

AUDIT COMMITTEE
Board of Regents for Higher Education
39 Woodland Street, Hartford, Connecticut

Wednesday, June 12, 2013, at 9:00 a.m.
Room 209

AGENDA

1. Minutes of the April 22, 2012 meeting
2. PwC Audit Proposal for the Connecticut State Colleges and Universities – *Ray Vicks, Partner; Shannon Smith, Managing Director; Steve Manocchio IT Director; Jim Beyer, Manager*
3. Acceptance of College & University FY12 Foundation Audits
4. Quarterly Internal Audit Report
5. Audit Plan for FY14
6. CCSU Compensatory Time Report
7. SCSU Financial Aid Allocation Audit
8. Other Business
9. Adjournment

**SPECIAL MEETING OF THE
AUDIT COMMITTEE**
Connecticut State Colleges and Universities
Board of Regents for Higher Education
Room 209
39 Woodland Street
Hartford, Connecticut

Monday, April 22, 2013, at 9:30 a.m.

Minutes

REGENTS PRESENT

Craig Lappen, Chair
Michael Pollard (Telephonic)
Nick Donofrio (Telephonic)

BOR/CONNSCU STAFF PRESENT

Dennis Murphy, Interim Chief of Staff; William Bowes, Chief Financial Officer; Steve Weinberger, Vice President for Human Resources; Karen Stone, Internal IT Auditor; Rosalie Butler, Administrative Assistant for Finance

With a quorum present, the meeting was called to order at 9:30 a.m.

- Approval of the December 6, 2012 and December 21, 2012 meeting minutes

The minutes of the December 6, 2012 meeting were unanimously approved, as amended (date correction to June 7, 2012 in Item #1). The minutes of the December 21, 2012 were unanimously approved, as written.

- **Vote** to move to Executive Session (*to discuss the appointment, employment, performance, evaluation, health or dismissal of a public officer or employee*)

Committee Chairman Lappen requested a motion to enter into Executive Session. The Committee voted unanimously to go into Executive Session at 9:35 AM to discuss the matter, above. Messrs. Murphy and Weinberger remained. All other ConnSCU staff left the meeting.

- Executive Session ended at 9:50 a.m.
- The Committee returned to Open Session at 9:50 a.m.

Committee Chairman Lappen asked for a motion to forward a recommendation to the full Board of Regents for appointment of Karen Stone as Director of Internal Audit for the Connecticut

State Colleges and Universities. Regent Pollard so moved, with a second by Regent Donofrio. The motion was unanimously approved.

- Presentation by O'Connor & Drew P.C. – Audit of Charter Oak State College and Connecticut Distance Learning Consortium for the Fiscal Year ended June 30, 2012

Cliff Williams, CFO, Charter Oak State College
Lawrence Wilkinson, Director of Finance, Charter Oak State College
Steve Cohen, Principal, O'Connor & Drew P.C.

Messrs. Williams, Wilkinson and Cohen joined the meeting at 9:55 a.m.

Mr. Cohen provided Committee members with an overview of the audit of Charter Oak State College and Connecticut Distance Learning Consortium for FY2012. They indicated they had been given full and complete access to the books, records and staff. O'Connor and Drew will issue an unqualified or "clean" opinion for FY12, with two recommended adjustments and no findings of either material control weaknesses or significant deficiencies.

Acceptance of the FY2012 Financial Statements for Charter Oak State College and the Connecticut Distance Learning Consortium was unanimous. Motion, Donofrio: Second, Pollard.

- Appointment of PriceWaterhouseCoopers as external audit for the audits of the state universities and the community colleges for fiscal year ended June 30, 2013.

CFO William Bowes indicated that one of the responsibilities of the audit committee is to appoint external auditors. PriceWaterhouseCoopers (PWC) is currently under contract with the board to provide audit services for the state universities. Because of the exceptional service provided by PWC and its knowledge of current issues within the ConnSCU system, Mr. Bowes recommended that PWC be appointed to provide the services for the next audit and that the community colleges be brought into the current state university agreement. By doing so, PWC would agree to hold fees constant for two more years for the community colleges, thus generating some savings for the system. Mr. Bowes did not recommend including Charter Oak State College (COSC) in this agreement due to the price quoted by PWC. He stated that COSC would either renew the agreement with the current audit firm, or rebid the agreement with appointment of the external auditor to be approved by the audit committee at the June meeting.

Appointment of PriceWaterhouseCoopers as external auditor for the audits of the state universities and the community colleges for fiscal year ended June 30, 2013 was unanimous. Motion, Donofrio: Second, Pollard.

Regent Pollard requested that the staff provide additional information to ensure that including the community colleges within the current state university agreement is in accordance with state regulations.

The meeting was adjourned at 10:45 a.m. on a motion by Regent Donofrio, seconded by Regent Pollard.

ITEM

Community College Foundations - Annual Foundation Report to the BOR for Fiscal Year 2012

The annual submission from each college for their foundation requires very specific reporting on the following items:

- Policy - Changes
- Foundation Governance & Relationships with the Institution - Changes (including updated list of members and contact info)
- Written Agreement with the College - Changes
- Administration & Foundation Operating Resources
- Payments to state Employees
- Foundation Staff Salaries and Benefits
- Changes to Policy on Investment Income & Restricted Funds
- President's verification on Solicitation and Confidentiality
- Use of College Facilities & Resources
- Reimbursement of College Resources
- Endowment Matching Grant Program – Financial Info
- Annual Audit or Financial Statements – Including letter from President and CFO and Foundation Assurances

A more complete description of the above items can be found in the “Annual Foundation Report Explanatory Notes- Rev 2012”. This document along with the complete package submitted by each college to the BOR is available for review in electronic format.

BACKGROUND

Each of the twelve Connecticut Community Colleges has a related college foundation. The Foundations are considered Component Units of the colleges for reporting under GASB rules. A two year comparative and Combined Statement of Net Assets and Combined Statement of Revenues, Expenses and Changes in Net Assets for the Foundations are included in the colleges' annually published financial statements (FY12 package - ref. pages 20 & 22).

All foundation statement information is based on separately prepared foundation financial statements, which are audited as required by State statute (annually above a certain size, but not less than once every three years). Under Connecticut statutes and the previous Board of Trustees' policy requirements, various foundation information, including the foundation financial statements, is reviewed at a high level by each college's president and chief financial officer. BOR 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 community colleges' financial statements is materially correct.

ANALYSIS

The auditors' opinions state that the financial statements present fairly, in all material respects, the financial position of the Foundations as of June 30, 2012, (or December 31, 2011) and the results of its activities and changes in net assets and functional activity for the year ended in conformity with generally accepted principles in the United States. (Six foundations have fiscal years ending 6/30, and six have fiscal years ending 12/31.)

Financial Highlights

Norwalk CC Foundation continues to be the largest of the twelve foundations. Its net assets of \$24.3 million comprise 56% of the Foundations total net assets of \$43.4 million. The next two in order of size are Three Rivers and Manchester, each at 9% of the total or \$3.8 and \$3.7 million respectively. FY12 total net assets decreased 7% from the FY11 total of \$46.8 million. Some colleges were up and some down. Norwalk showed the largest dollar change with a decrease of \$4.1 million due primarily to its spending to support the college's new addition of the Center for Science, Health and Wellness complete in January of 2012.

FY12 (In thousands)					
School	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Assets Sum	% of Total
Asnuntuck	\$ 211	\$ 89	\$ 137	\$ 437	1%
Capital	105	303	778	1,186	3%
Gateway	65	2,135	317	2,517	6%
Housatonic	124	376	539	1,039	2%
Manchester	117	1,423	2,181	3,721	9%
Middlesex	39	94	293	426	1%
Naugatuck Valley	38	324	770	1,132	3%
Northwestern	-25	610	710	1,295	3%
Norwalk	950	7,630	15,690	24,270	56%
Quinebaug Valley	179	424	2,072	2,675	6%
Three Rivers	385	1,133	2,263	3,781	9%
Tunxis	206	177	538	921	2%
Grand Total	\$ 2,394	\$ 14,718	\$ 26,288	\$ 43,400	100%

The trend over the last ten years shows substantial growth in Net Assets with two reductions, \$7.2 million in FY09 and \$3.4 million in FY12.

In thousands											
Account	Condensed Title	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03
Asset	Cash & Cash Equiv	\$ 8,575	\$ 9,477	\$ 8,626	\$ 13,856	\$ 8,633	\$ 5,553	\$ 4,658	\$ 6,057	\$ 3,958	\$ 3,819
	Receivables	3,777	4,684	5,489	7,100	11,587	5,136	3,119	2,489	3,388	2,028
	Investments	33,433	34,786	31,252	22,129	30,165	22,894	18,873	15,785	12,422	8,823
	Other Assets	10	11	14	9	22	485	499	441	40	27
Asset Sum		45,795	48,958	45,381	43,094	50,407	34,069	27,150	24,772	19,808	14,697
Liabilities	Accounts payable and other liab	2,395	2,120	2,731	2,559	2,664	1,216	1,102	1,176	247	160
Liabilities Sum		2,395	2,120	2,731	2,559	2,664	1,216	1,102	1,176	247	160
Net Assets	Unrestricted	2,393	2,416	2,085	2,103	2,832	2,353	2,164	2,116	2,404	1,729
	Temp Restricted	14,720	18,485	15,284	14,480	19,863	8,100	4,749	4,614	4,584	3,515
	Perm Restricted	26,287	25,937	25,280	23,953	25,049	22,400	19,135	16,866	12,573	9,293
Net Assets Sum		\$ 43,400	\$ 46,838	\$ 42,650	\$ 40,535	\$ 47,743	\$ 32,853	\$ 26,049	\$ 23,596	\$ 19,808	\$ 14,697

STAFF REPORT**AUDIT COMMITTEE**

This matches up with the history on earnings. The \$21.6 million of revenue seen in the boom year of FY08 was followed by negative revenue in FY09. Comparatively modest revenue of \$5.3 million was realized in FY12, down from \$9.6 million in FY11.

In thousands											
Account	Condensed Title	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03
Revenue	Gifts and Grants	\$ 4,274	\$ 5,520	\$ 5,674	\$ 6,781	\$ 16,987	\$ 7,341	\$ 3,412	\$ 3,826	\$ 3,873	\$ 3,320
	State Matching Grant	-117	0	0	-1,878	932	178	484	691	588	144
	Special Events/Fundraisers	1,025	745	1,245	633	1,427	1,169	1,349	1,093	1,150	500
	Dividend & Interest Income	186	474	492	-87	568	346	247	183	151	99
	Other	-71	2,834	3,143	-6,752	1,712	2,018	932	1,106	1,813	-859
Revenue Total		\$ 5,297	\$ 9,573	\$ 10,554	\$ (1,303)	\$ 21,626	\$ 11,052	\$ 6,424	\$ 6,899	\$ 7,575	\$ 3,204
Expenses	Fundraising Expense	466	439	716	394	788	468	577	407	264	264
	Program Expense	5,682	2,369	4,509	3,026	3,643	1,777	1,665	821	764	509
	Financial Aid Expenses	1,799	1,548	2,376	1,614	1,604	1,000	939	969	758	716
	Administration & Other	787	1,029	840	780	700	1,003	791	662	765	1,118
Expenses Total		\$ 8,734	\$ 5,385	\$ 8,441	\$ 5,814	\$ 6,735	\$ 4,248	\$ 3,972	\$ 2,859	\$ 2,551	\$ 2,607
Change in Net Assets		\$ (3,437)	\$ 4,188	\$ 2,113	\$ (7,117)	\$ 14,891	\$ 6,804	\$ 2,452	\$ 4,040	\$ 5,024	\$ 597

RECOMMENDATION

The Audit Committee receive the Foundation's reports as required by Connecticut General Statutes and Board Resolution #01-68 as amended by Board Resolution #03-33.

06/12/2013 – BOR Audit Committee
 06/20/2013 – Board of Regents

EXPLANATORY NOTES FOR THE ANNUAL FOUNDATION REPORT TO THE BOARD OF REGENTS

Due Date on or before:

May 31 for foundation fiscal years ended December 31;
September 30 for foundation fiscal years ended June 30.

Send to: William Bowes, Chief Financial Officer, CT Board of Regents for Higher Education

Send: Two (2) copies of Annual Report and Six (6) copies of Audit/Financial Statement

The reporting checklist and these explanatory notes detail our responsibilities to comply with the Connecticut General Statutes and with the Board of Trustees Policies Governing Relationships with Private Foundations. It should be read in conjunction with the sample president's cover memo and annual report outline provided separately.

1. APPLICATION OF POLICIES

- A. **Official Identification.** The official name of the foundation, its date of incorporation, and its fiscal year (to be included in Cover Document).
- B. **Attachment 1-B: Articles of Incorporation.** Attach only if not currently on file in the System Office, or, if changes in the Articles have occurred in the previous year. If on file with no changes, please note this in the Cover Letter.

NOTE: The Board of Trustees will use these for its official recognition of the foundation and for the Chancellor's approval of the written agreement.

2. FOUNDATION GOVERNANCE AND RELATIONSHIPS WITH THE INSTITUTION

Nonvoting Members. Elections for the student and the faculty members shall take place no later than October 31 of the election year. By November 1, the election results shall be reported to the Board of Regents.

NOTE: Student and faculty members must be elected at a time when all students and all faculty can vote. For example, voting only by student government officers or by a faculty committee will not comply with the law. The foundation bylaws may provide that the college president, student, and faculty member may be voting members.

Attachment 2-A: Membership List. Updated list of the members and officers of the foundation governing board, including those members required by Board policies.

NOTE: The foundation may choose to have other college-related members on its governing board in addition to those members required by subsection "B" of the policies. The bylaws may provide that these required members of the foundation be voting members.

Attachment 2-B: Conflict of Interest. Note on Cover Document indicating where it is included (may be included in any of the following but should include a process to ensure that any potential for conflict of interest is avoided in foundation operations and transactions and in the relationship between the foundation and the college.

Colleges may choose to include the conflict of interest provision in:

- Foundation Bylaws
- Written Agreement
- Administrative Guidelines
- Other similar document

Attachment 2-C: Foundation Contact Information. The names and phone numbers for:

- the College Dean or Director of Development
- the Foundation's President
- the Foundation's Treasurer
- a contact for the Foundation's auditing firm (for the purpose of dealing with auditing questions)

3. WRITTEN AGREEMENT

Attachment 3-A: Written Agreement. Attach only if changes have been made in the last year. Note on the cover letter if an agreement is on file or if a new agreement is attached. Attach the new agreement if one has been made. Please note the following requirements for the written agreement.

NOTE: The written agreement affirms the relationship between the college and the foundation, as defined by Board policy. The agreement must address the six required provisions listed below and may include other provisions.

- 1) *use of facilities and resources,*
- 2) *protection from liability,*
- 3) *reimbursement for expenses,*
- 4) *dissolution of the foundation,*
- 5) *protection for employees, and*
- 6) *investment and spending policies.*

The written agreement will not need to be renewed annually. It will remain in effect until such time as any of its provisions are changed by the college and the foundation and subsequently approved by the Board of Regents or until its provisions are required to be amended by Board policy or legislative revisions.

Colleges and foundations may choose to detail elements of any or all the required provisions, e.g., naming specific office space, records, or services. These details also can be included in other documents like bylaws or administrative guidelines developed by the college and the foundation. In drafting their written agreements, colleges and foundations can be guided by the following points:

- a. The conflict of interest provision may be detailed in the agreement or appended to it. If the written agreement includes only reference to the conflict of interest provision required by Board policy (II.D.), then the reference must specify the document (bylaws, guidelines, manual, etc.) where the Board can verify that a process exists to ensure that any potential for conflict of interest is avoided.*
- b. A procedure must exist for the disposition of the financial and other assets of the foundation if it ceases to be a foundation (III.D.) The procedure may be part of the agreement or detailed in another document specified in the agreement.*

- c. *If the foundation employs part-time or full-time staff, it must have a written policy which protects employees who disclose corruption, unethical practices, etc.*
- d. *The foundation must have investment and spending policies.*

4. ADMINISTRATION AND FOUNDATION OPERATING RESOURCES

Attachment 4-A: Payments to State Employees. Annual report of payments to state officers or employees (i.e. to individuals, not to the college itself) from a foundation account for any purpose. The report will show the amounts disbursed and the purposes for which they were used by the officer or employee for whom written approval of the President was granted as well as the grand total value of all such payments made during the fiscal year being reported.

NOTE: The annual report from the President to the BOR of payments to officers or other employees of the state must certify that those named in the report had received written approval from the President. Such certification must show the:

1. *name and title of the officer or employee;*
2. *amount and purpose of the disbursement;*
3. *date of approval; and*
4. *appropriate notations, if any.*

Suggested reporting format:

"As President of _____ Community College, I certify that during the period from _____ to _____ the following officers of the college or other employees had my written approval to receive a salary, fee, or loan or any compensation or other thing of value from the foundation or to withdraw funds from a foundation account:

Examples:

1. *Joan Caputo, Learning Center Coordinator (10/16/03) Reimbursement of registration fee for the ABC Regional Conference \$135.00*
2. *Thomas Rosado, Business Manager (05/27/03) Writing an investment policy manual for the XYZ Foundation * \$500.00*

** Work completed on personal time."*

Attachment 4-B: Foundation Staff Salaries and Benefits. Verification by the President that the salaries, benefits and expenses of officers and any employees of the foundation have been paid solely by the foundation during the fiscal year being reported.

NOTE: This provision ensures that state funds are not used to pay for foundation staff salaries and benefits.

Attachment 4-C: Investment Income and Unrestricted Funds. Verification by the President that the Foundation has an approval process to authorize and to change the use of investment income and unrestricted funds. Verification may appear in a letter, foundation bylaws, administrative guidelines, investment and spending policies, or other similar document. If a document including the approval process is already on file, and there are no changes, note of the President's verification of the process should be made on the Cover Letter indicating where the approval process to authorize and change use of investment income and

unrestricted funds is located. (Name the document.) If the foundation has changed its policies or guidelines regarding the allowable uses of investment income and/or unrestricted funds during the fiscal year being reported, include a copy of the new language describing the permitted uses.

NOTE: Investment income and unrestricted funds may be used to defray foundation operating costs, including fund raising, but each such use shall follow the approval process.

Attachment 4-D: Solicitation and Confidentiality. Assurance by the President (i) that all solicitation for the foundation clearly and conspicuously discloses that donations are to be provided to the foundation and not to the college, and (ii) that donors know at the time of solicitation that their identity may be kept confidential if so requested in writing.

NOTE: Whether verbal or written, solicitations must disclose that donations will be provided to the foundation and that there is a way for donors to remain anonymous. The President's assurance may appear in a letter, foundation bylaws, administrative guidelines, or other similar document. Just note it in the cover letter and name the document.

Attachment 4-E: Use of College Facilities and Resources. Annual description of the unreimbursed use by the foundation of college resources during the fiscal year being reported, including but not limited to identification of staff support, and description of office space, college equipment, information technology services, and other office services utilized for the conduct of foundation business and paid for by the college.

NOTE: This provision demonstrates that college expenses incurred as a result of foundation operations are minimal expenses that would otherwise have occurred regardless of foundation operations and thus are within the permissible level as allowed by state statute.

Attachment 4-F: Reimbursement of College Expenses. Annual report of the reimbursed expenses incurred by the college as a result of foundation operations, listing the specific purpose(s) and total amount reimbursed by the foundation for the fiscal year being reported.

NOTE: This provision identifies those college expenses incurred as a result of foundation operations which would not otherwise have been incurred by the college, and demonstrates compliance with state statute which requires such costs to be reimbursed by the foundation to the college.

5. ENDOWMENT MATCHING GRANT PROGRAM

In addition to the financial statement or audit (# 6 below), the college should forward copies of the following documents:

Attachment 5-A: Memorandum of Understanding (MOU) between college and foundation regarding the matching grant program, unless it is currently on file and unchanged.

Attachment 5-B: Foundation endowment investment policy, unless it is currently on file and unchanged.

Attachment 5-C: Supplemental Information for the System's Finance Department and auditors related to the State endowment matching grant program's revenues, expenses, assets, liabilities, and net assets. The information should be included on the two excel sheets provided, titled:

1. Endowment Matching Grant Program - Supplemental Information – Statement of Financial Position [“Supp Info-EMG – Net Assets”] – **Attachment 5-C-1**

2. Endowment Matching Grant Program—Supplemental Information – Statement of Activities [“Supp Info-EMG – Activities”] – Attachment 5-C-2

6. ANNUAL AUDIT or FINANCIAL STATEMENTS

Full Audit. A foundation which has in any of its fiscal years receipts and earnings from investments totaling \$100,000 per year or more shall have completed on its behalf for such fiscal year a full audit of the books and accounts of the foundation by an independent certified public accountant.

Each audit shall be conducted in accordance with generally accepted auditing standards and shall include

1. The financial statements themselves,
2. A management letter from the foundation’s auditors to the foundation, which addresses any internal control deficiencies or other audit suggestions for the foundation’s consideration, along with a copy of the foundation’s written response to its auditors on the issues raised, and
3. An audit opinion which addresses the foundation’s compliance with relevant Connecticut statutes (C.G.S. 4-37E through 4-37i), and recommends any corrective actions needed to ensure such compliance. A copy of C.G.S. 4-37e-4-37i is attached for information.
4. In addition, the audit report shall disclose the receipt or use by the foundation of any public funds in violation of these policies or of any relevant general statutes.

NOTE: The full audit must include a management letter which addresses foundation internal control issues and an audit opinion which addresses the compliance of the operating procedures of the foundation with Connecticut statutes and recommends any corrective actions to ensure such compliance.

Financial Statement. A foundation which has receipts and earnings from investments totaling less than \$100,000 in each fiscal year during any three of its consecutive fiscal years beginning October 1, 1986, shall have completed on its behalf for the third fiscal year a full audit of its books and accounts by an independent certified public accountant. For each fiscal year in which an audit is not required, the foundation shall send unaudited financial statements to the President for forwarding to the CFO of the Board of Regents.

For the fiscal year to which it applies, each financial statement, whether audited or unaudited, shall include

1. the total receipts and earnings from investments of the foundation and
2. the amount and purpose of each receipt of funds by the college from the foundation.

NOTE: If receipts and earnings from investments total less than \$100,000 during each of the two consecutive years prior to the full audit requirement, then the foundation will prepare an annual financial statement for each of those two years.

Each financial statement shall include the total receipts and earnings from investments of the foundation and the amount and purpose of each receipt of funds by the college from the foundation. This requirement may be met by reflecting the value as “Support to the college” within the foundation’s Statement of Activities. This value should be reconcilable to college financial records that record the receipt of such support from the foundation, normally as private gift or grant receipts/ revenue.

In general, basic financial statements are a fair presentation of the financial position and results of operations of the foundation in conformance with GAAP. Basic financial statements include assets, liabilities, fund balances, changes in fund balances, an “all inclusive” operating statement, and any notes.

Attachment 6-A: Audit Report Cover Transmittal Letter. In both cases, the President shall confirm in writing to the CFO of the Board of Regents that the President reviewed the report with the chief fiscal officer at the college and that to the best of the President's knowledge and belief, the report accurately reflects the fiscal operations and the management relationships between the college and the foundation for the audit or the financial statement period and that the audit report or unaudited financial statements include all required components as outlined above. (See Sample Cover Letter for Audit).

Attachment 6-B: Six (6) copies of the Audit Report or Financial Statements shall be included in the package to the system office.

NOTE: The President's review and written confirmation of the full audit or the financial statements with the chief fiscal officer at the college affirm that to the President's best knowledge and belief the report meets all requirements and accurately reflects the fiscal operations and the management relationships between the college and the foundation.

Colleges will send their foundation audit reports or financial statements directly to the System Office for review and subsequent distribution to the State Auditors of Public Accounts.

Attachment 6-C: Foundation Assurances. In order to assist the Board of Regents in meeting its statutory and fiduciary oversight responsibilities with respect to foundation activities, there is required additional assurances on an annual basis from the foundation's management and/or board. Attachment 6-C must be completed and signed by an authorized official of the foundation (not by its auditor) and submitted as part of the annual report to the BOR.

NOTE: Colleges have statutorily mandated oversight responsibility with respect to foundation compliance with applicable state statutes. College foundations are also included as component units within the Board of Regents' annual audited financial statements as required by GASB. These assurances are required by the Board as part of management's due diligence under its statutory and fiduciary oversight responsibilities with respect to foundation activities and issues that could impact financial reporting.

[Revised 5/07; 7/08; 12/09; 7/2012]

- 1) Supplemental Information-Endowment Matching Grant Program-Net Assets—
Attachment 5-C-1
- 2) Supplemental Information-Endowment Matching Grant Program-Activities —
Attachment 5-C-2

6. ANNUAL AUDIT or FINANCIAL STATEMENTS

- A. The transmittal letter from the President affirms the President's review with the college's chief financial official of the audit report or financial statements.
- B. Enclosed please find the financial statements. Six (6) copies of the full audit report for the year ending June 30, 2012, containing all of the required components will be sent under separate cover.
- C. **Attachment 6-C** contains additional foundation assurances signed by an authorized official of the college foundation for the fiscal year being reported.

ATTACHMENT 2-A

Tunxis Community College Foundation and Advisory Board, Inc. ROSTER OF OFFICERS AND DIRECTORS (As of June 30, 2012)

President
Vice-President
Secretary/Treasurer
Immediate Past President

Frank Johnson
Timothy Fitch
Gene F. Prentiss
John Smith

DIRECTORS

Elizabeth Boukus (2014)
43 Hollyberry Lane
Plainville, CT 06062
860-747-3366
betty.boukus@cga.ct.gov

Bryan Bowerman (2012)
15 Bailey Court
Farmington, Connecticut 06032
860-677-1607
Bpbowerman42@yahoo.com

David Brantner (2013)
VP, Group Strategy and Development
Pratt & Whitney, UTC
400 Main Street MS/105-37
East Hartford, CT 06108
860-557-4590
david.brantner@pw.utc.com

James Buccheri (2013)
37 Southborough Road
Southington, CT 06489
860-808-6161
jbuccheri@cox.net

Robert Ciraco (2013)
Farmington Savings Bank
32 Main Street
Farmington, CT 06032
860-409-7420
roc@fsbct.com

Angela DeFelippi (2013)
Monarch Jewelers
838 Farmington Avenue
Farmington, CT 06032
860-679-7700
angela@monarchjewelers.com

S. Douglas Devnew (2013)
VP Finance and Administration
TRUMPF Inc.
111 Hyde Road
Farmington, CT 06032
860-255-6514
doug.devnew@us.trumpf.com

Jeff Durham (2013)
Cashman-Katz Integrated
Communications
76 Eastern Boulevard
Glastonbury, CT 06033
(860) 652-0300
jeffd@cashman-katz.com

Timothy M. Fitch (2012)
35 Fieldstone Run
Farmington, CT 06032
860-678-8928
tmfitch@comcast.net

Arthur Funk, President (2012)
Fourslide Spring & Stamping, Inc.
P.O. Box 839
Bristol, CT 06011-0839
860-583-1688 (ext. 14)
artfunk@fourslide.com

John Gallant, Vice President (2013)
Service Operations, Group Benefits Division
Hartford Life Global Operations / Technology
The Hartford
200 Hopmeadow Street,
Simsbury, CT 06089
(860) 624-0345
john.gallant@hartfordlife.com

Elizabeth S. Giannaros (2012)
56 Basswood Road
Farmington, CT 06032
860-674-9543
egiannaros@comcast.net

Nancy Grassilli (2014)
14 Newport Avenue
West Hartford, CT 06107
(860) 521-7833
nancygrass@aol.com

Edward Hammett (2013)
Director, Human Resources
Northeast Utilities Service Company
P.O. Box 270
Hartford, CT 06141-0270
860-665-3327
hammees@nu.com

Dr. Del P. Higham (2012)
40 Sexton Hollow Drive
Canton, CT 06019
860-693-6200
dphigham@comcast.net

Jack Hines (2012)
First Bristol Federal Credit Union
25 North Street
Bristol, CT 06010
860-584-0956, ext. 123
jhines@firstbristol.org

Frank Johnson, President (2012)
Manufacturing Alliance of Connecticut
173 Interstate Lane
Waterbury, CT 06705
203-596-1900 (ext.6) FAX 203-596-0570
fjohnson@mact.org

William Millerick, Exec. Director (2011)
New Britain Chamber of Commerce
One Court Street
New Britain, CT 06051
860-229-1665, Ext. 14 FAX 223-8341
bill@newbritainchamber.com

James (Jay) Murdick (2014)
Vice President/Senior Commercial Loan
Officer
Thomaston Savings Bank
203 Main Street
Thomaston, CT 06787
860-283-1874
jmurdick@thomastonsavingsbank.com

Alan Nasson (2012)
272 Gracey Road
Canton, CT 06019
Office: (860) 584-5601
Cell: (203) 841-9302
Alan.Nasson@wal-mart.com

Linda DiMatteo (2013)
Executive Assistant to the President &
Administrator
Central CT Chambers of Commerce/
Greater Bristol Chamber of Commerce
200 Main Street
Bristol, CT 06010
860-584-4718
l.dimatteo@CentralCTChambers.org

Chuck Pagano (2014)
Executive Vice President & Chief
Technology Officer
ESPN
ESPN Plaza
Bristol, CT 06010
860-766-2286
Chuck.Pagano@espn.com

Gene F. Prentiss (2012)
Gene F. Prentiss and Company, P.C.
P.O. Box 574
Bristol, CT 06010
860-582-8555
gene.prentiss@snet.net

Michael S. Rivers (2013)
VP, Tracy, Driscoll & Co., Inc.
P.O. Box 2060
Bristol, CT 06011-2060
860-314-4582
mrivers@tracy-driscoll.com

Theodore Scheidel (2012)
200 Spielman Highway, Rt. 4
Burlington, CT 06013
860-585-4002
adminassist@plymouthct.us

Ahmed Shaher
Vice President & Actuary
American General Life Companies
1690 New Britain Avenue
Farmington, CT 06032
860-507-2826
Ahmed.Shaher@americangeneral.com

John Smith (2012)
103 Tuttle Road
Bristol, CT 06010
860-589-0767
jsmith@nebankct.com

Helen G. Sneed (2013)
Director of Human Resources| Meredith
Corporation
WFSB & WSHM
333 Capital Boulevard
Rocky Hill, CT 06067
860-244-1690
helen.sneed@wfsb.com

Scott Speaker (2014)
Chief Enterprise Architect Information
Technology
Gen Re
11 Sunrise Drive
Oxford, CT 06478
203.231.4895 (C)
scott.speaker@genre.com

Atty. Salvatore Vitrano (2012)
135 West Street
Bristol, CT 06010
860-584-2800
svvvpw@yahoo.com

Robert J. Voight (2014)
8 Arrowhead Court
Avon, CT 06001
860-677-8998
rvoight@yahoo.com

Eliot M. Weissberg (2013)
70 East Main Street, PO Box 1447
Avon, CT 06001
860-677-8808
eliotw@theinvestorscenter.com

Foundation Staff

Jennifer Destefani
TX-Foundation@txcc.commnet.edu
860-255-3602 (o) 860-209-2069 (c)

College Representatives

Dr. Cathryn Addy (ex-officio)
President, Tunxis Community College
860-255-3600
caddy@txcc.commnet.edu

Lynn Laskowski (2013)
(Faculty Representative)
Associate Professor of Biology
860-255-3755
LLaskowski@txcc.commnet.edu

Terry Cassidy (2013)
(Faculty Representative)
Assistant Professor of English
860-255-3705
TCassidy@txcc.commnet.edu

Robert Smith (2013)
(Faculty Representative)
Assistant Professor of Biology
860-255-3614
RSmith@txcc.commnet.edu

Carol Mahmood (2013)
(Faculty Representative)
Professor of English
860-255-3665
CMahmood@txcc.commnet.edu

David England (2013)
(Staff Representative)
Dean of Institutional Effectiveness and
Outreach
860-255-3498
DEngland@txcc.commnet.edu

Helen Lozada (2013)
(Alumni Association Representative)
Tunxis Financial Aid Staff Member
860-255-3511
HLozada@txcc.commnet.edu

Matt Rodziewicz (2012)
Student Representative
860-637-0294
RodziewiczM@comcast.net

**TUNXIS COMMUNITY COLLEGE
FOUNDATION AND ADVISORY BOARD, INC.
FARMINGTON, CT 06032**

**FOUNDATION BYLAWS
(Revised as of June 15, 2012)**

ARTICLE I. MEMBERSHIP

Section 1. Membership in the Tunxis Community College Foundation and Advisory Board, Inc. (hereinafter known as the Foundation), shall be open to any person who supports the goals and purposes of the Foundation and who meets all of the requirements for maintaining membership, including the payment of dues and assessments, as may be prescribed by these Bylaws, the membership, or the Foundation Board of Directors.

Section 2. Any member in good standing may propose individuals for membership on the Foundation according to the process established by the Board Development Committee.

Section 3. Any member may terminate membership by resignation in writing. The Board of Directors may, by recommendation of the Executive Committee, terminate the membership of any person, who, in the opinion of the Board, shall have ceased to be active in carrying out the purposes for which the Foundation was organized. Because participation in board meetings is considered vital to the achievement of the Foundation's mission, three unexcused absences per fiscal year from board meetings may result in termination of membership.

Section 4. Each member shall pay annual dues in an amount as may be adopted by the membership at each year's Annual Meeting. The membership year shall begin on July 1st and end on June 30th of the following year. Persons joining between January 1st and June 30th of any year shall have their dues applicable through June 30th of the following year.

ARTICLE II. BOARD OF DIRECTORS

Section 1. The property and affairs of the Foundation shall be managed by a Board of Directors consisting of a maximum of thirty-nine (39) voting members elected as described in the subsequent Sections of this Article, and non-voting members as subsequently described. The Board of Directors will always include in its membership representatives from the College Faculty, the Alumni Association, and Student Body.

Section 2. Board membership begins immediately after the adjournment of the Annual Meeting at which a member is elected. Members shall serve a three-year term with option to renew based on mutual agreement. Four (4) college faculty, elected by the Professional Staff Organization (PSO), will serve for two-year terms. The college president will recommend one (1) college staff member to serve a two-year term. The Alumni Association Board of Directors will elect one (1) representative to serve for a two-year term. The student representative must be enrolled at the College and will be elected by the Student Government Association for a one-year term.

Section 3. The Foundation governing board shall have the following non-voting members:

- a. The President of the College, or his/her designee;
- b. The Chief Development Officer of the Foundation ; and
- c. The student representative.

Section 4. Members equaling no less than ten (10) of the current voting Directors shall constitute a quorum at meetings of the Board of Directors. Each voting member of the Board shall have one vote at meetings of the Board. Voting shall be via voice, and the minutes of meetings shall not show specific votes for or against a motion but only whether or not the motion was carried...Voting may be conducted by telephonic or electronic means in accordance with the relevant provisions of the Connecticut general statutes.

Section 5. The Board of Directors shall meet at least five (5) times annually, or at the call of the President, except that any four Directors shall have the power to request that a meeting be called, which meeting shall be held within fifteen (15) days of the date the call for said meeting shall be issued.

Section 6. The Board of Directors shall have power to fill, by majority vote of those present, at a meeting called for said purpose, any vacancy occurring among voting Directors until the next Annual Meeting.

Section 7. Membership List: The Board of Directors of the Foundation shall file annually an updated list of its members and officers with the College President and the Board of Trustees for Community-Technical Colleges.

Section 8. Conflict of Interest: The Foundation Board shall avoid and ensure that any potential for conflict of interest be avoided in Foundation operations and transactions and in the relationship between the Foundation and the College. Policy and guidance is contained in the Board's Conflict of Interest and Code of Conduct Policy which each board member will sign annually.

ARTICLE III. OFFICERS

Section 1. At the Annual Meeting, the Board of Directors shall elect, by majority vote, four of its members to serve as the President, 1st Vice President, 2nd Vice President and Secretary-Treasurer of the Foundation. The terms of office for these officers shall be for two years, starting immediately upon election with the option to seek re-election for one additional term

Section 2. The President shall preside at all meetings of the members and of the Board of Directors, and shall have general direction of the affairs of the Foundation.

Section 3. The Vice President shall take the place of the President in the absence, resignation, or incapacitation of same, and shall perform such other duties as may be delegated by the Board of Directors.

Section 4. The Secretary-Treasurer shall keep a record of the proceedings of all meetings of the members and of the Board of Directors. He/she shall receive, keep, and disburse cash and funds of the Foundation in such manner as shall be prescribed by the Board of Directors and in compliance with Article V and shall perform such other duties as may be delegated by the Board of Directors. The accounts shall be open at all reasonable times to the inspection of members and Directors.

ARTICLE IV. COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. There shall be five (6) permanent standing committees of the Board of Directors, as prescribed in Section 1 of Article IV. The President will appoint all committee chairs who will choose members of their respective committees. The Board of Directors will ratify the list of members for each committee who will serve for one year or until a successor committee shall have been appointed. Specific responsibilities are detailed in the complete description of each committee. Those committees and their major responsibilities and composition are:

Executive Committee: Provides general administrative oversight of the Foundation, subject to such limitations as the board of directors by resolution may provide and will act in the capacity of, and with the authority of, the full Board of Directors when it is impossible or impractical for the Board to meet. The committee will consist of the president, vice president, secretary/treasurer, chairs of the permanent standing committees, and the immediate past president of the board. The college president and the chief development officer will serve as ex officio, non-voting members. The president of the board will chair the Executive Committee. A majority of those on the committee will constitute a quorum to transact business.

Finance Committee: Manages the Foundation's finances and develops the annual budget for approval by the board of directors. The committee will consist of the Foundation's secretary/treasurer and three other board members. As conditions warrant, the president may appoint no more than two non-board members to this committee. The chair of this committee must be a board member. A majority of those on the committee will constitute a quorum to transact business.

Scholarship Committee: Carries out the Foundation's scholarship program by working with the college Financial Aid Office, in accordance with board policies. The committee will consist of no more than five board members and no more than four non-board members. At least one of these members must be from the college Financial Aid Office. The chair of this committee must be a board member. A majority of those on the committee will constitute a quorum to transact business, but must include at least one board member.

Board Development Committee: Guides board recruitment, membership nominations, member orientation, education, and evaluation in accordance with the bylaws of the Foundation as well as with policies and practices approved by the board. The chair of this committee must be a board member.. At least three other committee members shall be members of the board, subject to the conditions of membership stated in the bylaws. A majority of those on the committee shall constitute a quorum to transact business.

Donor Engagement Committee: Creates and enhances fund raising activities of the Foundation. The committee will consist of no fewer than four board members and no more than two non-board members. Composition of any sub-committees must have a majority of board members and a minority of non-board members. The chair of this committee must be a board member. A majority of those on the committee will constitute a quorum to transact business.

Marketing Committee: Develops and implements a strategic program to ensure the message of the foundation reaches current and potential supporters. The committee will consist of no fewer than six members, the majority of whom will be board members. The chair of this committee must be a board member. A majority of those on the committee will constitute a quorum to transact business.

Section 2. The President will establish a Gift Review Committee and appoint the committee chair who will choose members of the committee for subsequent ratification by the board of directors. The committee will consist of no fewer than three Directors as well as the College President as a non-voting member, and the Foundation staff member as a non-voting member and convener. The chair may choose other volunteers or employees of the College as advisors on an ad hoc, non-voting basis who have special expertise that may be needed in order to make a decision on whether or not to accept a specific gift.

Section 3. The President may at his/her discretion or upon a motion of the Board of Directors, appoint such other committees for special purposes as the need arises.

ARTICLE V. FINANCES

Section 1. The fiscal year of the Foundation shall be from July 1 to June 30, corresponding with the fiscal year of the College.

Section 2. Any unbudgeted expenditure or transfer in excess of five thousand dollars (\$5,000) shall require Board of Directors' vote. Checks over one thousand dollars (\$1,000) must bear the signatures of two authorized signatories which shall be board members and/or chief development officer.

Section 3. The Finance Committee will review the board's investment and spending policies annually. Finance Committee members will recommend updates and changes to the Executive Committee for action by the board of directors, as may be necessary.

ARTICLE VI. ANNUAL MEETING

The Annual Meeting of the members of the Foundation shall be held during the month of June or any time within 75 days of the end of the fiscal year. At least seven (7) days notice shall be given to all members of the date, location and agenda of the meeting.

ARTICLE VII. WHISTLE-BLOWER PROTECTION POLICY

In compliance with state law (Sec. 4-37j), which is included among statutes that govern the relationships between state institutions of higher education and the foundations that support them, the Foundation affirms that it will (1) investigate any matter involving corruption, unethical practices, violation of state laws or regulations, mismanagement, gross waste of funds, abuse of authority or danger to the public safety occurring in the Foundation; (2) prohibit any officer or employee of the Foundation from taking or threatening to take any personnel action against any Foundation employee who transmits information concerning any such matter; (3) provide that any Foundation employee who is found to have knowingly and maliciously made false charges concerning any such matter under subdivision (1) of this section shall be subject to disciplinary action by the employee's appointing authority, up to and including dismissal; and (4) provide a copy of this policy to its employees and to periodically notify the employees of the existence of this policy.

ARTICLE VIII. AMENDMENTS

These Bylaws may be amended by a majority vote of the Board of Directors at a meeting called for that purpose, or at an Annual Meeting of the Foundation. In either case, there will be a first reading of the recommended changes with a vote taken at the next regularly scheduled meeting of the board. Amending may also be accomplished by written or electronic vote. A written copy of the proposed amendment(s) must be submitted with the call of the meeting as well as by written or electronic vote.

ARTICLE IX. DISSOLUTION OF THE FOUNDATION and DISTRIBUTION OF ASSETS

Section 1. No part of the income, or of the assets, of the Foundation shall ever be distributed to its Officers or Directors.

Section 2. Upon dissolution of the Foundation, the assets remaining after payment of all liabilities shall be transferred to the institutional Welfare Fund of Tunxis Community College. All Foundation records shall be retained by the College and shall not be deemed to be public records and shall not be subject to disclosure pursuant to the provisions of Section 1-19 of the Connecticut General Statutes, to the extent such non-disclosure is allowed by law.

Previous Revisions:

August 26, 1997 (First Version after Merger of Two Boards)

November 11, 1997 (Page 1 modified, see Para. 2 of above)

January 8, 1998 (Approved by membership of the Foundation and Advisory Board, Inc.)

June 26, 2003 (Approved by membership of the Foundation and Advisory Board, Inc.)

June 2, 2005 (Approved at the Annual Meeting)

June 16, 2006 (Approved at the Annual Meeting)

November 21, 2008 (Approved by membership of the Foundation and Advisory Board, Inc.)

June 18, 2010 (Approved by membership of the Foundation and Advisory Board, Inc.)

June 15, 2012 (Article III. Officers and Article VI. Annual Meeting modified - Approved at the Annual Meeting)

ATTACHMENT 2-C**FOUNDATION CONTACT INFORMATION
For the Annual Report to the Board of Regents**

	Name	Telephone
Director or Dean of Development	Jennifer Destefani, Executive Director	860-255-3604
Foundation President	Frank Johnson	203-596-1900 Ext. 6
Foundation Treasurer	Gene Prentiss	860-582-8555

Auditing Firm:	<u>Firm Name:</u> Costello Company, LLC	<u>Firm Address:</u> 15 Wall Street, Hebron, CT 06248
	<u>Contact Name:</u> Charles T. Costello, CPA	<u>Telephone:</u> 860-228-2822

ATTACHMENT 4-A

**Payments to State Employees
For the Annual Report to the Board of Regents**

During the period from July 1, 2011 to June 30, 2012, there is no report of state officers or employees of the college receiving a salary, fee, or loan or any compensation or other thing of value from the foundation:

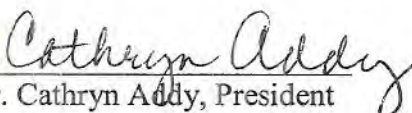
Cathryn Addy
Dr. Cathryn Addy, President
Tunxis Community College

9-27-12
Date

ATTACHMENT 4-B

**Foundation Staff Salaries and Benefits
for the Annual Report to the Board of Regents**

The college President verifies that the salaries, benefits and expenses of officers and employees of the foundation were paid solely by the foundation, as affirmed in writing with the foundation.


Dr. Cathryn Addy, President
Tunxis Community College

9-27-12
Date

ATTACHMENT 4-C

Investment Policy Tunxis Community College Foundation and Advisory Board, Inc. ("The Foundation") November 21, 2008

Introduction

The following is a statement of general investment objectives and policies that should serve as a guideline for the investment of the assets of The Foundation - other than those assets that are invested according to specific directions from a donor.

These policies are subject to change after consideration by the Finance Committee and approval by the Board of Directors.

The Foundation Finance Committee subscribes to what has come to be known as the "Prudent Investor Rule". Among its key provisions this rule states that:

- a) By adopting the concept of total return, a foundation may spend part of the realized and unrealized net appreciation of an endowment fund (i.e. within prudent limits, capital appreciation may be spent the same as ordinary income would be).
- b) Inflation must be taken into account.
- c) While no investments are considered to be per se prudent or imprudent, investments must be looked at within the context of the whole portfolio and the overall investment strategy.
- d) Foundations are permitted to delegate investment decisions to outside investment managers and to pay for investment advisory and management services. But, those costs should be reasonable relative to the services provided.

Objectives

The primary investment goals of The Foundation are as follows.

1. Maintain sufficient liquidity to satisfy near-term cash flow needs.
2. Achieve a total return (income and appreciation) that keeps pace with inflation over a full market cycle (3-5 years or longer). This will allow the scholarships and various program funding to maintain their purchasing power.
3. Assume no more risk than is required to achieve objectives # 1 and #2 above.

Investment Guidelines

- Invested assets should be limited to FDIC- insured bank accounts, mutual funds (or other professionally-managed, diversified funds) or U.S. Government debt instruments (bills, notes, bonds).
- Bank accounts and money market funds will be used to provide for the liquidity needs of the portfolio. The assets kept in these cash or cash equivalents will be at least enough so that, when added to the expected cash flow for the year, the total will be sufficient to cover the next 12 months' expected operating expenses.

- Fixed-income investments will be used to generate income and to reduce the volatility of the value of the portfolio.
- Equity investments will be used to provide greater appreciation of principal. These should comprise no more than 50% of the total assets.
- The asset portfolio should be diversified:
 - (1) by asset class (e.g., equities, fixed-income, and cash equivalents) and,
 - (2) within asset class, other factors such as economic sector, industry, quality, market capitalization etc.

The purpose of diversification is to reduce the adverse impact that any single security or class of securities might have on the total performance of the portfolio.

- The Foundation will not purchase any asset that would jeopardize the tax-exempt status of the Foundation or incur penalty taxes under the Internal Revenue Code.
- The Foundation will not purchase securities on margin; sell short; trade commodity futures; purchase or sell puts or calls or other options contracts.

Monitoring and Review

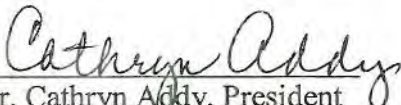
The Finance Committee is responsible for providing oversight of the investment portfolio, as authorized by the Board of Directors. In that capacity, it will:

1. develop and, as needed, recommend changes to the investment policy of The Foundation
2. at least quarterly, review the performance of each asset manager relative to factors including, but not limited to:
 - a. how consistent their investments were relative to the stated fund objectives and/or any specific directives given to the manager by The Foundation
 - b. how the actual return generated compared to the performance benchmark established by the Finance Committee
3. at least annually, make recommendations to the Executive Committee as to how the portfolio should be invested.

ATTACHMENT 4-D

**SOLICITATION AND CONFIDENTIALITY
For the Annual Report to the Board of Regents**

The college President verifies compliance with Board of Trustees policies about clear disclosure during donor solicitation for the foundation and about written requests for donor confidentiality.


Dr. Cathryn Addy, President
Tunxis Community College

9-27-12
Date

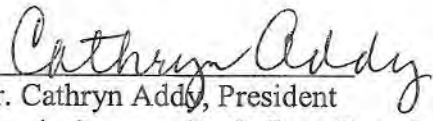
ATTACHMENT 4-E

USE OF COLLEGE FACILITIES AND RESOURCES For the Annual Report to the Board of Regents

The following describes the unreimbursed use by the foundation of college resources during the year reported:

- Office space, desk and chair
- Computer and IT support services as needed
- Staff support for administrative needs, development of flyers, publicity and materials

The college President verifies that related expenditures were minimal in nature and would have been incurred by the college even had such resources not been made available to the foundation.

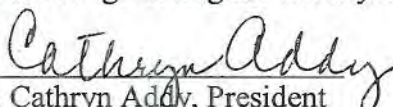

Dr. Cathryn Addy, President
Tunxis Community College Foundation

9-27-12
Date

ATTACHMENT 4-F

**REIMBURSEMENT OF COLLEGE EXPENSES
For the Annual Report to the Board of Regents**

The college President verifies that there were no expenses incurred by the college in support of foundation operations beyond those that the college would otherwise have incurred, that were required to be reimbursed by the foundation to the college during the fiscal year being reported.


Dr. Cathryn Addy, President
Tunxis Community College

9-27-12
Date

College Name: Tunxis Community CollegeEndowment Matching Grant Program - Supplemental Information - Statement of Financial Position (Net Assets)

The audited foundation financial statements for the period indicated, include the following amounts specific to the State of Connecticut Endowment Matching Grant Program, including both eligible gifts and state match components

Statement of Financial PositionYear Ended: 6/30/2012ASSETS

Cash and Cash Equivalents	32,706
Accounts Receivable	-
Investments	-
Other Assets: (specify) Main Street Community Foundation	278,367
Other Assets: (specify) Main Street Community Foundation	224,184
Other Assets: (specify)	-
Other Assets: (specify)	-
Total Assets, Endowment Matching Grant Program	<u>535,257</u>

LIABILITIES

Accounts Payable	-
Due to College	-
Other Liabilities: (specify)	-
Other Liabilities: (specify)	-
Other Liabilities: (specify)	-
Total Liabilities, Endowment Matching Grant Program	<u>-</u>

NET ASSETS

Unrestricted (expendable)	-
Temporarily Restricted (expendable)	47,555
Permanently Restricted (non-expendable endowment principal)	<u>487,702</u>
Total Net Assets, Endowment Matching Grant Program	<u>535,257</u>

TOTAL LIABILITIES & NET ASSETS, EMG Program

535,257

College Name: Tunxis Community College**Endowment Matching Grant Program - Supplemental Information - Statement of Activities**

The audited foundation financial statements for the period indicated, include the following amounts specific to the State of Connecticut Endowment Matching Grant Program, including both eligible gifts and state match components

Year Ended: 6/30/2012**Statement of Activities****REVENUES**

	Unrestricted	Temp Restricted	Perm Restricted	Total
Contributions	-	-	-	-
State Matching Grants	-	-	-	-
Interest and dividends	-	-	-	-
Gains / losses	-	2,568	-	2,568
Other revenues (specify)	-	-	-	-
Other revenues (specify)	-	-	-	-
Total Revenues, Endowment Matching Grant Program	-	2,568	-	2,568

EXPENSES

Student scholarship expense

Programmatic expense

Transferred to college for student scholarship expense

Transferred to college for programmatic expense

Other expense (specify) Investment Expenses

Other expense (specify)

	-	-	-	-
Total Expenses, Endowment Matching Grant Program	-	-	-	-

CHANGE IN NET ASSETS

Net assets, beginning 7/1/2010	-	44,987	487,702	532,689
Net assets, ending 6/30/2011	-	47,555	487,702	535,257



To: William Bowes
Chief Financial Officer
CT Board of Regents for Higher Education

From: Dr. Cathryn Addy, President 
Tunxis Community College

Re: Tunxis Community College Foundation Audit

Date: September 27, 2012

In compliance with Board policies and State Public Acts, I am forwarding to your office a copy of the audit report for the fiscal year ending June 30, 2012, as prepared for the Tunxis Community College Foundation, Inc.

I have reviewed the report with the chief fiscal officer of the college and to the best of my knowledge and belief, the report includes all required components and accurately reflects the fiscal operations and the management relationships between the college and the foundation for the audit period.

**TUNXIS COMMUNITY COLLEGE
FOUNDATION AND ADVISORY BOARD, INC.**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2012**

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

Costello Company, LLC
Certified Public Accountant and Consultants
15 Wall Street, Hebron, CT 06248
(860) 228-2822, fax (860) 228-2866

**TUNXIS COMMUNITY COLLEGE
FOUNDATION AND ADVISORY BOARD, INC.**

**TABLE OF CONTENTS
JUNE 30, 2012**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Report on Compliance	11

**INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS**

COSTELLO COMPANY, LLC

Certified Public Accountant and Consultants

www.costellocompany.com

Charles T. Costello, CPA

1-

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Tunxis Community College Foundation and
Advisory Board, Inc.
Bristol, Connecticut

I have audited the accompanying statement of financial position of Tunxis Community College Foundation and Advisory Board, Inc. (the Foundation) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tunxis Community College Foundation and Advisory Board, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.



Hebron, Connecticut
September 27, 2012

FINANCIAL STATEMENTS

TUNXIS COMMUNITY COLLEGE FOUNDATION AND ADVISORY BOARD, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 31,519
Investments	926,993
Accounts receivable	10,310
Total current assets	<u>968,822</u>

PROPERTY AND EQUIPMENT, net

Total assets	<u><u>\$ 968,822</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 47,939
Deferred revenue	-
Total current liabilities	<u>47,939</u>

NET ASSETS

Unrestricted	205,912
Temporarily restricted	177,269
Permanently restricted	537,702
Total net assets	<u>920,883</u>

Total liabilities and net assets	<u><u>\$ 968,822</u></u>
----------------------------------	--------------------------

The accompanying notes and Independent Auditor's Report are an integral part of this financial statement.

TUNXIS COMMUNITY COLLEGE FOUNDATION AND ADVISORY BOARD, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public Support				
Contributions	\$ 27,416	\$ 49,387	\$ -	\$ 76,803
Special events	53,975	7,000	-	60,975
Less direct benefit cost	(6,709)	-	-	(6,709)
Net special event revenue	47,266	7,000	-	54,266
Total Public Support	74,682	56,387	-	131,069
Revenue:				
Interest and dividends	4,181	10,114	-	14,295
Realized and unrealized gains (losses)	(1,214)	(5,321)	-	(6,535)
Other revenue	-	-	-	-
Net assets released from restrictions:				
Satisfaction of program restrictions	31,850	(31,850)	-	-
Total Revenue	34,817	(27,057)	-	7,760
Total Public Support and Revenue	109,499	29,330	-	138,829
EXPENSES				
Program services				
Scholarships and awards	47,800	-	-	47,800
Other college support	200	14,582	-	14,782
Total program services	48,000	14,582	-	62,582
Support services				
Management and general	61,807	-	-	61,807
Total expenses	109,807	14,582	-	124,389
Change in net assets	(308)	14,748	-	14,440
NET ASSETS, beginning of year	206,220	162,521	537,702	906,443
NET ASSETS, end of year	\$ 205,912	\$ 177,269	\$ 537,702	\$ 920,883

The accompanying notes and Independent Auditor's Report are an integral part of this financial statement.

TUNXIS COMMUNITY COLLEGE FOUNDATION AND ADVISORY BOARD, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets -	\$ 14,440
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Changes in operating assets and liabilities:	
Net unrealized investment activity	(7,733)
Decrease in accounts receivable	8
Increase in accounts payable and deferred revenue	4,912
Net cash provided by operating activities	<u>11,627</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used for investment purchases	<u>(9,824)</u>
Net cash used in investing activities	<u>(9,824)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 1,803

CASH AND CASH EQUIVALENTS, Beginning of year 29,716

CASH AND CASH EQUIVALENTS, End of Year \$ 31,519

The accompanying notes and Independent Auditor's Report are an integral part of this financial statement.

**TUNXIS COMMUNITY COLLEGE FOUNDATION
AND ADVISORY BOARD, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Tunxis Community College Foundation and Advisory Board, Inc. (the Foundation) is a not-for-profit corporation organized under the laws of the State of Connecticut. The Foundation operates exclusively to solicit donations, gifts, grants and bequest to aid, supplement, improve and enlarge the educational, cultural and research facilities and activities of the Tunxis Community & Technical College. The Foundation operates within the boundaries of the State of Connecticut and receives the majority of its funding from contributions.

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, the disclosure of contingent assets and liabilities as of the date of the financial statements, and support, revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

BASIS OF PRESENTATION AND NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of Foundation are maintained in the following net asset categories:

Unrestricted

Unrestricted net assets represent available resources other than donor restricted contributions.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Permanently Restricted

Represents contributions received with donor restriction that the gift is invested in perpetuity and that only the income earned thereon is available for operations.

**TUNXIS COMMUNITY COLLEGE FOUNDATION
AND ADVISORY BOARD, INC**
NOTES TO FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

RECOGNITION OF SUPPORT AND REVENUE

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions, including unconditional promises to give, are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation's policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the current year with unrestricted net assets.

Donated Assets

Donated assets are recognized at their estimated fair market value.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs, campaign solicitations and various committee assignments.

INVESTMENTS

Investments as of June 30, 2012 are carried at the quoted fair value of the securities. Changes in the fair values are reported as unrealized gains or losses on the statement of activity.

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**TUNXIS COMMUNITY COLLEGE FOUNDATION
AND ADVISORY BOARD, INC**
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment and significant improvements thereon are capitalized at cost, or at fair market value if donated, and are depreciated on a straight-line basis over their estimated useful lives.

FEDERAL INCOME TAXES

The Internal Revenue Service has determined that The Foundation is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code and is exempt from State of Connecticut income taxes. Additionally, the Foundation has been determined not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents at June 30, 2012 are presented below:

Deposits:	
Cash on hand – waiting for deposit	\$ 540
Checking account	<u>30,979</u>
	<u>\$ 31,519</u>

At June 30, 2012, the carrying amount of the Foundation's deposits was \$30,979 and the bank balance was \$33,606. At June 30, 2012, there were no uninsured deposits.

NOTE 3 - INVESTMENTS

Fair Values of investments at June 30, 2012 consisted of the following:

Certificates of deposits	\$ 253,903
Investments held by Main Street Community Foundation	671,507
Individual stock holdings	<u>1,583</u>
Total	<u>\$ 926,993</u>

**TUNXIS COMMUNITY COLLEGE FOUNDATION
AND ADVISORY BOARD, INC**
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

NOTE 3 - INVESTMENTS (Continued)

Investment return for the year ended June 30, 2012, is as follows:

	<u>Unrestricted</u>	Donor-Restricted Endowment <u>Funds</u>	<u>Total</u>
Interest and dividend income, net of investment expense	\$ 4,181	\$10,114	\$ 14,295
Net realized and unrealized gain (losses)	<u>(1,214)</u>	<u>(5,321)</u>	<u>(6,535)</u>
Total	<u>\$ 2,967</u>	<u>\$ 4,793</u>	<u>\$ 7,760</u>

NOTE 4 - STUDENT SCHOLARSHIPS

In 2012, the Foundation awarded student scholarships from various funds:

Restricted funds:	
Hartford Foundation for Public Giving	\$ 10,000
Wal-Mart Scholarship	2,500
SADHA Award	2,250
ESPN	2,000
Tunxis Staff Fund	2,000
D. Jean Lewis Memorial Scholarship	1,500
Pratt & Whitney	1,000
Sneed Scholarship	1,000
Accounting	1,000
Miranda Early Childhood Education	1,000
American General	1,000
Ruth Carlin Scholarship	800
The Hartford	500
Lawrence Shorette Scholarship	500
Charles E Pagano, Jr	500
Voight Family	500
Barnes Group	500
Recycling USA	500
Ebm-Papst, Inc.	500
Trumpf	500
David W. Partain Fund	500
Follett Higher Education Group	500
Smith Family Scholarship	250
Roth Scholarship	250
Career Bridges	150
Seltzer Fund	150
Total restricted	31,850
Unrestricted	15,950
Total Student Scholarships	<u>\$47,800</u>

**TUNXIS COMMUNITY COLLEGE FOUNDATION
AND ADVISORY BOARD, INC**
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Library Fund	\$ 2,437
Spanberg Scholarship	37,692
SADHA – Dental	10,167
D. Jean Lewis Memorial Scholarship	12,648
Bristol Career Center	36,864
Bristol Career Center II	8,874
Roth Fund	3,941
O'Neil	6,880
Sneed Scholarship	11,891
Student Emergency Fund	6,537
Vitrano Family Fund	5,021
Voight Family Fund	7,324
Barnes/Franklin	3,988
Other Funds and Scholarships	<u>23,005</u>
Total	<u>\$177,269</u>

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Amounts reflected as donor- restricted endowment funds and reported as permanently restricted net assets is comprised of the following:

Barnes – Franklin	\$ 50,000
Endowment Match	16,973
Capital Campaign	<u>470,729</u>
Total	<u>\$ 537,702</u>

NOTE 7 – ENDOWMENTS

The Foundation's endowments consist of three individual funds established for educational purposes. The endowments include donor-restricted endowments only. As required by accounting standards, generally accepted in the United States of America, net assets associated with endowment funds, including funds that could be designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is required to administer all endowments in accordance with the provision of Uniform Prudent Management of Institutional Funds act (UPMIFA) and FASB Accounting Standards Codification (ASC) 958-205 which requires 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.

**TUNXIS COMMUNITY COLLEGE FOUNDATION
AND ADVISORY BOARD, INC**
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

NOTE 7 - ENDOWMENTS (Continued)

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

The Foundation's investment policies are as follows:

The Foundation's primary investment goals are as follows:

- Maintain sufficient liquidity to satisfy near term cash flow needs.
- Achieve a total return that keeps pace with inflation over a full market cycle (3-5 years)

The Foundation's investment guidelines are as follows:

- Invested assets should be limited to FDIC-insured bank accounts, mutual funds or other professionally-managed, diversified or U.S. Government debt instruments.
- Fixed-income investments will be used to generate income and to reduce the volatility of the value of the portfolio.
- Equity investments will be used to provide greater appreciation of principal and should not comprise of more than fifty percent (50%) of the total assets.
- The Foundation will not purchase securities on margin; sell short; trade commodity futures; sell puts or calls or other option contracts.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2012, the date the financial statements were available to be issued, and has determined that there were no matters requiring disclosure in, or adjustment to, these financial statements.

Report on Compliance

The Board of Directors
Tunxis Community College Foundation and
Advisory Board, Inc.
Bristol, Connecticut

I have audited the financial statements of Tunxis Community College Foundation and Advisory Board, Inc., as of and for the year ended June 30, 2012 and have issued my report thereon dated September 27, 2012.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the provisions of CGS Sec. 4-37(e) to 4-37(i), inclusive. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Foundation's compliance with CGS Sec. 4-37(e) to 4-37(i), inclusive.

The results of my test indicate that, with respect to the items tested, the Foundation complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the Foundation had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management and the Senate and House of Representatives of the State of Connecticut. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



September 27, 2012

FOUNDATION ASSURANCES

For the Annual Foundation Report to the Board of Regents

Foundation Name: TUNXIS COMMUNITY COLLEGE FOUNDATION

Foundation Fiscal Year-ending: JUNE 30, 2012

In connection with the operations and annual financial report for the Foundation Fiscal Year-end indicated above, as an authorized official of the above-named Foundation, I certify the following to the best of my knowledge and belief:

1. **Statutory Compliance.** The Foundation has complied with all of the requirements of the Connecticut General Statutes sections 4-37-e through 4-37-k and other applicable statutes.
2. **Accounting, Recordkeeping and Reporting.** The Foundation has properly accounted for, reconciled and reported all financial and economic resources and activity both in its internal financial records as well as in its published financial statements, including the application of new accounting standards as required.
3. **Internal Control over Financial Reporting (Reputational Risk).** The Foundation has appropriate internal controls in place that will allow it to, on a timely basis, prevent or detect unintentional mistakes or intentional fraud or abuse that could have a more than inconsequential or material impact on the Foundation financial statements, or on the reputation of the Foundation or the college it supports. Should weaknesses be identified in such controls at any time by the Foundation or its auditors, the Foundation will identify and implement appropriate timely steps to address such concerns.
4. **Material Changes or Future Events.** The Foundation is not aware of anything that would materially change its financial statements, or its legal or financial assets and liabilities, now or in the future, or which would negatively impact the reputation of the Foundation or the college it supports.

Attested to for the Foundation and Fiscal Year indicated above, by:

GENE F. PRENTISS CPA TREASURER

Print name and foundation title or capacity of authorized foundation official

Gene F. Prentiss

Signature of authorized foundation official

9/27/12

Date signed

ITEM

The Annual Foundation Report of the Central Connecticut State University Foundation, Inc. and the audited financial statements for fiscal year 2012.

- ◆ An updated listing of Foundation Board Officers and Directors
- ◆ The audited financial statements of the Central Connecticut State University Foundation, Inc. for the year ended June 30, 2012, and the independent auditors' report on the financial statements, issued by Mugford & Co., LLC.
- ◆ Copy of the management letter, the Foundation compliance report and the reportable condition findings report.

BACKGROUND

Connecticut General Statutes (CGS) §§4-37e through 4-37j, and Board Resolution #01-68 as amended by Board Resolution #03-33 require that the University Presidents keep the Board of Trustees apprised of pertinent information about the foundations associated with the Connecticut State University System (CSUS). Accordingly, the President of Central Connecticut State University has submitted the above-listed reports to the Board of Regents through the Executive Committee.

ANALYSIS

The auditors' opinion states that the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012, and the results of its activities and changes in net assets, functional activity and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States.

During the fiscal year, the auditors also considered the Foundation's internal controls in order to determine their auditing procedures and the scope of the audit. During the audit, although they did not find weaknesses in the internal controls of the Foundation, they commented on two matters in the areas of Valuation of Investments and State Matching Grant Receivable and indicated that the Foundation had addressed them, or were in the process of addressing them, to the auditors' satisfaction.

Financial Highlights

As of June 30, 2012, the Foundation reported total assets of \$43.0 million, an increase of \$4.5 million or 11.7% over the fiscal year 2011 level of \$38.5 million. Investments of \$37.0 million increased by \$3.6 million or 10.8% from the prior year level of \$33.4 million. The market value of the Foundation's investments at the end of the year was \$2.6 million above cost.

At June 30, 2012, total liabilities of \$189,515 were \$17,248 or 10.0% above fiscal year 2011 level of \$172,267. The majority of this increase is due to an increase in accounts payable. A memorandum of understanding exists between the Foundation and the CCSU Alumni Association whereby 50% of net unrestricted alumni contributions raised during the year by the Foundation will be transferred to the Alumni Association. At June 30, 2012, the amount due to the Alumni Association was \$10,509.

Total net assets at the end of the fiscal year of \$42.8 million increased by \$4.5 million or 11.7% compared to the fiscal year 2011 level of \$38.3 million. The main components of the increase were

donations of \$6.0 million, offset by expenses of \$2.4 million. Temporarily restricted (\$10.1 million), and permanently restricted (\$32.1 million) net assets were 23.6% and 75.0% of total net assets respectively. Unrestricted net assets for the year were \$0.6 million. The Foundation allocates its temporarily and permanently restricted fund balance by functional classification. In the temporarily and permanently restricted fund balance categories, 90.4% of the total fund balance was available for student support and academic enrichment.

In June 2005, the State of Connecticut amended the State match for endowed contributions from a 50% match to a 25% match, with the exception of the match on multi-year commitments made by donors by December 31, 2004, which would remain at 50%. The State also changed the parameters under which it would fund the matching grant program, thereby reducing the likelihood that funding for matches subsequent to December 31, 2003 will be realized. Due to this uncertainty, management of the Foundation has decided not to record a receivable from the State for the outstanding State matching grant at the end of the fiscal year. Instead, the Foundation will recognize revenue from the State's matching program when it is received. In fiscal year 2012, the State did not make any matching grant payments to the Foundation. As of June 30, 2012, the State's unfunded obligation to the Foundation for the state matching grant program is approximately \$6.0 million. This amount is not reflected in the financial statements.

At June 30, 2012, total revenues earned of \$7.0 million showed a decrease of \$6.6 million below the fiscal year 2011 level of (\$13.6) million. The primary component of this decrease was realized and unrealized gains on assets of \$5.3 million and a decrease in donations of \$1.5 million. Temporarily restricted net assets of \$0.3 million were released from restrictions and transferred to unrestricted net assets during the fiscal year. This release was accomplished by incurring expenses satisfying the restricted purpose specified by the donor or by the occurrence of other events specified by the donors.

Total expenses for the fiscal year of \$2.4 million increased by \$428,024 or 21.3% over the fiscal year 2011 level of \$2.0 million primarily due to increases in grants of \$147,533, scholarships of \$73,654, and stipend/honoraria of \$142,334.

RECOMMENDATION

The Audit Committee receive the Foundation's reports as required by Connecticut General Statutes and Board Resolution #01-68 as amended by Board Resolution #03-33.

CCSU FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012

MUGFORD & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS

C C S U FOUNDATION, INC.

JUNE 30, 2012

INDEX

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS:

EXHIBIT "A"	Statement of Financial Position June 30, 2012
EXHIBIT "B"	Statements of Activity and Changes in Net Assets For the Year Ended June 30, 2012
EXHIBIT "C"	Statement of Cash Flows For the Year Ended June 30, 2012
EXHIBIT "D"	Statement of Functional Activity For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

SUPPLEMENT "A"	Institutional Enrichment – Statement of Activity and Changes in Net Assets For the Year Ended June 30, 2012
SUPPLEMENT "B"	Student Support – Statement of Activity and Changes in Net Assets For the Year Ended June 30, 2012
SUPPLEMENT "C"	Auxiliary – Statement of Activity and Changes in Net Assets For the Year Ended June 30, 2012
SUPPLEMENT "D"	Academic Enrichment – Statement of Activity and Changes in Net Assets For the Year Ended June 30, 2012
SUPPLEMENT "E"	Foundation – Statement of Activity and Changes in Net Assets For the Year Ended June 30, 2012

MUGFORD & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS

18 VINE STREET • NEW BRITAIN, CT 06052
PHONE (860) 223-2701 • FAX (860) 229-7214

INDEPENDENT AUDITORS' REPORT

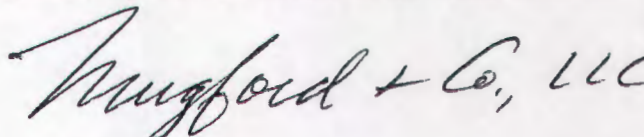
To the Board of Directors
CCSU Foundation, Inc.
New Britain, Connecticut

We have audited the accompanying statement of financial position of CCSU Foundation, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities and changes in net assets, functional activity 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 the financial statements based on our audits. The prior year summarized comparative information has been derived from CCSU Foundation, Inc.'s 2011 financial statements and, in our report dated October 10, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in 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 CCSU Foundation, Inc. as of June 30, 2012, and the results of its activities and changes in net assets, its functional activity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in supplements "A" through "E" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MUGFORD & CO., LLC
Certified Public Accountants

New Britain, Connecticut
October 9, 2012

CCSU FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With Comparative Totals for June 30, 2011)

ASSETS			
	June 30, 2012	June 30, 2011	
Cash and Cash Equivalents	\$611,137	\$303,886	
Investments	37,003,175	33,411,529	
Cash Value Life Insurance	126,348	124,915	
Prepaid Expenses	1,245	1,245	
Charitable Remainder Trusts	670,309	670,309	
Unconditional Promises to Give	4,565,566	3,885,996	
Art Collection	57,000	57,000	
TOTAL ASSETS	<u>\$43,034,780</u>	<u>\$38,454,880</u>	
LIABILITIES AND NET ASSETS			
LIABILITIES			
Class of 1962	\$19,446	\$19,623	
Class of 1963	1,144	1,170	
Class of 1970	13,157	13,277	
Class of 1972	37,710	38,062	
Class of 1973	27,038	27,284	
Class of 1975	14,150	14,279	
Class of 1976	43,756	44,155	
Accounts Payable	14,684	0	
Payable to CCSU	7,921	3,980	
Payable to Alumni Association	10,509	10,437	
TOTAL LIABILITIES	<u>189,515</u>	<u>172,267</u>	
NET ASSETS			
Unrestricted	592,131	92,168	
Temporarily Restricted	10,087,253	9,714,320	
Permanently Restricted	32,165,881	28,476,125	
TOTAL NET ASSETS	<u>42,845,265</u>	<u>38,282,613</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$43,034,780</u>	<u>\$38,454,880</u>	

CCSU FOUNDATION, INC.
 STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	June 30, 2012 TOTAL	June 30, 2011 TOTAL
REVENUES, GAINS AND OTHER SUPPORT					
Donations	\$78,002	\$1,690,182	\$4,208,707	\$5,976,891	\$7,451,392
State Grant	0	0	0	0	0
Program Income	743	372,531	0	373,274	257,692
Custodial Fees	273,505	0	0	273,505	249,573
Investment Income	62,301	675,854	692	738,847	698,522
Gain (Loss) on Assets	(12,420)	(347,327)	(850)	(360,597)	4,976,192
Net Assets Released from Restrictions	<u>2,204,690</u>	<u>(1,685,897)</u>	<u>(518,793)</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>2,606,821</u>	<u>705,343</u>	<u>3,689,756</u>	<u>7,001,920</u>	<u>13,633,371</u>
EXPENSES					
Institutional Enrichment	151,534	0	0	151,534	134,861
Student Support	902,241	0	0	902,241	745,988
Auxiliary	650,449	0	0	650,449	484,136
Academic Enrichment	500,466	0	0	500,466	412,340
Foundation	<u>234,578</u>	<u>0</u>	<u>0</u>	<u>234,578</u>	<u>233,919</u>
TOTAL EXPENSES	<u>2,439,268</u>	<u>0</u>	<u>0</u>	<u>2,439,268</u>	<u>2,011,244</u>
CHANGES IN NET ASSETS	167,553	705,343	3,689,756	4,562,652	11,622,127
BEGINNING NET ASSETS	92,168	9,714,320	28,476,125	38,282,613	26,660,486
RECLASSIFICATION OF NET ASSETS	<u>332,410</u>	<u>(332,410)</u>	<u>0</u>	<u>0</u>	<u>0</u>
ENDING NET ASSETS	<u>\$592,131</u>	<u>\$ 10,087,253</u>	<u>\$ 32,165,881</u>	<u>\$ 42,845,265</u>	<u>\$ 38,282,613</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

MUGFORD & CO., LLC
 CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "C"

CCSU FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$4,562,652	\$11,622,127
Adjustments to Reconcile Net Income to Cash		
Provided by Operating Activities:		
(Increase) Decrease in Assets		
Receivables	(679,570)	(3,844,841)
Prepaid Expenses	0	(326)
Other Asset	0	0
Increase (Decrease) in Liabilities		
Accounts Payable	18,625	(32,020)
Class Accounts	(1,449)	26,884
Alumni Association	72	(6,317)
Net Cash Provided by Operating Activities	<u>3,900,330</u>	<u>7,765,507</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Investments	(3,591,646)	(7,733,610)
(Increase) Decrease in Cash Value of Life Insurance	<u>(1,433)</u>	<u>(3,682)</u>
Net Cash (Used) by Investing Activities	<u>(3,593,079)</u>	<u>(7,737,292)</u>
INCREASE (DECREASE) IN CASH	307,251	28,215
CASH - BEGINNING OF YEAR	<u>303,886</u>	<u>275,671</u>
CASH - END OF YEAR	<u><u>\$611,137</u></u>	<u><u>\$303,886</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year for:		
Interest	\$0	\$0
Income Taxes	\$0	\$0

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

MUGFORD & CO., LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "D"

CCSU FOUNDATION, INC.
 STATEMENTS OF FUNCTIONAL ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	INSTITUTIONAL ENRICHMENT	STUDENT SUPPORT	AUXILIARY	ACADEMIC ENRICHMENT	FOUNDATION	TOTAL June 30, 2012	TOTAL June 30, 2011
REVENUES, GAINS AND OTHER SUPPORT							
Donations	\$498,815	\$4,606,568	\$559,410	\$234,096	\$78,002	\$5,976,891	\$7,451,392
State Grant	\$0	0	0	0	0	0	0
Program Income	17,274	22,856	321,727	10,674	743	373,274	257,692
Custodial Fees	0	0	0	0	273,505	273,505	249,573
Investment Income	38,819	453,560	0	184,167	62,301	738,847	698,522
Gain (Loss) on Assets	(25,151)	(108,434)	(10,080)	(204,512)	(12,420)	(360,597)	4,976,192
TOTAL REVENUES, GAINS AND OTHER SUPPORT	529,757	4,974,550	871,057	224,425	402,131	7,001,920	13,633,371
EXPENSES							
Administrative	0	2,197	18,499	4,687	129,480	154,863	125,970
Fund Raising	0	0	6,259	0	0	6,259	32,474
Institutional Representation	20,190	11,638	120,868	57,511	25,850	236,057	180,684
Stipend/Honoraria	1,500	37,882	20,850	126,436	45,840	232,508	90,174
Scholarship	14,100	493,651	54,468	51,095	0	613,314	539,660
Grants	74,953	190,914	166,185	161,843	10,509	604,404	456,871
Supplies and Equipment	5,114	2,391	152,844	5,574	3,187	169,110	206,859
Rentals	0	0	4,222	415	173	4,810	6,124
Contract Service	0	1,925	97,286	7,330	12,614	119,155	92,406
Equipment Repair & Maint.	0	0	0	0	0	0	42
Printing and Postage	0	300	12,889	6,839	6,675	26,703	31,827
Custodial Fees	18,677	162,468	6,204	84,736	0	272,085	248,153
TOTAL EXPENSES	134,534	903,366	660,574	508,466	234,328	2,439,268	2,011,244
TRANSFERS IN (OUT)	(17,000)	1,125	10,125	6,000	(250)	0	0
CHANGE IN NET ASSETS	378,223	4,072,309	220,608	(276,041)	167,553	4,562,652	11,622,127
BEGINNING NET ASSETS	2,041,967	25,721,394	911,272	9,515,812	92,168	38,282,613	26,660,486
RECLASSIFICATION OF NET ASSETS	0	(403,042)	0	70,632	332,410	0	0
ENDING NET ASSETS	\$2,420,190	\$29,390,661	\$1,131,880	\$9,310,403	\$592,131	\$42,845,265	\$38,282,613

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

MUGFORD & CO., LLC
 CERTIFIED PUBLIC ACCOUNTANTS

CCSU FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - Organization and Summary of Significant Accounting Policies

Organization

CCSU Foundation, Inc. (the Foundation) is a nonprofit organization formed for the purpose of aiding, supplementing, improving and enlarging the education, cultural and research facilities and activities of Central Connecticut State University.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Net Asset Categories

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in the following net asset categories:

Unrestricted

Unrestricted net assets represent available resources other than donor restricted contributions.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted

Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon be available for operations.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers highly liquid investments with maturities of three months or less, held outside the investment account, to be cash equivalents.

Revenue Recognition

Contributions are defined as voluntary, non-reciprocal transfers. Unrestricted and unconditional contributions are recognized as revenue when they are received or pledged.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Valuation of Investments

Investments in equity securities with readily determinable fair value and all debt securities have been reported at fair value.

Investment income and realized and unrealized gains and losses are allocated quarterly on the basis of fund balances. If a realized or unrealized loss results in a fund balance of less than the permanently restricted level, the negative amount is classified as unrestricted. Future gains will first offset the unrestricted amount and then be classified as temporarily restricted.

Income Taxes

The Foundation is exempt from Federal Income Taxes under Section 501(c) (3) of the Internal Revenue Code.

CCSU FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Significant Accounting Policies (Continued)

Fixed Assets and Depreciation

Additions to fixed assets, retained for use in the Foundation, are charged to the Unrestricted Foundation Account. Depreciation of exhaustible fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis and is charged to the Unrestricted Foundation account.

The undepreciated cost of the fixed assets does not purport to be either a realizable value or a replacement value. Fixed assets acquired for use in a specific program have been charged to that activity as program disbursements.

Assets and their accompanying depreciation that have been fully depreciated and appear to have outlived their useful lives have been removed from the schedule of assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and periods:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Institutional Enrichment	\$ 1,111,741	\$ 784,443
Student Support	5,173,859	5,086,330
Auxiliary	1,131,880	911,272
Academic Enrichment	<u>2,669,773</u>	<u>2,932,275</u>
Total for Future Periods	<u>\$ 10,087,253</u>	<u>\$ 9,714,320</u>

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support programs:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Institutional Enrichment	\$ 1,308,449	\$ 1,257,524
Student Support	24,216,802	20,635,064
Academic Enrichment	<u>6,640,630</u>	<u>6,583,537</u>
Total Permanently Restricted Net Assets	<u>\$ 32,165,881</u>	<u>\$ 28,476,125</u>

CCSU FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Purpose restrictions accomplished:		
Institutional Enrichment	\$ 151,534	\$ 134,861
Student Support	902,241	745,988
Auxiliary	650,449	484,136
Academic Enrichment	<u>500,466</u>	<u>412,340</u>
Total Temporary Restrictions Released	<u>\$ 2,204,690</u>	<u>\$ 1,777,325</u>
Permanent Restrictions Released by Donor	<u>\$ 518,793</u>	<u>\$ - 0 -</u>

NOTE 4 - Cash and Cash Equivalents

As of June 30, 2012, cash and cash equivalents consisted of:

Cash in checking	\$ 106,591
Cash in credit card account	4,546
Cash in SEI money market account	<u>500,000</u>
Total cash and cash equivalents	<u>\$ 611,137</u>

NOTE 5 - Investments

Investments are reported at market value.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Market Value	\$ 37,003,175	\$ 33,411,529
Cost	<u>34,408,401</u>	<u>30,120,138</u>
Excess of Market Value Over/(Under) Cost	<u>\$ 2,594,774</u>	<u>\$ 3,291,391</u>

The analysis of investments at June 30, 2012 is:

	<u>Cost</u>	<u>Market Value</u>
Fixed Income	\$ 9,249,877	\$ 10,129,728
Equity Securities	<u>25,158,524</u>	<u>26,873,447</u>
Total Investments	<u>\$ 34,408,401</u>	<u>\$ 37,003,175</u>

CCSU FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - Return on Investments

The average income return on invested assets, exclusive of gains or losses, for the years ended June 30, 2012 and 2011 were 2.169% and 2.337% respectively. Realized gains were \$335,777 and unrealized losses were \$696,617 for the year ended June 30, 2012. Realized gains were \$425,480 and unrealized gains were \$4,575,646 for the year ended June 30, 2011.

Note 7 - Fair Value Measurements

Investments measured and reported at fair value are classified and disclosed in one of the following hierarchies of measurement:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. Investments in Level I include listed equities, options, and U.S. obligations.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are securities such as infrequently traded corporate bonds, certain municipal bonds, commercial loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into determination of fair value require significant management judgment or estimation. Management utilizes the best available information in measuring fair value. Investments in this category generally include private equity investments, long-term over-the-counter options, certain over-the-counter derivatives, and certain bonds for which there is not an actively trading market.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis as of the year ended June 30, 2012 are as follows:

Investments at Fair Value as of June 30, 2012

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Fixed Income	\$ 10,129,728	\$ 0	\$ 0	\$ 10,129,728
Equity Securities	\$ 26,873,447	\$ 0	\$ 0	\$ 26,873,447
Totals	\$ 37,003,175	\$ 0	\$ 0	\$ 37,003,175

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2012.

CCSU FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – State Matching Grant Receivable

The State of Connecticut has legislated a matching grant program (C.G.S. 10a-99a, Endowment Fund for the Connecticut State University System) whereby the State will match endowed contributions made to new or existing funds of the Foundation at a rate of one dollar for every eligible two dollars raised.

In June, 2005, the State amended provisions of the matching grant program whereby after the fiscal year ended June 30, 2006, the State will match endowed contributions made to new or existing funds of the Foundation at a rate of one dollar for every eligible four dollars raised, with the exception for multi-year commitments made by donors by December 31, 2004, which would remain at the original matching level.

The State also has changed the parameters under which it will fund the matching grant program, thereby reducing the likelihood that funding for all matches subsequent to December 31, 2003 will be realized. The amount of the State's matching grant receivable and the timing of receiving payments from the State are both uncertain. Therefore, management has decided not to record a receivable from the State for the outstanding matching grant as of June 30, 2012. Instead, the Foundation will recognize revenue from the State's matching program when it is received.

The State did not make any matching grant program payments for the year ended June 30, 2012.

As of June 30, 2012, the State's unfunded obligation to the Foundation for the state matching grant program is approximately \$6.0 million. This amount is not reflected in the financial statements.

NOTE 9 – Charitable Remainder Trust

The Foundation is the beneficiary of two charitable remainder unitrusts established by William & Josephine Tansey. The first unitrust was valued at the time of its funding in September, 1997 at \$621,884. The second unitrust was valued at the time of its funding in July, 2001 at \$639,581. The actuarial value of the charitable remainder trusts to the Foundation as of the date of the trusts funding has been determined to be \$298,691 and \$371,618, respectively.

NOTE 10 – Art Collection

Included in the Art Collection balance is the Sol Lewitt art collection valued at \$45,000 and the Chen art collection valued at \$12,000.

CCSU FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - Unconditional Promises to Give

An unconditional promise to give is a promise whose receipt depends only on the passage of time. A promise to give may be written or oral, but generally accepted accounting principles requires that verifiable documentary evidence exists before the promise may be recognized as contribution revenue. Differences between promises to give and receipt of the promised amounts can occur. As such the Foundation makes a provision for non-collectible amounts. When the promises to give are fulfilled, the provision for the non-collectible amount is recognized on the statement of activities.

	<u>1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Unconditional Promises to Give	\$ 873,833	\$ 780,000	\$ 5,920,000	\$7,573,833
Allowance for				
Non-collectible amounts	(23,334)	(117,000)	(888,000)	(1,028,334)
Present Value Discount	(91,503)	(159,884)	(1,728,546)	(1,979,933)
Net Unconditional Promises to Give	<u>\$ 758,996</u>	<u>\$ 503,116</u>	<u>\$ 3,303,454</u>	<u>\$4,565,566</u>

Unconditional 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

NOTE 12 - Reclassification of Net Assets

Generally accepted accounting principles (GAAP) require that if the net assets of a fund fall below the permanently restricted historic dollar value of the fund, that unrestricted net assets be utilized until the fund recovers such shortfall. Permanently restricted net assets may fall below the historic dollar value of the fund when market conditions are such that unrealized losses are prevalent in an investment portfolio. In this scenario, net assets are borrowed from other funds until such time that market conditions reverse and the unrealized losses are recovered.

During the years ended June 30, 2012, the Foundation had unrealized losses which caused various funds to fall below their permanently restricted historic dollar values by \$74,491. As such, the Foundation reclassified \$74,491 of unrestricted net assets for the year ended June 30, 2012. These reclassifications are temporary in nature and immediately reverse when the unrealized losses have been recovered.

NOTE 13 - 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 Alumni Association was \$10,509 and \$10,437 at June 30, 2012 and June 30, 2011, respectively.

CCSU FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - Revenues and Disbursements

Foundation revenue includes custodial fees charged to class accounts and specified activities. For the years ending June 30, 2012 and 2011 these amounts were \$273,505 and \$249,573, respectively. Custodial fees are figured at one percent (1%) 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.

The activities being charged custodial fees have included those fees as disbursements. The result of this is that both total revenue and total disbursements have been overstated by \$272,085, in the year ending June 30, 2012 and \$248,153 in year ending June 30, 2011. The remaining Foundation custodial income was recorded as reducing the liability in the class accounts in the amount of \$1,420 in the year ending June 30, 2012 and \$1,420 in year ending June 30, 2011.

NOTE 15 – Concentration of Credit Risk

The Foundation maintains its cash in bank accounts whose balances, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2012 and June 30, 2011, the Foundation had balances in excess of the FDIC limit of \$250,000 in the amounts of \$ - 0 - and \$60,874, respectively.

NOTE 16 – Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through October 9, 2012, the date which the financial statements were available to be issued.

NOTE 17 – Summarized Comparative Information

The financial statements 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 U. S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011 from which the summarized information was derived.

NOTE 18 - Contributed Services

The Foundation recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet the criteria for recognition in the financial statements. However, a number of unpaid volunteers have made significant contributions of their time to the Foundation.

CCSU FOUNDATION, INC.
INSTITUTIONAL ENRICHMENT
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Friends of the Library	Paul Hochstim Fund Scholarship	James-Hauser Exchange	Alice Lynch Fund	Michele Deasy Fund	Wette Society	Other Funds	Total
REVENUES, GAINS AND OTHER SUPPORT								
Donations	\$19,155	\$0	\$0	\$0	\$2,500	\$2,653	\$474,507	\$498,815
State Grant	0	0	0	0	0	0	0	0
Program Income	999	0	0	0	0	0	16,275	17,274
Investment Income	11,233	2,018	5,167	1,548	1,073	11,133	6,647	38,819
Realized Gain (Loss) on Assets	4,763	848	2,154	654	455	4,557	5,412	18,843
Unrealized Gain/(Loss) on Investments	(15,312)	(3,168)	(8,806)	(2,215)	(1,410)	(15,272)	2,189	(43,994)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>20,838</u>	<u>(302)</u>	<u>(1,485)</u>	<u>(13)</u>	<u>2,618</u>	<u>3,071</u>	<u>505,030</u>	<u>529,757</u>
EXPENSES AND TRANSFERS								
Programs	3,469	0	0	0	0	0	23,335	26,804
Scholarships & Grants	99	4,500	11,100	0	0	2,500	70,854	89,053
Fund Raising	0	0	0	0	0	0	0	0
Custodial Fees	4,762	943	2,414	695	450	4,818	4,595	18,677
Transfers (in) out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,000</u>	<u>0</u>	<u>17,000</u>
TOTAL EXPENSES AND TRANSFERS	<u>8,330</u>	<u>5,443</u>	<u>13,514</u>	<u>695</u>	<u>450</u>	<u>24,318</u>	<u>98,784</u>	<u>151,534</u>
CHANGE IN NET ASSETS	12,508	(5,745)	(14,999)	(708)	2,168	(21,247)	406,246	378,223
BEGINNING NET ASSETS	552,180	101,047	265,515	76,727	52,687	534,720	459,091	2,041,967
RECLASSIFICATION OF NET ASSETS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
ENDING NET ASSETS	<u>\$564,688</u>	<u>\$95,302</u>	<u>\$250,516</u>	<u>\$76,019</u>	<u>\$54,855</u>	<u>\$513,473</u>	<u>\$865,337</u>	<u>\$2,420,190</u>
UNRESTRICTED							0	0
TEMPORARILY RESTRICTED	153,541	29,542	112,389	35,951	21,867	137,899	620,552	1,111,741
PERMANENTLY RESTRICTED	<u>411,147</u>	<u>65,760</u>	<u>138,127</u>	<u>40,068</u>	<u>32,988</u>	<u>375,574</u>	<u>244,785</u>	<u>1,308,449</u>
ENDING NET ASSETS	<u>\$564,688</u>	<u>\$95,302</u>	<u>\$250,516</u>	<u>\$76,019</u>	<u>\$54,855</u>	<u>\$513,473</u>	<u>\$865,337</u>	<u>\$2,420,190</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

CCSU FOUNDATION, INC.
STUDENT SUPPORT
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Alumni Association Scholarship	Carol Ammon Endowment Fund	Anthony & Helen G. Bichum Scholarship	Frank Marietta Scholarship Fund	Foundation Scholars	Hyundai Motor Company Scholarship	Other Funds	Total
REVENUES, GAINS AND OTHER SUPPORT								
Donations	\$10,705	\$116,821	\$2,297,317	\$5,725	\$56,201	\$0	\$2,119,799	\$4,606,568
State Grant	0	0	0	0	0	0	0	0
Program Income	0	0	0	0	1,920	0	20,936	22,856
Investment Income	18,179	19,793	79,563	24,262	30,931	76,118	204,714	453,560
Realized Gain/(Loss) on Assets	7,661	8,499	39,209	10,250	13,100	32,130	110,614	221,463
Unrealized Gain/(Loss) on Investments	(26,364)	(18,935)	177,375	(34,469)	(42,193)	(108,895)	(276,416)	(329,897)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	10,181	126,178	2,593,464	5,768	59,959	(647)	2,179,647	4,974,550
EXPENSES AND TRANSFERS								
Programs	0	0	0	0	0	0	56,332	56,332
Scholarships & Grants	11,500	0	22,250	43,300	21,815	57,500	528,201	684,566
Fund Raising	0	0	0	0	0	0	0	0
Custodial Fees	7,578	2,886	16,158	11,027	12,955	27,329	84,535	162,468
Transfers (in) out	0	0	0	0	0	0	(1,125)	(1,125)
TOTAL EXPENSES AND TRANSFERS	19,078	2,886	38,408	54,327	34,770	84,829	667,943	902,241
CHANGE IN NET ASSETS	(8,897)	123,292	2,555,056	(48,559)	25,189	(85,476)	1,511,704	4,072,309
BEGINNING NET ASSETS	902,846	4,821,060	2,086,896	1,200,970	1,522,139	3,772,562	11,414,921	25,721,394
RECLASSIFICATION OF NET ASSETS	0	0	(96,110)	0	0	0	(306,932)	(403,042)
ENDING NET ASSETS	\$893,949	\$4,944,352	\$4,545,842	\$1,152,411	\$1,547,328	\$3,687,086	\$12,619,693	\$29,390,661
UNRESTRICTED							0	0
TEMPORARILY RESTRICTED	191,374	51,785	161,629	310,235	400,684	603,713	3,454,439	5,173,859
PERMANENTLY RESTRICTED	702,575	4,892,567	4,384,213	842,176	1,146,644	3,083,373	9,165,254	24,216,802
ENDING NET ASSETS	\$893,949	\$4,944,352	\$4,545,842	\$1,152,411	\$1,547,328	\$3,687,086	\$12,619,693	\$29,390,661

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

CCSU FOUNDATION, INC.
AUXILIARY
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Athletics	Arts & Sciences	School of Business	School of Education	School of Engineering	ITBD	Other Funds	Total
REVENUES, GAINS AND OTHER SUPPORT								
Donations	\$315,866	\$16,065	\$55,477	\$37,859	\$62,361	\$68,781	\$3,001	\$559,410
State Grant	0	0	0	0	0	0	0	0
Program Income	223,025	0	2,822	2,160	8,854	84,196	670	321,727
Investment Income	0	0	0	0	0	0	0	0
Realized Gain (Loss) on Assets	2,685	214	571	1,412	2,002	562	802	8,248
Unrealized Gain/(Loss) on Investments	(8,005)	(229)	(164)	(3,812)	(4,651)	1,486	(2,953)	(18,328)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	533,571	16,050	58,706	37,619	68,566	155,025	1,520	871,057
EXPENSES AND TRANSFERS								
Programs	333,751	3,670	28,739	4,897	5,014	38,866	12,521	427,458
Scholarships & Grants	128,881	1,000	13,041	2,000	50,197	24,709	825	220,653
Fund Raising	6,259	0	0	0	0	0	0	6,259
Custodial Fees	1,924	88	460	1,107	1,408	307	910	6,204
Transfers (in) out	100	0	0	(975)	0	0	(9,250)	(10,125)
TOTAL EXPENSES AND TRANSFERS	470,915	4,758	42,240	7,029	56,619	63,882	5,006	650,449
CHANGE IN NET ASSETS	62,656	11,292	16,466	30,590	11,947	91,143	(3,486)	220,608
BEGINNING NET ASSETS	332,126	20,442	55,559	154,290	219,370	34,066	95,419	911,272
RECLASSIFICATION OF NET ASSETS	0	0	0	0	0	0	0	0
ENDING NET ASSETS	\$394,782	\$31,734	\$72,025	\$184,880	\$231,317	\$125,209	\$91,933	\$1,131,880
UNRESTRICTED							0	0
TEMPORARILY RESTRICTED	394,782	31,734	72,025	184,880	231,317	125,209	91,933	1,131,880
PERMANENTLY RESTRICTED	0	0	0	0	0	0	0	0
ENDING NET ASSETS	\$394,782	\$31,734	\$72,025	\$184,880	\$231,317	\$125,209	\$91,933	\$1,131,880

MUGFORD & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

CCSU FOUNDATION, INC.
ACADEMIC ENRICHMENT
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	American Savings Chair	Dorothy Haynes Fund	FullerTrust	Blejwas Chair	O'Neil Chair	Vance Chair	Other	Total
REVENUES, GAINS AND OTHER SUPPORT								
Donations	\$0	\$0	\$0	\$9,685	\$0	\$4,285	\$220,126	\$234,096
State Grant	0	0	0	0	0	0	0	0
Program Income	0	0	0	4,821	120	0	5,733	10,674
Investment Income	36,622	4,949	24,364	14,536	29,387	48,760	25,549	184,167
Realized Gain (Loss) on Assets	15,448	2,087	10,273	6,100	12,357	20,584	12,182	79,031
Unrealized Gain/(Loss) on Investments	(52,611)	(7,246)	(35,058)	(21,522)	(43,651)	(69,501)	(53,954)	(283,543)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	(541)	(210)	(421)	13,620	(1,787)	4,128	209,636	224,425
EXPENSES AND TRANSFERS								
Programs	6,593	0	2,183	49,632	18,476	2,572	129,336	208,792
Scholarships & Grants	9,933	2,657	11,850	24,100	19,000	32,595	112,803	212,938
Fund Raising	0	0	0	0	0	0	0	0
Custodial Fees	16,118	2,319	10,726	7,275	13,270	21,898	13,130	84,736
Transfers (in) out	0	0	0	0	0	0	(6,000)	(6,000)
TOTAL EXPENSES AND TRANSFERS	32,644	4,976	24,759	81,007	50,746	57,065	249,269	500,466
CHANGE IN NET ASSETS	(33,185)	(5,186)	(25,180)	(67,387)	(52,533)	(52,937)	(39,633)	(276,041)
BEGINNING NET ASSETS	1,816,461	245,871	1,208,950	725,776	1,466,728	2,416,042	1,635,984	9,515,812
RECLASSIFICATION OF NET ASSETS	0	0	0	70,632	0	0	0	70,632
ENDING NET ASSETS	<u>\$1,783,276</u>	<u>\$240,685</u>	<u>\$1,183,770</u>	<u>\$729,021</u>	<u>\$1,414,195</u>	<u>\$2,363,105</u>	<u>\$1,596,351</u>	<u>\$9,310,403</u>
UNRESTRICTED							0	
TEMPORARILY RESTRICTED	416,769	59,578	433,864	0	398,350	546,861	814,351	2,669,773
PERMANENTLY RESTRICTED	1,366,507	181,107	749,906	729,021	1,015,845	1,816,244	782,000	6,640,630
ENDING NET ASSETS	<u>\$1,783,276</u>	<u>\$240,685</u>	<u>\$1,183,770</u>	<u>\$729,021</u>	<u>\$1,414,195</u>	<u>\$2,363,105</u>	<u>\$1,596,351</u>	<u>\$9,310,403</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

CCSU FOUNDATION, INC.
FOUNDATION
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>FOUNDATION</u>
REVENUES, GAINS AND OTHER SUPPORT	
Donations	78,002
State Grant	0
Custodial Fees	273,505
Program Income	743
Investment Income	62,301
Realized Gain (Loss) on Assets	3,876
Unrealized Gain/(Loss) on Investments	<u>(16,296)</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>402,131</u>
EXPENSES AND TRANSFERS	
Administrative	223,819
Scholarships & Grants	10,509
Fund Raising	0
Transfers (in) out	<u>250</u>
TOTAL EXPENSES AND TRANSFERS	<u>234,578</u>
CHANGE IN NET ASSETS	167,553
BEGINNING NET ASSETS	92,168
RECLASSIFICATION OF NET ASSETS	<u>332,410</u>
ENDING NET ASSETS	<u><u>\$592,131</u></u>
UNRESTRICTED	592,131
TEMPORARILY RESTRICTED	0
PERMANENTLY RESTRICTED	<u>0</u>
ENDING NET ASSETS	<u><u>\$592,131</u></u>

MUGFORD & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING FOOTNOTES

**CCSU FOUNDATION, INC.
BOARD OF DIRECTORS
2012-13**

OFFICERS

CHAIRMAN

ROBERT A. KERZNER
President
LIMRA International, Inc.

VICE CHAIRMAN

JOHN J. PATRICK
President & CEO
Farmington Bank

SECRETARY

CHRISTOPHER J. GALLIGAN
Vice President, Institutional Advancement
Central Connecticut State University

TREASURER

EDWARD R. YOUNG*
President
Hitchcock Printing & Distribution

DIRECTORS

SUE ANN COLLINS
Consulting Actuary
Milliman, Inc.

PARKER T. ENGLISH
Professor of Philosophy
Central Connecticut State University

JAVIER E. FERNANDEZ
Student
Central Connecticut State University

LISA A. FUTTNER*
Director, IT Business Applications
Pratt & Whitney Aircraft

KATHLEEN C. GREIDER
Superintendent
Farmington Public Schools

CHARLES JONES, JR.
Director of Athletics Emeritus
Central Connecticut State University

WALDEMAR KOSTRZEWA
Director of Government Relations
(retired)
Connecticut Community Colleges

PHILIP W. KURZE
Vice President, Mass Notification
Products
Whelen Engineering Company, Inc.

JOHN W. MILLER
President
Central Connecticut State University

NICHOLAS PETTINICO, JR.*
Associate Vice President, Institutional
Advancement
Central Connecticut State University

GARRET A. RATCLIFFE
Principal
Jones Raphael Oulundsen, Inc.

THOMAS I. ROGAN*
Vice President, Treasurer
United Technologies Corporation

ANTHONY S. TORSIELLO
Vice President, Corporate Finance
The Travelers

CURTIS J. WIGGINS
President
CCSU Alumni Association

DIRECTORS EMERITI

MICHAEL J. D'AMATO
President and CEO
D'Amato Builders + Advisors, LLC

MICHAEL S. KNAPP
President and CEO (retired)
CitiFinancial

THEODORE S. KOLZAK
President (retired)
The Coleman Corporation

JOHN S. MANNING
President (retired)
First City Bank

HARRY N. MAZADOORIAN
Distinguished Professor, Dispute
Resolution Law
Quinnipiac University

WILLIAM J. MCCUE
President
McCue Mortgage Company

* Indicates member of Finance & Audit Committee

MUGFORD & CO., LLC

CERTIFIED PUBLIC ACCOUNTANTS

18 VINE STREET • NEW BRITAIN, CT 06052
PHONE (860) 223-2701 • FAX (860) 229-7214

October 09, 2012

Board of Directors
CCSU Foundation, Inc.
New Britain, Connecticut

In planning and performing our audit of the financial statements of CCSU Foundation, Inc. for the year ended June 30, 2012, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 09, 2012, on the financial statements of CCSU Foundation, Inc.

We will be pleased to discuss these comments in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Valuation of Investments

According to General Accepting Accounting Principles (GAAP), an unrealized loss on investments can cause net assets to fall below the permanently restricted historic dollar value of an endowed fund. When this scenario occurs, the Foundation is responsible to take prudent steps to return these funds to their permanently restricted balances. Following prudent spending policies still allows the Foundation to utilize these funds for their donor restricted purposes. While these net assets are below desired levels, we recommend the Foundation transfer on a temporary basis unrestricted net assets of the Foundation to cover these temporarily deficiencies. At such future time when unrealized gains provide sufficient net assets to eliminate these shortfalls, the Foundation should transfer the net assets back to their original funds.

For the current and prior fiscal years, negative situations have arisen which have caused net assets to fall below the permanently restricted historic dollar value of certain endowed funds. As of June 30, 2012, the Foundation had unrealized losses which caused various funds to fall below their permanently restricted historic dollar values by \$74,522. As such, the Foundation reclassified \$74,522 of unrestricted net assets to temporarily cover these shortfalls. We agree with the Foundations actions and management's close monitoring should continue.

State Matching Grant Receivable

The State of Connecticut has legislated a matching grant program (C.G.S. 10a-99a, Endowment Fund for the Connecticut State University System) whereby the State will match endowed contributions made to new or existing funds of the Foundation at a rate of one dollar for every eligible two dollars raised. In June 2005, the State amended provisions of the matching grant program whereby after the fiscal year ended June 30, 2006, the state will match endowed contributions made to new or existing funds of the Foundation at a rate of one dollar for every eligible four dollars raised, with the exception for multi-year commitments made by donors by December 31, 2004, which would remain at the original matching level.

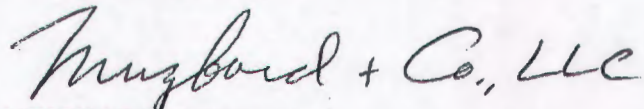
In accordance with generally accepted accounting principles, the Foundation recognizes revenue for the match as endowed contributions are received.

In addition, the State has changed the parameters under which it will fund the matching grant program, resulting in the likelihood that funding for all matches subsequent to December 31, 2003 will never be realized by the Foundation. As a result, management has determined that the State's match program is uncollectible and has thereby reduced the receivable from the state to zero each year as of June 30, 2005 through June 30, 2012.

Subsequent to the adoption of this policy, the State has unexpectedly provided sporadic funding for the matching grant. During the year ended June 30, 2012, the State did not provide any such funding. The State has not given any indication that such funding will occur again. As a result, management has decided not to change the policy of considering the matching grant as uncollectible. We concur with this decision as appropriate under the circumstances.

We recommend management continue to monitor the adequacy of its determination of the likelihood of collecting the match from the State.

This report is intended solely for the information and use of the Board of Directors and others within the Organization.



MUGFORD & CO., LLC
Certified Public Accountants

MUGFORD & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS

MUGFORD & CO., LLC

CERTIFIED PUBLIC ACCOUNTANTS

18 VINE STREET • NEW BRITAIN, CT 06052
PHONE (860) 223-2701 • FAX (860) 229-7214

October 09, 2012

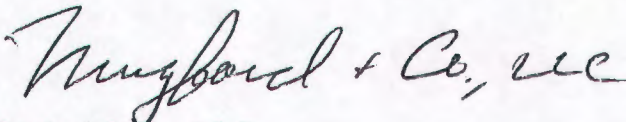
To the Board of Directors of
CCSU Foundation

In connection with the audit of CCSU Foundation as of June 30, 2012 we applied tests of compliance on the operating and accounting procedures to determine whether the procedures and requirements established by the Board of Directors were performed without exception.

The procedures performed were as follows:

- a. We tested disbursement orders for documentation. The procedure included matching invoices, cancelled checks and approval documents.
- b. We tested all cash advances for repayment or accounting.
- c. We matched insurance policies with disbursement orders and cancelled checks.
- d. We tested all transfers between funds for documentation and approval.
- e. We confirmed all donations of \$500 or more.
- f. We reviewed cash "income" transactions for accuracy and fund designation.
- g. Other tests and procedures that we considered necessary.

There were no significant variances from established procedures and the results of our tests indicate that CCSU Foundation, Inc. is in compliance, in all material respects, with CGS sections 4-37e through 4-37j. In our opinion, dated October 09, 2012, the financial statements of CCSU Foundation, Inc. as of June 30, 2012 present fairly, in all material respects, the financial position and results of operations for the year then ended in conformity with accounting principles generally accepted in the United States.



Mugford & Co., LLC
Certified Public Accountants

MUGFORD & CO., LLC

CERTIFIED PUBLIC ACCOUNTANTS

18 VINE STREET • NEW BRITAIN, CT 06052
PHONE (860) 223-2701 • FAX (860) 229-7214

October 9, 2012

To the Board of Directors of
CCSU Foundation, Inc.

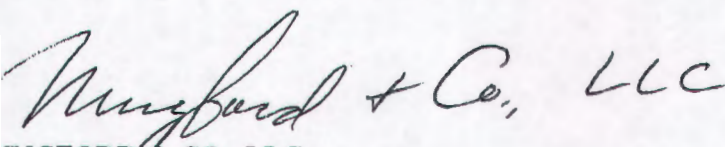
At your request, we have applied certain agreed upon procedures in connection with the audit of CCSU Foundation, Inc. as of June 30, 2012. The procedures we performed were as follows:

- a. We tested disbursement orders for documentation. The procedure included matching invoices, cancelled checks and approval documents.
- b. We tested one hundred percent of American Express bills for documentation and purpose.
- c. We verified all loans made and repayment of loans to students and faculty members.
- d. We tested all cash advances for repayment or accounting.
- e. We matched insurance policies with disbursement orders and cancelled checks.
- f. We tested all transfers between funds for documentation and approval.
- g. We confirmed all donations of \$500 or more.
- h. We reviewed cash "income" transactions for accuracy and fund designation.
- i. We noted all transactions that required the filing of Federal Forms 1099 and reviewed them for accuracy.
- j. Other observations.

OUR FINDINGS WERE:

- a. We found no significant exceptions as a result of our procedures.
- b. We found no exceptions as a result of our procedures.
- c. We found no exceptions as a result of our procedures.
- d. We found no exceptions as a result of our procedures.
- e. We found no exceptions as a result of our procedures.
- f. We found no exceptions as a result of our procedures.
- g. We found no exceptions as a result of our procedures.
- h. We found no exceptions as a result of our procedures.
- i. We found no exceptions as a result of our procedures.
- j. Other observations: None

This report relates to the above procedures and discloses the exceptions found. The noted exceptions do not alter our opinion that the financial statements of CCSU Foundation, Inc. as of June 30, 2012 present fairly, in all material respects, the financial position and results of operations for the year then ended in conformity with generally accepted accounting principles.


MUGFORD & CO., LLC
Certified Public Accountants

MUGFORD & CO., LLC
CERTIFIED PUBLIC ACCOUNTANTS

ITEM

The Annual Foundation Report of the Eastern Connecticut State University Foundation, Inc. and the audited financial statements for fiscal year 2012.

- ◆ The audited financial statements of the Eastern Connecticut State University Foundation, Inc. for the year ended June 30, 2012, and the independent auditors' report on the financial statements and supplementary financial information issued by CohnReznick LLP
- ◆ An updated listing of Foundation Board members
- ◆ A schedule of disbursements the Foundation made to University employees during fiscal year 2012.
- ◆ An agreed upon Procedures Compliance letter.

BACKGROUND

Connecticut General Statutes (CGS) §§4-37e through 4-37j, and Board Resolution #01-68 as amended by Board Resolution #03-33 require that the university Presidents keep the Board of Trustees apprised of pertinent information about the foundations associated with the Connecticut State University System (CSUS). Accordingly, the President of Eastern Connecticut State University has submitted the above-listed reports to the Board of Regents through the Executive Committee.

ANALYSIS

The Independent Auditors' Opinion states that the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements, the auditors considered the ECSU Foundation, Inc.'s internal controls over financial reporting. The auditors did not identify any deficiencies in internal controls.

Financial Highlights

As of June 30, 2012, the Foundation reported total assets of \$16.9 million, an increase of \$1.2 million or 7.6% over the fiscal year 2011 level of \$15.7 million. The main components were increases in collections of \$1.7 million, offset by a decrease in net land, buildings and equipment of \$0.3 million.

Total liabilities of \$449,380 decreased by \$66,851 over the fiscal year 2011 level of \$516,231 due to decrease in accrued expenses of \$70,308.

Total net assets of \$16.4 million reflected an increase of \$1.2 million or 7.9% over the fiscal year 2011 level of \$15.2 million primarily due to the increase in donations and grants of \$1.5 million offset by program and support services expenses increasing by \$0.3 million. Unrestricted (deficit of \$1.4 million), temporarily restricted (\$5.7 million) and permanently restricted (\$12.1 million) net assets were (8.5%), 34.7% and 73.8% of total net assets, respectively. Temporarily restricted net assets were comprised of \$541,286 in scholarships and awards, \$1,274,991 in university support, \$1.7 million in Collections of Artwork, and \$2.2 million in buildings and improvements on which a time restriction is implied; whereas permanently restricted net assets were comprised of \$6.9 million in scholarships and awards, \$4.3 million in university support, and \$899,200 in land required to be permanently used for the benefit of ECSU.

In June 2005, the State of Connecticut amended the State match for endowed contributions from a 50% match to a 25% match, with the exception of the match on multi-year commitments made by donors by December 31, 2004, which would remain at 50%. The State also changed the parameters under which it would fund the matching grant program, thereby reducing the likelihood that funding for matches subsequent to December 31, 2003 will be realized. Due to this uncertainty, management of the Foundation has decided not to record a receivable from the State for the outstanding State matching grant at the end of the fiscal year. Instead, the Foundation will recognize revenue from the State's matching program when it is received. In fiscal year 2012, the State did not make any matching grant payments to the Foundation.

Revenues earned during the fiscal year of \$3.3 million were \$0.3 million or 10.0% above the fiscal year 2011 level of \$3.0 million. The primary components were an increase in donations and grants of \$1.5 million, offset by a decrease in investment gains of \$1.2 million. Temporarily restricted net assets of \$520,284 were released to unrestricted net assets during the year. This release was due to the incurrence of expenses satisfying the restricted purpose specified by the donor or by passage of time.

Total expenses for the fiscal year of \$2.33 million increased by \$349,415 or 17.6% over the fiscal year 2011 level of \$1.98 million mainly due to an increase in expenditures for institutional support of \$333,998.

The Foundation accrued and expensed \$400 for rent of its facilities from the University for the years ended June 30, 2012 and 2011. The value of the rental space has been estimated at \$6,000 per year. The difference between the estimated value and the rent due has been treated as a donation.

RECOMMENDATION

The Audit Committee receive the Foundation's reports as required by Connecticut General Statutes and Board Resolution #01-68 as amended by Board Resolution #03-33.

ECSU Foundation, Inc.

**Report on Financial Statements
(With Supplementary Information)**

**Year Ended June 30, 2012
(With Comparative Totals for 2011)**

ECSU FOUNDATION, INC.

Index

	<u>Page</u>
Report of Independent Public Accountants	2
Statement of Financial Position June 30, 2012 (With Comparative Totals for 2011)	3
Statement of Activities Year Ended June 30, 2012 (With Comparative Totals for 2011)	4
Statement of Functional Expenses Year Ended June 30, 2012 (With Comparative Totals for 2011)	5
Statement of Cash Flows Year Ended June 30, 2012 (With Comparative Totals for 2011)	6
Notes to Financial Statements	7-19
Schedule of Revenues and Changes in Permanently Restricted Net Assets Year Ended June 30, 2012	20-22
Schedule of Revenues and Changes in Temporarily Restricted Net Assets Year Ended June 30, 2012	23-26
Schedule of Revenues and Changes in Unrestricted Net Assets (Designated) Year Ended June 30, 2012	27

Report of Independent Public Accountants

To the Board of Directors
ECSU Foundation, Inc.

We have audited the accompanying statement of financial position of ECSU Foundation, Inc. (the "Foundation") as of June 30, 2012, 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. The prior year summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated October 31, 2011, we expressed an unqualified opinion on those financial statements.

