Connecticut State Colleges & Universities
Board of Regents for Higher Education

MEETING OF THE AUDIT COMMITTEE

Board of Regents for Higher Education
Board Room – Ground Floor
61 Woodland Street, Hartford, Connecticut

Tuesday, December 12, 2017 at 10:00 AM

AGENDA

1. Approval of the Minutes of October 10, 2017

2. CFO Updates

3. Year End Reports and Discussion
    a. Report by Management (E. Steiner)
        i. Accelerated Timing Update (C. Forster)

    b. Report by Grant Thornton (C. Esten, Partner)
        i. Required Communications

    c. Distribution of Financial Statements (Hard copies distributed at meeting)
        i. Charter Oak State College June 30, 2017 and 2016 Annual Report
        ii. Connecticut State Universities June 30, 2017 and 2016 Annual Report
        iii. Connecticut Community Colleges June 30, 2017 and 2016 Annual Report

4. Management Report of Audited Foundation Financial Statements (all institutions) (C. Forster)

5. Executive Session

6. Adjournment

Meeting of the
Audit Committee
Connecticut State Colleges and Universities
Board of Regents for Higher Education
61 Woodland Street
Hartford, CT
Tuesday, October 10, 2017 @10:00

MINUTES

Regents Present
Elease Wright, Chair
Aviva Budd
William McGurk – telephonic
JoAnn Price

BOR Staff Present
Erika Steiner, Chief Financial Officer; Chris Forster, Controller; Michael Moriarty, CFO Charter Oak; Keith Epstein, Vice President for Facilities and Infrastructure Planning; Ernestine Weaver, Counsel; Melissa Schwalbach, Assistant Counsel

Others
Fred Hughes, Virendra Shah, Joe Quino – BlumShapiro; Claire Esten, Brittany Kelley, Justin Morrow – Grant Thornton

With a quorum present, Chair Wright called the meeting to order at10:00 a.m.

1. Approval of the Minutes of May 23, 2017

Motion by Regent Budd, seconded by Chair Wright, to approve the minutes of the May 23, 2017 meeting. The motion was carried.

2. Compliance Programs (Erika Steiner/Ernestine Weaver)

CFO Steiner provided an overview of plans for moving forward with the institutional preparation of required financial statements, external audits and operational and financial compliance. The institutions prepares financial statements in accordance with accounting principles accepted in the U.S. The annual audit is prepared by an auditor external to the institution in accord with accepted auditing standards adopted by the American Institute of Certified Public Accountants. In addition to an independent audit report being required by CSUs as a condition of the CHEFA bond sales, audit reports are also necessary for NEASC and CSCU 2020 capital expenditures.

Independent auditors Grant Thornton are engaged by CSCU to conduct audits for the purpose of rendering opinions on 3 sets of financial statements: Connecticut State Universities, Connecticut

Community Colleges, and Charter Oak State College. The firm of BlumShapiro currently performs the audit and opinion for CSCU 2020. The state auditors, office of the Auditors of Public Accounts (APA) are responsible for conducting audits of all state agencies under the direction of two state auditors appointed by the state legislature. The federal auditors are responsible for various federal requirements, including the disposal, and return to the government of unused federal financial aid (Pell).

Until recently, CSCU also employed an internal audit department responsible for providing objective evaluation of business activities and operational efficiencies. With the dissolution of the internal audit department, a proposal is being made to improve compliance and audit findings with a different approach. The services of Melissa Schwalbach, Assistant Counsel in the CSCU Office of Legal Affairs, is being solicited to provide half of her time to compliance matters. The responsibilities will include the attending of all APA exit conferences; monitor and track open items; prioritize items; and identify system-wide trends that may require system-wide solutions. Other control considerations will include the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is a standard embraced by public and private institutions as a guideline for ensuring controls are in place to protect stakeholder interests in any given enterprise.

Melissa Schwalbach was introduced to the Audit Committee members.

Chair Wright expressed her appreciation for the overview and the progress that is being made with the audits and Management Compliance Program.

3. New Audit Closing Calendar Status (Chris Forster)

Controller Forster reviewed the FY2017 Grant Thornton audit calendar. He commented that the Connecticut Community College Magnet Schools are being monitored. The Foundation Financial Statements which were due on October 1, have been received by the majority of the institutions. The financial statements are scheduled to be finalized by December 6 and draft copies will be distributed to Audit Committee members in advance of the December 12 meeting for review and recommendation to the full Board at the December 14 meeting.

Chair Wright noted that it may be necessary to host a conference call after receipt of the financial statements and in advance of the Board meeting. An executive summary will be provided to committee members to aid in their review of the total document. It was requested that BlumShapiro expedite their timeline in order to meet the deadlines.

4. CSCU 2020 Audit Report by BlumShapiro

Fred Hughes, Engagement Partner and Virendra Shah, Audit Principal at BlumShapiro, provided an overview of the draft report of CSCU 2020 Construction Expenditures. Management's responsibility included the preparation and presentation of the Schedule in conformity with the cash basis of accounting. The Auditors' are responsible for offering an opinion on the Schedule based on the audit. The results of the 2017 audit renders that the Schedule, including all material respects, the construction expenditures related to CSCU 2020 projects were paid and in conformity with the cash basis of accounting. No changes were made from the planned audit approach. Therefore, an unmodified opinion was rendered by the auditors.

A question was raised whether BlumShapiro provide services to any of the colleges/universities. No institution should engage the services of an auditing firm without the consent of the BOR Audit Committee.

Motion by Regent Budd, seconded by Regent Price, to accept the CSCU 2020 Audit Report for the Year Ended June 30, 2017. Motion was carried.

5. Interim Report by Grant Thornton

Claire Esten, Partner, Grant Thornton, provided an update on the 2017 Audit. An on campus audit was conducted at each of the universities/colleges. Each of the institutions are on track in all audit areas and two audit adjustments were noted at Western. Audit fieldwork began on October 9 in the System Office.

The status of the IT Audit was reviewed. Testing of System Office and CCC instances of Banner is complete and currently undergoing the review process. Any findings will be communicated to management later this month. Testing is in process at Eastern and the IT audit team is following up on open items. Testing of Charter Oak system (Jenzabar) is complete and currently going through the review process. IT is committed to having a single system of Banner and standard accounts for all 17 institutions. The consolidation is not in the foreseeable future.

The accounting for bond transactions and interest rates was reviewed.

With no other business to discuss, the meeting was adjourned at 11:10 a.m. on a motion by Regent Budd, seconded by Chair Wright.

Required Communications to the Audit Committee of the Board of Regents of the Connecticut State Colleges and Universities in connection with the audit of fiscal year ended June 30, 2017

December 12, 2017

Grant Thornton

Audit Scope & Results

Status as of December 6, 2017

- All entities
  - Attorney general legal confirmation update
  - Management representation letter
  - Final draft of financial statements
- CSU
  - System Office Foundation financial statements
- CCC
  - Capital Community College Foundation financial statements
- Charter Oak
  - Foundation financial statements

This is a "representative list" of the significant items; there are additional open items that are less significant but still necessary to address. Upon finalization of these items, GT will perform updating inquiries with management prior to issuance. If items come to our attention in connection with addressing the remaining open items that are required to be communicated to the Audit Committee, an addendum to this document will be provided.

Significant risks and other areas of focus

Areas of focus	Procedures performed and results
Tuition & fee revenue (including CTDLC fees) and related receivables/deferred revenue	• Performed detailed transaction testing over tuition revenue (including tuition fees, room & board) • Tested a selection of student receivable balances • Reviewed management's allowance for doubtful accounts **<u>CSU</u>: Two auditor identified adjustments related to recording deferred revenue and AR for amounts that have been billed but not paid as of year end (Exhibit A.1, #3) and a reclassification adjustment of student health insurance from tuition and fees to auxiliary revenue (Exhibit A.1, #4).** **<u>CCC</u>: One auditor identified adjustment related to recording deferred revenue and AR for amounts that have been billed but not paid as of year end (Exhibit A.1, Adjustment #1)** **<u>COSC</u>: One auditor identified adjustment related to recording deferred revenues for CTDLC (Exhibit A.2, #1)** **No other exceptions noted.**
Grant revenue and accounts receivable	• Tested a selection of grant receivable and grant deferred revenue balances • Performed detailed transaction testing over grant revenue **No exceptions noted**

Significant risks and other areas of focus (continued)

Areas of focus	Procedures performed and results
Net Pension Liability (and related deferred inflows/outflows and pension expense)	• Reviewed management's methodology and journal entries to record GASB 68 FY17 activity • Reviewed the reports issued by the Auditors of Public Accounts **No exceptions identified**
State and Capital Appropriations	• Reconciled amounts to the GL, including confirmation of certain amounts with the State **No exceptions identified**
Capital Assets	• Tested a roll forward of capital asset balances and recalculated depreciation expense **No exceptions identified**
Cash and cash equivalents, Investments, and Bonds Payable	• Confirmed all material cash balances, and reconciled confirmed balances to the GL • Confirmed all arrangements with third party institutions and validated the arrangements were adequately disclosed in the financial statements. • For debt, performed a recalculation of interest expense. • For the debt refunding related to the Series P-2 bond issuance during the current period, we reviewed all key agreements, and performed a recalculation of the deferred loss on refunding validating it was appropriately accounted for by management. **No exceptions identified**

Significant risks and other areas of focus (continued)

Areas of focus	Procedures performed and results
Net position and presentation of revenues within net position classes	• Obtained the roll forward at the campus and entity level and performed testing over activity to ensure accuracy of the classifications within net position **No exceptions identified**
Adoption of new accounting pronouncements	• Obtained management's analysis of Statement No. 80 of the GASB, *Blending Requirements for Certain Component Units,* and determined that the conclusion that CSCU is not the sole corporate member of any of the discretely presented component units such that blended presentation was required. Therefore, there has been no change as a result of this guidance. • Discussed with management the impact of Statement No. 82 of the GASB, *Pension Issues,* and determined that it had no impact on the disclosures as the covered payroll previously presented by the System was consistent with the new guidance. As a result there has been no change as a result of this guidance. • No other guidance was issued and required to adopt in current period with a scope relevant to the System. **No exceptions identified**

Use of the Work of Others

Other Auditors

Foundations: GT noted that each of the Foundations at the Universities, Charter Oak and Community Colleges have a separate auditor. In our auditor's report on each entity's financial statements, we make reference to the audits performed by the other unaffiliated auditors.

Net Pension Liability: Management engages the State Auditor of Connecticut to perform the audit of the valuation schedules prepared by Cavanagh Macdonald as part of recording the Net Pension Liability and related deferred inflows/outflows and pension expense.

Specialists

Tax – The audit team includes a Not for Profit Tax Specialist to review any unrelated business income, uncertain tax positions, as well as the financial statements of the entities to ensure their tax structure is adequately presented.

IT – The audit team includes IT specialists who performed design effectiveness testing of Banner at Eastern, Banner at System office (including CCC), as well as Jenzabar at Charter Oak.

Summary of adjustments

Recorded adjustments

Refer to Exhibit A.1 for the list of adjustments identified by the audit team and recorded by management in the financial statements.

Unrecorded adjustments

Refer to Exhibit A.2 for the list of unrecorded adjustments identified by management or Grant Thornton which are not reflected in the financial statements.

The unrecorded adjustments have been evaluated by management of the System to determine whether the financial statements are materially accurate as presented. Management has concluded these errors are immaterial.

Disclosure adjustments

There were no adjustments to disclosures identified during the audit that were made by the System.

Omitted disclosures

There were no omitted or incomplete disclosures identified during the audit that were not made by the System.

Internal Control Matters

Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances 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 System's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.

Definitions

- A deficiency in internal control ("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 and correct, misstatements on a timely basis.
- A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entities financial statements will not be prevented, or detected and corrected, on a timely basis.

Internal Control Matters (continued)

As part of our 2016 audits, we communicated certain matters to you that we concluded were significant deficiencies or material weaknesses. In response to these findings, management implemented compensating processes and controls. Based on procedures performed to date, there have been no internal control matters identified that we believe are either significant deficiencies or material weaknesses. We have identified certain deficiencies of lesser magnitude, and have communicated these matters to management.

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, that might be significant deficiencies. Therefore, significant deficiencies may exist that were not identified. The table below provides an update to prior year items reported.

Prior-year internal control matter	Prior Year Evaluation	Management Action	Current Year Evaluation
Errors in applying accounting pronouncements (GASB 68, presentation of Pell revenue, presentation of bond premiums and discounts, and accounting for loss on refunding of bond obligations)	Material Weakness ("MW")	Added individual with deep knowledge of US GAAP to perform review of technical accounting matters	Remediated.
COSC's Director of Finance and Administration posted journal entries in the GL, which is a responsibility that should not vest with senior management/financial reporting personnel	Significant Deficiency ("SD")	Newly-hired CFO performs detailed review of account reconciliations, which includes a review of all manual journal entries. Further enhancement of controls related to segregation of duties, policy memorialization, and system access are underway.	Considering this compensating control, we have concluded that this internal control matter is partially remediated and does not rise to the level of SD.
There is no formal review and approval process established over manual journal entries posted to the GL system.	Significant Deficiency ("SD")	See above.	Considering this compensating control, we have concluded that this internal control matter is partially remediated and does not rise to the level of SD.

