23,700</u>	<u>\$ 65,197</u>	<u>\$ 9,210</u>	<u>\$ 4,489</u>	<u>\$ 102,596</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 184,372
Adjustments to Reconcile Change in Net Assets to Net	
Cash Provided by (used in) Operating Activities:	
Increase in Receivables	<u>(500)</u>
Total Adjustments	<u>(500)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>183,872</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Reinvested Dividends	(36,742)
Net Realized and Unrealized Gains on Investments	(178,850)
Investment-related Charges	5,431
Purchases of Investments	<u>(52,173)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(262,334)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(78,462)
CASH AND CASH EQUIVALENTS - JUNE 30, 2010	<u>138,301</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	\$ <u><u>59,839</u></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. 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.

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. At June 30, 2011, there were no uninsured deposits.

NOTE 3: INVESTMENTS

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

	<u>June 30, 2011</u>
Market Value	\$ 1,369,627
Less Cost	<u>(1,261,234)</u>
Excess of Market Value over Cost	<u>\$ 108,393</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:

	<u>June 30, 2011</u>
Computer Equipment	\$ 53,474
Less Accumulated Depreciation	<u>(53,474)</u>
Total	<u>\$ 0</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 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 rate of state matching funds granted for eligible endowment funds raised from a 50 percent match to a 25 percent match 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, 2011. 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, 2011:

Unconditional Match Receivables for Contributions Received January 1, 2005, through June 30, 2005	<u>\$1,236</u>
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Unconditional promises to give at June 30, 2011, 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 matching 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, 2011, are as follows:

Conditional Receivables Due	\$ 47,464
Total Conditional Promises to Give	<u>\$ 47,464</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Educational Lectures	\$ 24,743
Other Funds Restricted for Program Purposes	122,096
Technology	50,469
Women in Transition Program	146,210
Total temporarily restricted net assets	<u>\$ 343,518</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	\$ 63,578
Other Funds Restricted for Program Purposes	491,502
Scholarships and Grants	203,625
Technology	102,383
Women in Transition Program	155,366
Total Permanently Restricted Net Assets	<u>\$ 1,016,454</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:

Women in Transition Program	\$ 65,197
Scholarships and Grants	23,700
Other Funds Restricted for Program Purposes	4,489
Net Assets Released from Restrictions	<u>\$ 93,386</u>

NOTE 9: ENDOWMENT

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

The board of directors of the Foundation 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In accordance with the act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies

From time to time, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Despite this adverse investment performance, the annual income generated from the Foundation's investment portfolio will be used to support programs deemed prudent by the board of directors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, approved by the board of directors, the endowment assets are invested in 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 Investment Committee is to determine the percentage allocation among the asset classes. Factors to be weighed in reaching any such decisions are: the need for income, the desire for asset appreciation, economic outlook both near and longer term, and risk level associated with each asset class.

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JOHN C. GERAGOSIAN

ROBERT M. WARD

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., (Foundation) as of and for the year ended June 30, 2011, and have issued our report dated DATE. 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 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 unauthorized, illegal or irregular transactions, on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 a matter 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.



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts

DATE
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Hartford, Connecticut

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JOHN C. GERAGOSIAN

ROBERT M. WARD

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, 2011, 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 a certain matter that presents an opportunity for improving internal controls.

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

Compliance with Foundation Disbursements Controls:

Criteria: At its meeting on July 27, 2010, the Foundation's board approved a set of disbursements controls. Included in these controls was a requirement that any disbursement greater than \$1,000 requires the approval of any two of the following board members: president, vice president, treasurer, and secretary.

Condition: We selected five disbursements, each one of which was greater than \$1,000. From this sample, we noted that one disbursement was approved by one of the four required board members and four disbursements were not approved by any of the required board members.

Effect: There was a lack of compliance with the disbursements approval process.

Charter Oak State College Foundation, Inc. 2011

Cause: The recently implemented disbursements approval process was not followed.

Recommendation: The Foundation should improve compliance with the disbursements approval procedures approved at the July 27, 2010, board meeting.

Agency Response: “When we developed the disbursement approval procedures we wanted to formalize controls that were already in place for large expenditures. Nevertheless, we were not specific enough regarding what form the approvals should take. In practice we assumed that having the approval signatures on the check would suffice. We agree with the finding that approval should be with the expense authorization form which explains the nature of the expenditure, etc. We have developed a new form that has signature blocks for the two board members for expenditures greater than \$1,000.”

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:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts