

**CCSU Foundation, Inc**

**Financial Statements and  
Independent Auditor's Report**

**June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

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**CCSU Foundation, Inc**

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## Independent Auditor's Report

To the Board of Directors  
CCSU Foundation, Inc

We have audited the accompanying financial statements of CCSU Foundation, Inc, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCSU Foundation, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

CCSU Foundation, Inc.'s 2018 financial statements were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated October 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Hartford, Connecticut  
November 7, 2019

**CCSU Foundation, Inc**  
**Statement of Financial Position**  
**June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

	<u>Assets</u>	
	2019	2018
Current assets		
Cash and cash equivalents	\$ 257,654	\$ 831,159
Promises to give, net	3,381,449	3,904,591
Other receivables	-	36,862
Prepaid expenses	1,525	5,450
Investments	77,395,940	72,666,207
Cash surrender value of life insurance	143,235	156,205
Beneficial interest in trust	533,385	-
Art collection	57,000	57,000
	\$ 81,770,188	\$ 77,657,474
Total assets		
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Class accounts	\$ 79,432	\$ 76,399
Accounts payable and accrued expenses	110,565	57,901
Payable to CCSU	393,973	500,425
Payable to Alumni Association	30,035	23,251
Deferred revenue	-	10,100
	614,005	668,076
Total liabilities		
Net assets		
Without donor restrictions		
Undesignated	2,086,267	1,532,134
Board designated	442,175	-
With donor restrictions		
Time or purpose restricted	31,098,531	29,858,231
Restricted in perpetuity	47,529,210	45,599,033
	81,156,183	76,989,398
Total net assets		
Total liabilities and net assets	\$ 81,770,188	\$ 77,657,474

See Notes to Financial Statements.

**CCSU Foundation, Inc**

**Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2019  
(With Comparative Totals for June 30, 2018)**

	2019			2018
	Without donor restrictions	With donor restrictions	Total	Total
Revenue				
Contributions	\$ 534,191	\$ 4,274,634	\$ 4,808,825	\$ 5,210,147
Program income	3,632	269,416	273,048	404,482
Investment income	212,988	3,014,960	3,227,948	4,859,364
Donated services	1,198,483	-	1,198,483	1,138,559
Bad debt recovery	105,397	-	105,397	-
Net assets released from restrictions	3,959,825	(3,959,825)	-	-
<b>Total revenue</b>	<b>6,014,516</b>	<b>3,599,185</b>	<b>9,613,701</b>	<b>11,612,552</b>
Expenses				
Institutional enrichment	204,899	-	204,899	146,905
Student support	2,804,125	-	2,804,125	2,847,920
University support	1,019,770	-	1,019,770	986,145
Academic enrichment	505,334	-	505,334	367,790
Management and general	435,035	-	435,035	528,683
Fundraising	477,753	-	477,753	453,865
<b>Total expenses</b>	<b>5,446,916</b>	<b>-</b>	<b>5,446,916</b>	<b>5,331,308</b>
Changes in net assets	567,600	3,599,185	4,166,785	6,281,244
Net assets, beginning	1,532,134	75,457,264	76,989,398	70,708,154
Interfund transfers	428,708	(428,708)	-	-
<b>Net assets, end</b>	<b>\$ 2,528,442</b>	<b>\$ 78,627,741</b>	<b>\$ 81,156,183</b>	<b>\$ 76,989,398</b>

See Notes to Financial Statements.

**CCSU Foundation, Inc**

**Statement of Functional Expenses  
Year Ended June 30, 2019  
(With Comparative Totals for June 30, 2018)**

	2019					2018			
	Institutional enrichment	Student support	University Support	Academic enrichment	Total program	Management and general	Fundraising	Total expenses	Total
Scholarship	\$ 101,422	\$ 1,986,226	\$ 222,718	\$ 103,628	\$ 2,413,994	\$ -	\$ -	\$ 2,414,044	\$ 2,192,182
Donated services	-	501,777	-	-	501,777	218,953	477,753	1,198,483	1,138,559
Grants	91,062	201,348	532,541	291,305	1,116,256	-	-	1,138,084	1,041,258
Travel, meals and entertainment	4,859	14,388	70,638	37,129	127,014	39,240	-	166,254	223,461
Supplies and equipment	2,366	23,419	105,099	5,473	136,357	7,460	-	143,817	279,844
Stipend/honoraria	4,300	75,005	11,430	28,850	119,585	225	-	119,810	141,263
Special events	-	-	56,217	25,994	82,211	-	-	82,211	87,603
Professional fees	-	-	-	-	-	41,563	-	41,563	34,760
Membership program	840	890	4,809	7,362	13,901	25,586	-	39,487	56,096
Contract service	-	-	2,275	-	2,275	30,157	-	32,432	43,769
Bank fees	-	-	-	-	-	25,476	-	25,476	34,720
Miscellaneous	50	393	14,043	3,546	18,032	28,322	-	24,476	24,615
Advertising	-	75	-	2,047	2,122	6,482	-	8,604	22,111
Insurance	-	604	-	-	604	7,716	-	8,320	7,212
Repairs and maintenance	-	-	-	-	-	3,855	-	3,855	3,855
<b>Total</b>	<b>\$ 204,899</b>	<b>\$ 2,804,125</b>	<b>\$ 1,019,770</b>	<b>\$ 505,334</b>	<b>\$ 4,534,128</b>	<b>\$ 435,035</b>	<b>\$ 477,753</b>	<b>\$ 5,446,916</b>	<b>\$ 5,331,308</b>

See Notes to Financial Statements.

**CCSU Foundation, Inc**  
**Statement of Cash Flows**  
**Year Ended June 30, 2019**

Cash flows from operating activities	\$ 4,166,785
Changes in net assets	
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Contributions designated for long-term investment	(2,892,270)
Realized and unrealized gains	(2,145,545)
Beneficial interest in trusts	(533,385)
Changes in operating assets and liabilities	
Promises to give	523,142
Prepaid expenses	3,925
Other receivables	36,862
Class accounts	3,033
Accounts payable and accrued expenses	52,664
Deferred revenue	(10,100)
Due to CCSU	(106,452)
Alumni Association	6,784
	(894,557)
Net cash used in operating activities	(894,557)
 Cash flows from investing activities	
Proceeds from sale of investments	14,193,983
Purchase of investments	(16,778,171)
Cash value life insurance	12,970
	(2,571,218)
Net cash used in investing activities	(2,571,218)
 Cash flows from financing activities	
Contributions designated for long-term investment	2,892,270
	2,892,270
Net decrease in cash	(573,505)
 Cash, beginning	831,159
Cash, end	\$ 257,654

See Notes to Financial Statements.



**CCSU Foundation, Inc**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 - Nature of activities**

CCSU Foundation, Inc.. (the "Foundation") operates exclusively for charitable and educational purposes. The Foundation was formed for the purpose of supplementing, institutional enrichment, student support university programs and academic enrichment of Central Connecticut State University (the "University" or "CCSU"). The Foundation solicits donations of monies, securities or properties, and acts as custodian for funds and property received. The Foundation then disburses such funds, property or the income therefrom in aiding, supplementing, improving and enlarging the educational, cultural and research facilities and activities of the University.

**Note 2 - Summary of significant accounting policies**

**Basis of presentation**

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation reports information regarding its activities and net assets in two classes of net assets as follows: net assets with and without donor restrictions.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

*Board-designated net assets* - Net assets established by the Board of Directors, which represent unrestricted funds set aside for future needs of the Foundation.

*Net assets with donor restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Summarized comparative information**

The statements of financial position, activities and changes in net assets and functional expenses include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Tax-exempt status**

The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). However, certain operations of the Foundation may qualify as unrelated business taxable income and to the extent that these operations generate income, they will be subject to federal and state taxes.

The Foundation's federal and state informational returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Foundation has no unrecognized tax benefits at June 30, 2019.

## CCSU Foundation, Inc

### Notes to Financial Statements June 30, 2019

If the Foundation had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.

#### **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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and cash equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less. Cash equivalents at June 30, 2019 totaled \$5,115.

#### **Investment valuation and income recognition**

Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value.

Investment income and realized and unrealized gains and losses, net of investment expenses, are recorded in the statement of activities and changes in net assets as net assets without donor restrictions, unless restricted by donor stipulation or by operation of law.

Investment income and realized and unrealized gain or losses are allocated quarterly on the basis of fund balances. If a realized or unrealized loss results in a donor-restricted balance below what is required to be maintained in perpetuity, the underwater fund is reimbursed from future gains.

#### **Revenue recognition**

Unconditional promises to give are recorded as promises to give when the promise is received.

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support (including investment income) that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with 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 and changes in net assets as net assets released from restrictions. Promises to give received over future periods are presented at the present value of estimated future cash flows.

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

#### **Promises to give**

Promises to give due in more than one year are recognized at fair value, using present value techniques and the current discount rate at the time of the promise to give to the Foundation.

## CCSU Foundation, Inc

### Notes to Financial Statements June 30, 2019

Management evaluates the need for an allowance for doubtful accounts based upon factors surrounding the creditworthiness of the donor, historical collection trends and current economic conditions. Promises to give which are determined to be uncollectible are charged against bad debt expense.

For the year ended June 30, 2019, \$105,397 of uncollectible promises to give were recovered and recorded as income on the statement of activities and changes in net assets.

#### **Fixed assets and depreciation**

The Foundation capitalizes all expenditures for buildings and equipment having a useful life of greater than one year. Purchased buildings, improvements and equipment are recorded at cost. Donations of land, buildings and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

#### **Interest in perpetual trusts**

The Foundation is one of several income beneficiaries of two trusts. The Foundation regularly receives income distributions from the trusts, the amounts of which are recorded as investment income with donor restrictions from perpetual trust in the statement of activities and changes in net assets. Income received with respect to the trusts was \$22,162 for the year ended June 30, 2019. The principal for the trusts is controlled by bank trustees independent of the Foundation.

#### **Custodial fees**

The Foundation charges a custodial fee to class accounts and specified activities equal to three quarters of one percent (0.75%) of the five-year average of the quarterly market value of the fund or \$25.00, whichever is greater, as long as a deficit in the fund is not created. For the year ended June 30, 2019, custodial fees totaled \$447,210 which have been eliminated.

#### **Functional expense allocation**

The statement of functional expenses present the natural classification detail of expenses by function. Donated services are allocated based upon time spent. The Foundation directly allocates all other costs among the programs and supporting services benefited.

#### **Endowment and spending policy**

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, which is approved by the Board of Directors, and assumes a moderate level of investment risk to achieve its long-term return objectives within prudent risk constraints.

The Foundation's investment and spending policy over endowment assets attempts to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. All appropriations are approved by the Board of Directors. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**CCSU Foundation, Inc**  
**Notes to Financial Statements**  
**June 30, 2019**

The Foundation has a policy of appropriating for distribution each year 5% of the endowment fund's five-year average of the quarterly market value inclusive of fees. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to earn a total return, net of fees of 5% in excess of the Higher Education Price Index. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to preserve and grow its real value. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets.

Distributions allowed in accordance with this policy were \$2,526,369 for the year ended June 30, 2019.

**Collections**

The Foundation capitalizes its collection of artwork (see Note 10). Accessions are capitalized at cost if purchased and at fair value at date of accession if received by donation. Gains and losses on deaccessions of donated artwork are reported as changes in net assets based on the presence or absence of donor restrictions. Artwork is protected, kept unencumbered, cared for and preserved.

**Donated services**

Donated services are recognized in the financial statements if the services received require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain services donated to the Foundation by community volunteers do not meet the above criteria and, therefore, are not recognized in the financial statements.

**Reclassifications**

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

**Subsequent events**

Management has reviewed subsequent events through November 7, 2019, which is the date the financial statements were approved and available for issuance.

**Note 3 - Concentrations**

**Credit risk**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, receivables and investments. The Foundation maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. As of June 30, 2019, the Foundation had approximately \$22,000 of cash in excess of federally insured limits.

Concentrations of credit risk with respect to donations and grants are limited due to the large number of contributors to the Foundation, comprised of individuals, corporations and foundations primarily in the State of Connecticut.

**Market risk**

The Foundation's investments are in fixed income and equity securities placed with a wide array of companies and funds. This investment policy limits the Foundation's exposure to concentrations of credit risk.

**CCSU Foundation, Inc**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 4 - New accounting pronouncement**

During 2019, the Foundation adopted the provisions of Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and the functional allocation of expenses. The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. The adoption of ASU 2016-14 has had no effect on the Foundation's total net assets.

**Note 5 - Available resources and liquidity**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As of June 30, 2019, the Foundation has the following financial assets available to meet annual operating needs for the 2020 fiscal year:

Cash and cash equivalents	\$	257,654
Investments		77,395,940
Promises to give		<u>3,381,449</u>
Financial assets accessible by management in the next year		81,035,043
Add		
Spendable amount per spending policy for 2020		2,816,912
Less		
Promises to give after more than one year		3,086,949
Funds restricted due to time or purpose		31,098,531
Funds to be used in perpetuity		<u>47,529,210</u>
Financial assets accessible by management in the next year		<u>\$ 2,137,265</u>

Donor funds restricted to time or purpose anticipated to be used after one year may be used in the next year as long as the purpose or time restriction is met. Upon approval of the Board, the board-designated funds may be repurposed and used within any year. Additionally, the Board may approve the use of additional endowment investment earnings above the spending policy. However, prudent investment management must be considered to ensure the preservation of the funds for future use.

**CCSU Foundation, Inc**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 6 - Promises to give**

Unconditional promises to give are classified as with or without donor restrictions depending on the existence and/or nature of any donor restriction. As of the end of the year, unconditional promises to give consisted of the following:

	2019
In one year or less	\$ 294,500
One to five years	1,080,000
More than five years	4,240,000
	5,614,500
Less allowance for noncollectible amounts	(842,175)
Less discount at 2.8%	(1,390,876)
Total	\$ 3,381,449

Approximately 97% of promises to give are from a single donor.

**Note 7 - Investments**

Investments consisted of the following:

	2019	2018
Cash and equivalents	\$ 2,451	\$ 1,105
Fixed income	18,563,166	17,870,717
Domestic equities	24,462,236	22,527,349
International equities	22,208,679	19,781,812
Alternative investments	11,906,126	12,485,224
Other	253,282	-
Total	\$ 77,395,940	\$ 72,666,207

**Note 8 - Fair value measurements**

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

**CCSU Foundation, Inc**

**Notes to Financial Statements  
June 30, 2019**

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value as of June 30, 2019 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and equivalents	\$ 2,451	\$ -	\$ -	\$ -	\$ 2,451
Mutual funds					
Fixed income	18,563,166	-	-	-	18,563,166
Domestic equities	24,462,236	-	-	-	24,462,236
International equities	22,208,679	-	-	-	22,208,679
Alternative investments	-	-	-	11,906,126	11,906,126
Other	253,282	-	-	-	253,282
Beneficial interest in trusts	-	-	533,385	-	533,385
<b>Total</b>	<b>\$ 65,489,814</b>	<b>\$ -</b>	<b>\$ 533,385</b>	<b>\$ 11,906,126</b>	<b>\$ 77,929,325</b>

**Valuation techniques**

Mutual funds -The mutual funds held by the Foundation are deemed to be actively traded and are valued based upon real time quotes. Certain private equity funds are privately held investment funds and have a limited redemption period, and these are valued at the net asset value ("NAV") as a practical expedient.

Beneficial interest in trusts - Valued using the fair values of the underlying assets of the trust. The trust is made up of individual stocks, equity funds and bond funds that are valued at the closing price reported on the active market on which the individual securities are traded and mutual funds that are valued at the daily closing prices as reported by the funds.

A reconciliation for the asset using significant unobservable inputs is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Total gains or losses included in revenues</u>	<u>Payments to beneficiaries</u>	<u>Ending balance</u>
Beneficial interest in trusts	\$ -	\$ 446,594	\$ 108,953	\$ 22,162	\$ 533,385

Changes in unrealized gains and losses relating to assets still held at year end reported in the change in the value of beneficial interest in trust are \$108,953.

**CCSU Foundation, Inc**

**Notes to Financial Statements  
June 30, 2019**

**Quantitative information about significant unobservable inputs used in Level 3 fair value measurements**

The following tables represent the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs as of June 30, 2019:

Instrument	Fair Value	Principal valuation technique	Unobservable values inputs	Range of significant input
Beneficial interest in trusts	\$ 533,385	The Foundation's fair value of the trust assets	N/A	25% beneficial interest

Details regarding assets measured at fair value based on NAV per share as follows:

	SEI Core Property Fund LP	SEI GPA III Private Equity Fund	SEI GPA IV Private Equity Fund	SEI Special Situations Fund Ltd
Fair value	\$ 4,044,511	\$ 2,818,216	\$ 613,920	\$ 4,429,479
Unfunded commitments	\$ -	\$ 1,294,686	\$ 2,421,689	\$ -
Redemption frequency	Quarterly*	n/a	n/a	Semi-Annual**
Redemption notice period	95 days	n/a	n/a	95 days

\* via redemption request and may be subject to queue at the discretion of the advisor

\*\*via redemption process; redemptions can be gated to 20% by the fund board

There were no changes in the valuation techniques and related inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 9 - Cash surrender value of life insurance**

Certain donors purchased insurance policies with the Foundation as the owner and beneficiary of the policies. The Foundation is responsible for payment of the premium on one of the policies. The premium amount is contributed annually by the donor. The remaining policies are fully paid and require no premiums. CCSU, as owner of the policies, has recorded cash surrender value of \$143,235 as of June 30, 2019.