Internal Control Matters (continued)

We identified certain control deficiencies of a lesser magnitude, which have been communicated to management. The areas that these control deficiencies related to are as follows:

- Manual consolidation process
- Consistency over Financial Reporting across the University campuses
- Information Technology Environment

Other Required Communications

Disagreements with management and significant difficulties encountered during the audit
We had no disagreements with management nor were any significant difficulties encountered.

Management's consultations with other accountants
There were no consultations with other accountants other than the accountants engaged to audit certain related entities and valuation's performed by Cavanagh Macdonald as discussed on page 7 of this presentation.

Significant issues discussed with management
No significant issues that were discussed with management.

Related parties and related party transactions
No transactions outside the ordinary course of business were identified.

Other findings or issues
Refer to previous slides for discussion of internal control matter – no other findings or issues noted.

Modifications to the auditor's report
None noted.

Quality of Accounting Practices and Alternative Treatments

Quality of Accounting Practices and Alternative Treatments

Accounting policies

- There were no significant changes in the accounting policies utilized by the System during the period other than the correction of certain errors in accounting from prior year related to accounting for debt refundings, classification of PELL and student health insurance, as well as accounting for amounts billed to students prior to year end but not collected.

Significant accounting estimates

- Net pension liability and related deferred inflows/outflows
- Fair value of investments
- Liability for compensated absences
- Assumptions used in worker's compensation accrual
- Useful lives of depreciable assets
- Allocation of expenses among functional expense classifications

Disclosures

- All required disclosures are presented within the financial statements in a clear and concise manner

Other Matters

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

Summary	Potential Impact
• GASB 75 replaces the requirements related to OPEB accounting and reporting currently provided in GASB 45 and 57 • State and local governments providing defined benefit OPEB plans administered through a trust meeting certain criteria must report a net OPEB liability on the face of their financial statements, similar to the requirement to report the net pension liability in accordance with GASB 68 • Requires more extensive disclosure and required supplementary information • Effective for fiscal years beginning after June 15, 2017 (**effective for CSCU for FY18**). Retrospective adoption is required.	Institutions with OPEB plans will most likely need to reflect an obligation related to their proportionate share of the unfunded liability related to OPEB, similar to the recognition of a pension liability in connection with the adoption of GASB 68. As with GASB 68, extensive planning and discussions among all parties (System management, state contacts, and others) is critical to a successful adoption. Institutions should begin to evaluate the information needed to adopt the guidance as a significant portion of that information may come from state or other related entities. Because many plans are "pay as you go," the impact of recording this liability could be significantly greater than the recognition of a pension liability, where they may have been existing plan assets to partially offset the liability. Management of CSCU is in the process of evaluating the impact of adoption for FY18.

Grant Thornton LLPs Client Service Cycle

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- What's important to you?
- How would you rate the team's overall service delivery?
- Would you refer Grant Thornton LLP to a friend or colleague?

CSCU
Summary of Misstatements
June 30, 2017

Exhibit A.1

			Increase (Decrease) to:					
Entity		**Description**	**Assets**	**Liabilities**	**Net Position**	**Change in Net Position**	**Operating Expenses**	**Nonoperating**
Recorded adjustments - auditor identified								
CCC	1	Deferred Revenue		(37,924,772)				
		Student Accounts Receivable	(37,924,772)					
		To decrease A/R and Deferred Revenue for future period revenues and inappropriate gross up of A/R						
CCC	2	State Appropriations Revenue				(1,334,305)		
		Due to/from State	(1,334,305)					
		To decrease appropriations revenue and due from state amounts to reflect decrease in fringe benefits at year end.						
CSUS (Western)	3	Deferred Revenue		(30,989,894)				
		Student Accounts Receivable	(30,989,894)					
		To decrease A/R and Deferred Revenue for future period revenues and inappropriate gross up of A/R						
CSUS (Western)	4	Tuition and Fee Revenue				(1,174,983)		
		Auxiliary Revenue				1,174,983		
		To reclassify student health insurance revenue from T&F to auxiliary						
COSC	5	Educational and general expense				(144,296)		
		Prepaid Asset	(144,296)					
		To properly account for prepaid expenses that were being amortized over an incorrect life.						

CSCU
Summary of Misstatements
June 30, 2017

Exhibit A.2

Entity		Description	Assets	Deferred Outflows	Liabilities	Beg. Net Position	Net Position	Operating Revenue	Operating Expenses	Nonoperating Revenue	Nonoperating Expenses
			Increase (Decrease) to:								
Unrecorded adjustments - auditor identified											
COSC	1	CTDLC Revenue						(15,403)			
		Deferred Revenue			15,403						
		To adjust for CTDLC fees improperly recorded as FY17 revenues									
		Total FY17 Unrecorded Misstatements	-	-	15,403	-	-	(15,403)	-		-
		Per F/S (rounded)	6,610,000	7,409,000	16,222,000	(2,970,000)	(4,419,000)	10,428,000	18,740,000	6,625,000	-
		% Impact	0%	0%	0%	0%	0%	0%	0%	0%	0%
CSUS	1	Loss on Refunding		4,384,486							
		Interest Expense									(536,767)
		Beginning Net Position				4,921,253					
		To record loss on refunding remaining at 6/30/2017 for prior period refundings									
		Total FY17 Unrecorded Misstatements	-	4,384,486	-	4,921,253	-	-	-		(536,767)
		Per F/S (rounded)	1,740,975,000	414,122,000	1,529,171,000	680,230,000	625,003,000	429,199,000	876,216,000	404,126,000	12,339,000
		% Impact	0%	1%	0%	1%	0%	0%	0%	0%	-4%

ITEM

The University and College Foundations - Annual Foundation Report to the Board of Regents (BOR) for Fiscal Year 2017.

BACKGROUND

The foundations are required to submit to the BOR their financial statements annually as well as other supplemental information identifying any major changes in organizational structure, policies and governance.

Each of the seventeen Colleges and Universities as well as the Connecticut State Colleges and Universities System has a related foundation. The Foundations are considered Component Units of the System for reporting purposes under GASB rules. Statements of Financial Position, Activity and Changes in Net Assets, Cash Flows and Functional Activity are included in their annually published financial statements, in most cases in a comparative format.

All foundation financial statements are audited as required by state statute (annually above a certain size, but not less than once every three years). Under Connecticut statutes and BOR policy requirements, various foundation information, including the foundation financial statements, are reviewed at a high level by each institution's President and Dean of Administration or Vice President of Finance. System management relies upon individual college and foundation compliance with these requirements, and the independently audited foundation financial statements, to ensure that information presented in the component unit section of the System's financial statements are materially correct.

ANALYSIS

In each report, the auditor's opinions states that the financial statements present fairly, in all material respects, the financial position of the Foundations as of June 30, 2017 (or December 31, 2016) and the results of its activities and changes in net assets and functional activity for the year ended in conformity with generally accepted accounting principles in the United States. (Thirteen foundations have fiscal years ending 6/30, and five have fiscal years ending 12/31.)

Financial Highlights

<u>Connecticut Community Colleges</u>
Norwalk CC Foundation continues to be the largest of the twelve foundations. Its net assets of $25.6 million comprised 49% of the Foundations' total net assets of $51.8 million. The next two in order of size are Manchester with 11% and Three Rivers at 10% of the total or $5.8 and $5.2 million respectively. FY17 total net assets of $51.8 million showed an increase of 5.3% from the FY16 total of $49.2 million.

Connecticut Community College Foundations

Net Asset Summary

FY17 (In thousands)

School	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Assets Sum	% of Total
Asnuntuck at 12-31-16	125	189	137	451	1%
Capital at 6-30-17	175	716	812	1,703	3%
Gateway at 12-31-16	133	733	1,039	1,905	4%
Housatonic at 6-30-17	429	777	598	1,804	3%
Manchester at 12-31-16	1,748	1,607	2,411	5,766	11%
Middlesex at 6-30-17	0	258	440	698	1%
Naugatuck Valley at 6-30-17	129	797	965	1,891	4%
Northwestern at 12-31-16	199	209	1,187	1,595	3%
Norwalk at 12-31-16	861	8,380	16,353	25,594	49%
Quinebaug Valley at 6-30-17	267	597	3,079	3,943	8%
Three Rivers at 6-30-17	224	2,054	2,918	5,196	10%
Tunxis at 6-30-17	228	453	538	1,219	2%
Grand Total	**$ 4,518**	**$ 16,770**	**$ 30,477**	**$ 51,765**	100%

Net Assets have bounced back slightly in FY17 regaining the losses from FY16; primarily from a 10% increase in investments.

Connecticut Community College Foundations

Condensed Statement of Financial Position (In Thousands)

5 year comparison

Account Class	Condensed Title	FY17	FY16	FY15	FY14	FY13
Asset	Cash and Cash Equiv	6,614	7,805	5,186	7,713	6,666
	Receivables	2,033	2,137	2,857	2,387	3,269
	Investments	45,426	41,146	44,647	41,496	38,318
	Other Assets	61	56	419	559	593
Asset Sum		54,134	51,144	53,109	52,155	48,846
Liabilities	Accounts payable	2,369	1,993	2,618	2,389	2,469
Liabilities Sum		2,369	1,993	2,618	2,389	2,469
Net Assets	Unrestricted	4,518	3,976	2,769	2,891	2,334
	Temporarily Restricted	16,770	15,550	18,302	18,199	15,950
	Permanently Restricted	30,477	29,625	29,420	28,676	28,093
Net Assets Sum		51,765	49,151	50,491	49,766	46,377

Revenue fluctuations from year to year are highly dependent on investment income and realized and unrealized gain on investments. Total revenue increased by 62.8% in FY17, with gains in investments responsible for most of that increase. Also notable was a 12.2% increase in contribution revenue. Expenses in FY17 increased by 6.7%, primarily as a result of an increase in program expenses. Program expenses increased by 27% in FY17 to $5.1 million.

Connecticut Community College Foundations

Condensed Statement of Activities (In Thousands)

5 year comparison

Account	Condensed Title	FY17	FY16	FY15	FY14	FY13
Revenue	Contributions	7,636	6,806	6,044	3,947	5,633
	State Matching Grant	0	0	0	0	0
	Program Income	903	1,002	889	1,024	957
	Investment Income	623	327	486	748	535
	Gain (loss) on investments	2,552	(1,021)	1,047	4,252	2,723
	Other	15	90	4	1	18
Revenue Total		11,729	7,204	8,470	9,972	9,866
Expenses	Fundraising Expense	575	724	588	463	590
	Program Expense	5,111	4,023	3,720	3,047	4,025
	Scholarships and Awards	1,866	1,954	2,093	2,002	1,817
	Administration & Other	1,563	1,839	1,346	1,071	845
Expenses Total		9,115	8,540	7,747	6,583	7,277
Change in Net Assets		2,614	(1,336)	723	3,389	2,589

Connecticut State Universities

Central Connecticut State University (CCSU) Foundation continues to be the largest of the 5 CSU affiliated foundations. Its net assets of $70.7 million comprise 48% of the Foundations' total net assets of $146.6 million. The next two in order of size are Southern Connecticut State University (SCSU) Foundation with 23% and Western Connecticut State University at 15% of the total or $33.2 and $24 million respectively. FY17 total net assets of $146.6 million were an increase of 13.1% from the FY16 total of $129.6 million.

Connecticut State Universities Foundations

Net Asset Summary

FY17 (In thousands)

School	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Assets Sum	% of Total
Central	1,303	26,948	42,457	70,708	48%
Eastern	(290)	4,245	14,215	18,170	14%
Southern	2,753	12,406	18,033	33,192	23%
Western	3,453	5,557	14,975	23,985	15%
CSCU System	91	184	235	510	0%
Grand Total	**7,310**	**49,340**	**89,915**	**146,565**	100%

The trend over the last five years shows substantial growth in Net Assets with an increase of $46.8 million or 46.9% since FY13. This is primarily a result of an increase in investments of $43.1 million and an increase in annual pledges receivable of $3.3 million. In FY17 the ECSU Foundation unrestricted net position improved to ($290,000) from ($2.3) million the prior year. This is primarily a result of $1.7 million in artwork, which was appropriately released from restrictions.