**Note 10 - Art collection**

The Foundation has adopted the policy of capitalizing collections of artwork in its financial statements. The Foundation holds the Sol Lewitt and the Chen art collections valued at approximately \$57,000.



**CCSU Foundation, Inc**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 11 - Payable to Alumni Association**

A memorandum of understanding, as amended on October 28, 1986, exists between the Foundation and the CCSU Alumni Association stating that 50% of the unrestricted Alumni contributions (net of expenses) raised during the year will be turned over to the Alumni Association. The amount due to the CCSU Alumni Association was \$30,035 at June 30, 2019.

**Note 12 - Board-designated net assets**

The Board has designated \$442,175 to be endowed and used for scholarships.

**Note 13 - Net assets with donor restrictions**

Net assets subject to expenditure for specified purposes:

Institutional enrichment	\$ 1,481,000
Student support	20,697,659
Auxiliary	1,709,641
Academic enrichment	<u>7,210,231</u>
 Total	 <u>31,098,531</u>

Net assets restricted in perpetuity include:

Institutional enrichment	1,907,888
Student support	35,125,740
Academic enrichment	<u>10,495,582</u>
	<u>47,529,210</u>
 Total donor-restricted net assets	 <u>\$ 78,627,741</u>

Promises to give in perpetuity will be recorded in the endowment upon receipt of the payment of the promise.

**Note 14 - Net assets released from restrictions**

Net assets with donor restrictions were released from donor restrictions during the year by incurring expenses satisfying the restricted purpose specified by the donor or by passage of time. The net assets with donor restrictions released from restrictions related to the following:

Institutional enrichment	\$ 152,373
Student support	2,302,348
Auxiliary	1,019,770
Academic enrichment	<u>485,334</u>
 Total	 <u>\$ 3,959,825</u>

**CCSU Foundation, Inc**

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**Note 15 - Transactions with Central Connecticut State University**

The University provided donated services to the Foundation in the amount of \$1,198,483.

To ensure the proper use of the scholarship funds by students, the Foundation routinely disburses such funds directly to the University. The Foundation provided institutional support for various programs and other services. All of the Foundation's expenditures are in an effort to advance the University.

**Note 16 - Endowment**

Endowment net asset composition and changes in net assets by type of fund as of June 30, 2019 are as follows:

	Without donor restrictions	With donor restriction		Total
		Time or purpose restricted	Restricted in perpetuity	
Endowment net asset composition				
Donor-restricted endowment funds	\$ -	\$ 21,963,092	\$ 44,792,877	\$ 66,755,969
Board-designated endowment funds	442,175	-	-	442,175
	<u>\$ 442,175</u>	<u>\$ 21,963,092</u>	<u>\$ 44,792,877</u>	<u>\$ 67,198,144</u>
Change in endowment net assets				
Endowment net assets, beginning of year	\$ -	\$ 20,989,110	42,351,034	\$ 63,340,144
Investment return				
Investment income, net	2,454	1,295,995	-	1,298,449
Net realized and unrealized appreciation	11,651	1,873,837	-	1,885,488
Contributions	-	-	2,870,551	2,870,551
Amounts appropriated for expenditure	(638)	(2,182,545)	-	(2,183,183)
Other changes	428,708	(13,305)	(428,708)	(13,305)
	<u>\$ 442,175</u>	<u>\$ 21,963,092</u>	<u>\$ 44,792,877</u>	<u>\$ 67,198,144</u>
Endowment net assets, end of year	<u>\$ 442,175</u>	<u>\$ 21,963,092</u>	<u>\$ 44,792,877</u>	<u>\$ 67,198,144</u>

The Foundation's endowment includes various donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions restricted in perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions restricted in perpetuity is classified as net assets with donor restrictions restricted by time or purpose until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

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In accordance with CTUPMIFA, the Foundation considers the following factors in making a determination 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;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

**Underwater endowment funds**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires the Foundation to retain as a fund of perpetual duration. While CTUPMIFA allows for endowed funds to fall below the required level, it is the Foundation's intention to maintain its endowed funds at their required levels when possible.

Due to a decline in investment earnings, the fair values of some of the endowments have dropped below their historic gift value. The aggregate underwater funds as of June 30, 2019 is as follows:

	<u>Number of funds underwater</u>	<u>Fair value</u>	<u>Original gift</u>	<u>Amount of deficiencies</u>
2019	1	\$ 1,512,077	\$ 1,677,475	\$ 165,398

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