Connecticut State Universities Foundations

Condensed Statement of Financial Position (In Thousands)

5 year comparison

Account Class	Condensed Title	FY17	FY16	FY15	FY14	FY13
Asset	Cash and Cash Equiv	7,176	5,524	5,794	5,011	4,466
	Investments	127,949	109,271	104,616	101,245	84,802
	Contributions and other receivables	8,218	9,833	12,461	10,050	4,929
	Prepaid expenses and other assets	60	974	1,074	958	1,069
	Investment in plant, net	4,425	5,179	5,509	5,847	6,014
Asset Sum		147,828	130,781	129,454	123,111	101,280
Liabilities	Accounts payable	259	302	182	447	100
	Custodial obligation payable	60	58	39	33	39
	Other liabilities	928	726	1,231	1,533	1,216
	Long-tern debt	15	57	98	137	174
Liabilities Sum		1,262	1,143	1,550	2,150	1,529
Net Assets	Unrestricted	7,311	2,177	2,254	1,798	1,568
	Temporarily Restricted	49,340	41,007	43,784	43,734	30,335
	Permanently Restricted	89,915	86,454	81,866	75,429	67,848
Net Assets Sum		146,566	129,638	127,904	120,961	99,751

Revenue fluctuations from year to year are highly dependent on investment income and realized and unrealized gain on investments. As a result, total revenue in FY17 increased 112.5% from FY16. Expenses in FY17 have increased, primarily as a result of an increase in management and general expenses of $0.6 million. Since FY13 expenses have increased by 39.9%. This is mostly driven by a 58.9% increase in spending on fundraising and a 122.2% increase in spending on management and general expenses.

Connecticut State Universities Foundations

Condensed Statement of Activities (In Thousands)

5 year comparison

Account	Account Title	FY17	FY16	FY15	FY14	FY13
Revenue	Contributions	13,472	13,068	13,413	16,456	8,339
	Program income	581	408	496	641	556
	Investment income	2,883	1,805	2,210	1,750	2,666
	Gain (Loss) on investments	11,451	(2,116)	638	12,162	6,834
	Other income	342	354	294	208	170
Revenue Total		28,729	13,519	17,051	31,217	18,565
Expenses	Scholarships and aw ards	1,371	1,513	1,289	1,343	1,066
	University support	5,488	5,844	5,174	4,829	3,927
	Auxiliary services	1,102	1,033	730	1,172	1,252
	Academic enrichment	516	575	491	423	422
	Fundraising	1,522	1,608	1,442	1,269	958
	Management and general	1,802	1,181	982	971	811
Expenses Total		11,801	11,754	10,108	10,007	8,436
Change in Net Assets		16,928	1,765	6,943	21,210	10,129

Charter Oak State College Foundation

The Charter Oak State College (COSC) Foundation has net assets of $2 million. Net assets have increased by 29% since FY13. This is primarily a result of an increase in investments of 27% over the same period.

Charter Oak State College Foundation

Net Asset Summary

FY17 (In thousands)

School	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Assets Sum
COSC Foundation	25	874	1,084	1,983

Charter Oak State College Foundation

Condensed Statement of Financial Position (In Thousands)

5 year comparison

Account Class	Condensed Title	FY17	FY16	FY15	FY14	FY13
Asset	Cash and Cash Equiv	126	161	123	97	77
	Investments	1,856	1,648	1,683	1,672	1,459
	Contributions and other receivables	1	1	11	1	1
	Prepaid expenses and other assets	0	1	1	1	1
Asset Sum		1,983	1,811	1,818	1,771	1,538
Liabilities	Accounts payable	1	1	0	2	0
Liabilities Sum		1	1	0	2	0
Net Assets	Unrestricted	25	40	52	55	59
	Temporarily Restricted	874	708	713	684	454
	Permanently Restricted	1,084	1,063	1,051	1,030	1,025
Net Assets Sum		1,983	1,811	1,816	1,769	1,538

Total revenue in FY17 increased 145% from FY16. Expenses in FY17 have decreased slightly. Although there have been year-to-year fluctuations in program expenses, total expenses have not significantly changed since FY13.

Charter Oak State College Foundation

Condensed Statement of Activities (In Thousands)

5 year comparison

Account	Account Title	FY17	FY16	FY15	FY14	FY13
Revenue	Contributions	87	106	112	73	96
	Fundraising Income	1	5	4	10	6
	Investment income	0	0	54	48	47
	Gain (Loss) on investments	204	8	0	198	110
Revenue Total		292	119	170	329	259
Expenses	Scholarships and awards	29	31	34	21	30
	Pogram Expense	62	58	60	48	85
	Fundraising	3	7	3	3	5
	Management and general	27	28	26	26	18
Expenses Total		121	124	123	98	138
Change in Net Assets		171	(5)	47	231	121