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 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 ECSU Foundation, Inc. as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained on pages 20 through 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Glastonbury, Connecticut
November 1, 2012

ECSU FOUNDATION, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)**

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 2,041,197	\$ 2,117,339
Pledges receivable, net of allowances	48,635	252,889
Prepaid expenses and other receivables	49,573	40,303
Investments	9,228,015	9,177,691
Land, buildings and equipment, net	3,680,442	3,995,801
Collections	1,815,755	108,905
	<hr/>	<hr/>
Total assets	<u>\$ 16,863,617</u>	<u>\$ 15,692,928</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 64,989	\$ 61,532
Accrued expenses	384,391	454,699
Total liabilities	<u>449,380</u>	<u>516,231</u>
Net assets:		
Unrestricted:		
Operations	(1,727,745)	(1,245,389)
Designated for specific programs	275,485	282,603
Total unrestricted net assets	<u>(1,452,260)</u>	<u>(962,786)</u>
Temporarily restricted	<u>5,738,130</u>	<u>4,252,926</u>
Permanently restricted:		
Restricted for:		
Permanent endowments	11,229,167	10,987,357
Land required to be permanently used for benefit of the University	899,200	899,200
Total permanently restricted net assets	<u>12,128,367</u>	<u>11,886,557</u>
Total net assets	<u>16,414,237</u>	<u>15,176,697</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 16,863,617</u>	<u>\$ 15,692,928</u>

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Operations</u>	<u>Unrestricted Designated</u>	<u>Total</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Support and revenue:							
Donations and grants	\$ 1,023,962	\$ 3,560	\$ 1,027,522	\$ 1,951,585	\$ 211,079	\$ 3,190,186	\$ 1,687,289
Special events, net of related expense	11,774	5,707	17,481	90,577	-	108,058	134,344
Investment return (loss)	-	(135)	(135)	(6,438)	-	(6,573)	1,183,181
Rental income (loss)	(11,884)	-	(11,884)	-	-	(11,884)	(21,316)
Other income	880	-	880	-	-	880	1,134
Total	<u>1,024,732</u>	<u>9,132</u>	<u>1,033,864</u>	<u>2,035,724</u>	<u>211,079</u>	<u>3,280,667</u>	<u>2,984,632</u>
Net assets released from restrictions	520,284	-	520,284	(520,284)	-	-	-
Total support and revenue	<u>1,545,016</u>	<u>9,132</u>	<u>1,554,148</u>	<u>1,515,440</u>	<u>211,079</u>	<u>3,280,667</u>	<u>2,984,632</u>
Expenses:							
Program services:							
Scholarships and awards	140,445	14,750	155,195	-	-	155,195	173,050
Institutional support	1,742,532	1,005	1,743,537	-	-	1,743,537	1,409,539
Support services:							
Administrative expenses	231,163	-	231,163	-	-	231,163	219,793
Fundraising expenses	202,560	-	202,560	-	-	202,560	180,658
Total expenses	<u>2,316,700</u>	<u>15,755</u>	<u>2,332,455</u>	<u>-</u>	<u>-</u>	<u>2,332,455</u>	<u>1,983,040</u>
Other income	289,328	-	289,328	-	-	289,328	-
Other changes between net asset categories	-	(495)	(495)	(30,236)	30,731	-	-
Change in net assets	(482,356)	(7,118)	(489,474)	1,485,204	241,810	1,237,540	1,001,592
Net assets (deficit), beginning of year	(1,245,389)	282,603	(962,786)	4,252,926	11,886,557	15,176,697	14,175,105
Net assets (deficit), end of year	<u>\$ (1,727,745)</u>	<u>\$ 275,485</u>	<u>\$ (1,452,260)</u>	<u>\$ 5,738,130</u>	<u>\$ 12,128,367</u>	<u>\$ 16,414,237</u>	<u>\$ 15,176,697</u>

See Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	Program Services		Support Services		2012 Total	2011 Total
	Scholarships and Awards	Institutional Support	Administrative Expenses	Fundraising Expenses		
Academic and program support expenses	\$ -	\$ 925,877	\$ -	\$ -	\$ 925,877	\$ 595,562
Institute of Sustainable Energy Studies	-	584,000	-	-	584,000	531,000
Scholarships and awards	155,195	19,648	-	-	174,843	189,722
Receptions and banquets	-	-	-	174,394	174,394	175,404
Salaries and benefits	-	-	107,980	-	107,980	107,175
Operating expenses - owned properties	-	104,073	-	-	104,073	119,590
Depreciation	-	33,684	-	-	33,684	49,796
Printing and publication expenses	-	-	32,147	-	32,147	39,914
University liaison expense	-	28,472	-	-	28,472	16,213
Plaques and other recognition expenses	-	-	-	27,251	27,251	4,236
Accounting and auditing	-	-	19,980	-	19,980	19,310
Travel expenses	-	19,645	-	-	19,645	20,209
University President's expense	-	18,244	-	-	18,244	9,092
Advertising	-	-	17,650	-	17,650	3,651
Postage	-	-	14,965	-	14,965	14,057
Office supplies and expenses	-	-	13,240	-	13,240	7,429
Insurance	-	-	6,079	-	6,079	4,075
Office rent	-	-	6,000	-	6,000	6,000
Grants to sub recipients	-	5,000	-	-	5,000	48,609
Contributions	-	4,844	-	-	4,844	2,746
Bank charges and fees	-	-	2,927	-	2,927	3,274
Memberships and dues expense	-	-	2,514	-	2,514	4,027
Professional development	-	-	2,300	-	2,300	2,349
Professional fees	-	-	2,203	-	2,203	4,684
Bookkeeping expense	-	-	1,764	-	1,764	1,941
Foreign dividends tax	-	-	-	915	915	1,018
Miscellaneous	-	-	826	-	826	1,907
Payments to beneficiary	-	-	588	-	588	-
Annual report	-	50	-	-	50	50
	<u>\$ 155,195</u>	<u>\$ 1,743,537</u>	<u>\$ 231,163</u>	<u>\$ 202,560</u>	<u>\$ 2,332,455</u>	<u>\$ 1,983,040</u>

See Notes to Financial Statements.

ECSU FOUNDATION, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)**

	<u>2012</u>	<u>2011</u>
Operating activities:		
Change in net assets	\$ 1,237,540	\$ 1,001,592
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gifts restricted for long-term investments	1,495,771	(388,548)
Depreciation	88,646	104,082
Non-cash transfer of property to ECSU	317,301	-
Net realized and unrealized (gain) loss on investments	201,030	(996,177)
Non-cash donation of collections	(1,706,850)	-
Changes in operating assets and liabilities:		
Pledges receivable, net of allowance	204,254	(104,054)
Prepaid expenses and other receivables	(9,270)	(2,497)
Accounts payable	3,457	(21,959)
Accrued expenses	(70,308)	290,053
Net cash provided by (used in) operating activities	<u>1,761,571</u>	<u>(117,508)</u>
Investing activities:		
Purchase of investments	(3,609,099)	(4,566,751)
Proceeds received from sale of investments	3,357,745	4,396,271
Purchase of fixed assets	(90,588)	(190,787)
Net cash used in investing activities	<u>(341,942)</u>	<u>(361,267)</u>
Financing activities:		
Gifts restricted for long-term investments	(1,495,771)	388,548
Net decrease in cash and cash equivalents	(76,142)	(90,227)
Cash and cash equivalents, beginning of year	<u>2,117,339</u>	<u>2,207,566</u>
Cash and cash equivalents, end of year	<u>\$ 2,041,197</u>	<u>\$ 2,117,339</u>

See Notes to Financial Statements.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of activities and summary of significant accounting policies:

Nature of activities:

ECSU Foundation, Inc. (the "Foundation") operates exclusively for charitable and educational purposes and as such promotes, encourages, and assists all forms of education and research at Eastern Connecticut State University (the "University" or "ECSU"). The Foundation solicits donations of properties, monies, or securities and acts as custodian for any and all funds and property received. The Foundation then disburses such funds, property, or the income there from in aiding, supplementing, improving, and enlarging the educational, cultural and research facilities and activities of the University.

Financial statement presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Foundation is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Foundation or that expire by the passage of time.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Foundation and stipulate the use of income and/or appreciation as temporarily restricted based on donor imposed stipulations or by operation of law.

The statement of activities includes certain prior year summarized comparative information in total but not by net asset class. In addition, the statement of functional expenses includes certain prior year summarized comparative information in total but not by program and support services. 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, 2011, from which the summarized information was derived.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. As of June 30, 2012 and 2011, \$1,141,011 and \$1,350,007, respectively, were cash equivalents.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of activities and summary of significant accounting policies (continued):

Investments:

Assets established from donor restricted contributions and board designated funds are pooled in an investment account on a fair value basis. Units of the pooled investment account are revalued at the end of each month based on the fair value of the underlying assets in the account. The initial unit value of each subsequent deposit or withdrawal is computed as of the last trading day of the period in which the deposit or withdrawal was made, except that the unit value of any deposit or withdrawal amounting to more than 10% of total investment funds is computed at fair value on the date of deposit or withdrawal. Unrealized gains and losses that result from market fluctuations are recognized in the period in which the fluctuations occur. Investment management fees are netted against total investment return.

Donations and grants:

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support 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 unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Pledges 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.

Receivables:

Receivables are comprised of contributions. Management evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit worthiness of the donor, historical collection trends and current economic conditions. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on the pledge due date. As of June 30, 2012 and 2011, allowances for doubtful accounts were \$13,750 and \$36,591, respectively. For the years ended June 30, 2012 and 2011, bad debt expense related to pledge receivables were \$0.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of activities and summary of significant accounting policies (continued):

Land, buildings and equipment:

The Foundation capitalizes all expenditures for buildings and equipment in excess of \$2,000 and 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 restricted net assets. It is the Foundation's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of buildings and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated buildings and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated Lives</u>
Buildings and improvements	15 - 39 years
Equipment and furniture	5 - 10 years
Vehicles	5 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Management fees:

The Foundation has implemented a policy that a certain portion of annual earnings from permanently restricted gifts (the "annual assessment") is allocated to support stewardship activities, including investment counseling fees, bank custodial fees and other direct Foundation costs for maintaining the endowment portfolio. The annual assessment is 1.25% of the prior year's ending value of permanently restricted endowment net assets, excluding long-lived assets. As of June 30, 2012 and 2011, amounts allocated for support were \$137,339 and \$132,485, respectively.

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.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of activities and summary of significant accounting policies (continued):

Tax exempt status (concluded):

The Foundation's Federal and state income tax returns prior to fiscal year 2009 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, 2012.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

Collections:

The Foundation capitalizes its collection of artwork (see Note 7). 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:

Volunteers have donated significant amounts of time in assisting the Foundation with its fundraising efforts. The dollar value of these contributed services is not reflected in the financial statements because the nature of the services does not meet the specified criteria for recording.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of activities and summary of significant accounting policies (concluded):

Subsequent events:

The Foundation has evaluated subsequent events through November 1, 2012, which is the date the financial statements were available to be issued.

Note 2 - 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.

Concentrations of credit risk with respect to donations and grants is 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.

Note 3 - Investments:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Mutual funds:				
Domestic equity funds	\$ 630,258	\$ 717,337	\$ 510,534	\$ 626,854
International mutual funds	201,849	216,896	307,868	405,538
Fixed income funds	751,776	767,415	898,126	910,490
	<u>1,583,883</u>	<u>1,701,648</u>	<u>1,716,528</u>	<u>1,942,882</u>
Domestic common stocks:				
Technology	663,394	835,518	447,745	613,395
Industrials	513,011	557,395	556,232	720,528
Financials	268,029	258,046	380,805	354,118
Consumer Discretionary	546,610	519,992	509,944	549,004
Energy	241,077	254,690	323,890	384,675
Health Care	378,624	409,571	250,633	312,380
Consumer staples	423,570	457,835	215,978	239,740
Materials	269,588	310,955	190,026	254,769
Utilities	18,322	22,376	73,320	92,234
Telecommunications	9,468	12,454	67,437	81,608
Real estate	21,101	17,996	-	-
	<u>3,352,794</u>	<u>3,656,828</u>	<u>3,016,010</u>	<u>3,602,451</u>
Money market funds	422,551	428,748	939,738	939,738
Obligations of government agencies	24,935	25,214	99,810	101,779
Obligations of municipalities	381,743	384,884	357,943	355,526
Corporate bonds	2,856,521	3,005,313	2,064,603	2,235,315
Preferred stock	25,514	25,380	-	-
Totals	<u>\$ 8,647,941</u>	<u>\$ 9,228,015</u>	<u>\$ 8,194,632</u>	<u>\$ 9,177,691</u>

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments (concluded):

The following summarizes bond ratings for corporate bonds, obligations of municipalities and government agencies for the years ended June 30, 2012 and 2011, respectively:

	2012	2011
AAA	\$ 128,013	\$ 204,032
AA	550,181	857,494
A	1,422,236	957,134
BAA	885,765	397,724
Other	429,216	276,236
Totals	<u>\$ 3,415,411</u>	<u>\$ 2,692,620</u>

The following summarizes investment income (loss) for the years ended June 30, 2012 and 2011, respectively:

	2012	2011
Interest and dividend income, net of fees	\$ 194,457	\$ 187,004
Net realized and unrealized gains (losses)	(201,030)	996,177
Totals	<u>\$ (6,573)</u>	<u>\$ 1,183,181</u>

Amounts are reported in the statement of activities as follows:

	2012	2011
Unrestricted investment return	\$ (135)	\$ 599,270
Temporarily restricted investment return	(6,438)	583,911
Totals	<u>\$ (6,573)</u>	<u>\$ 1,183,181</u>

Note 4 - 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.

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.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4 - Fair value measurements (continued):

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, 2012 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Total
Mutual funds:			
Domestic equity funds	\$ 717,337	\$ -	\$ 717,337
International mutual funds	216,896	-	216,896
Fixed income funds	-	767,415	767,415
	<u>934,233</u>	<u>767,415</u>	<u>1,701,648</u>
Domestic common stocks:			
Technology	835,518	-	835,518
Industrials	557,395	-	557,395
Financials	258,046	-	258,046
Consumer Discretionary	519,992	-	519,992
Energy	254,690	-	254,690
Health Care	409,571	-	409,571
Consumer staples	457,835	-	457,835
Materials	310,955	-	310,955
Utilities	22,376	-	22,376
Telecommunications	12,454	-	12,454
Real estate	17,996	-	17,996
	<u>3,656,828</u>	<u>-</u>	<u>3,656,828</u>
Money market funds	428,748	-	428,748
Obligations of government agencies	-	25,214	25,214
Obligations of municipalities	-	384,884	384,884
Corporate bonds	-	3,005,313	3,005,313
Preferred stock	25,380	-	25,380
Total investments	<u>\$ 5,045,189</u>	<u>\$ 4,182,826</u>	<u>\$ 9,228,015</u>

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4 - Fair value measurements (concluded):

Financial assets and liabilities carried at fair value at June 30, 2011 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Total
Mutual funds:			
Domestic equity funds	\$ 626,854	\$ -	\$ 626,854
International mutual funds	405,538	-	405,538
Fixed income funds	910,490	-	910,490
	<u>1,942,882</u>	<u>-</u>	<u>1,942,882</u>
Domestic common stocks:			
Technology	613,395	-	613,395
Industrials	720,528	-	720,528
Financials	354,118	-	354,118
Consumer Discretionary	549,004	-	549,004
Energy	384,675	-	384,675
Health Care	312,380	-	312,380
Consumer staples	239,740	-	239,740
Materials	254,769	-	254,769
Utilities	92,234	-	92,234
Telecommunications	81,608	-	81,608
	<u>3,602,451</u>	<u>-</u>	<u>3,602,451</u>
Money market funds	939,738	-	939,738
Obligations of government agencies	-	101,779	101,779
Obligations of municipalities	-	355,526	355,526
Corporate bonds	-	2,235,315	2,235,315
Total investments	<u>\$ 6,485,071</u>	<u>\$ 2,692,620</u>	<u>\$ 9,177,691</u>

Investments in securities (including mutual funds and money market funds) that are traded on an active market are valued at the closing price on the valuation date (Level 1). The value of the mutual funds and money market funds represents the net asset values of the shares held by the Foundation at year end.

Corporate bonds and obligations of the State of Connecticut and government agencies (Level 2) are estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer and credit default swap spreads adjusted for any basis difference between cash and derivative instruments.

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.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5 - Pledges receivable:

Unconditional promises to give are classified as unrestricted, temporarily restricted, or permanently restricted, depending on the nature of the donor restriction. As of the end of the year, unconditional promises to give consisted of the following:

	2012	2011
Receivable in:		
Less than one year	\$ 62,385	\$ 239,480
One to five years	-	55,000
	<u>62,385</u>	<u>294,480</u>
Less pledge discount	-	(5,000)
Less allowance for uncollectible pledges	(13,750)	(36,591)
	<u>\$ 48,635</u>	<u>\$ 252,889</u>

Note 6 - Land, buildings and equipment:

Land, buildings and equipment as of June 30, 2012 and 2011 consists of the following:

	2012	2011
Buildings and improvements	\$ 3,277,632	\$ 3,359,622
Equipment and furniture	162,518	126,841
Vehicles	16,965	16,965
	<u>3,457,115</u>	<u>3,503,428</u>
Accumulated depreciation	(735,990)	(647,344)
	<u>2,721,125</u>	<u>2,856,084</u>
Land	959,317	1,042,909
Construction in progress	-	96,808
	<u>\$ 3,680,442</u>	<u>\$ 3,995,801</u>

Depreciation expense was \$88,646 and \$104,082 for the years ended June 30, 2012 and 2011, respectively.

Note 7 - Collections:

In 2012, the Foundation received three donations of artwork, appraised at \$1,706,850. The Foundation has adopted the policy of capitalizing collections of artwork in its financial statements. The collection is stored in the University Art Gallery in a controlled environment. From time to time, various pieces will go on display. The Foundation may not sell any part of the collection for a period of five years following the date of transfer. After such period of time, the Foundation may, in its sole discretion, sell any or all of the collection as is necessary for the maintenance or preservation of the collection or for any other purpose consistent with the mission of the Foundation.

Note 8 - Charitable remainder trust:

The Foundation administers a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are available for the Foundation's use. Assets held in the charitable remainder trust are recorded at fair value in the Foundation's statement of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiary based on actuarial assumptions.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Charitable remainder trust (concluded):

The present value of the estimated future payments is calculated using a discount rate of 6.0% and applicable mortality tables. The trust has a fair value of \$203,066 and \$143,974 (included in investments) as of June 30, 2012 and 2011 with a corresponding liability of \$98,928 and \$67,547, which is included in accrued expenses as of June 30, 2012 and 2011, respectively.

Note 9 - Restrictions on net assets:

Restrictions on net assets are summarized as follows:

	2012	2011
Permanently restricted:		
Scholarships and awards	\$ 6,885,628	\$ 6,686,313
University support	4,343,539	4,301,044
	<u>11,229,167</u>	<u>10,987,357</u>
Land required to be permanently used for benefit of ECSU	899,200	899,200
	<u>\$ 12,128,367</u>	<u>\$ 11,886,557</u>
Temporarily restricted:		
Scholarships and awards	\$ 541,286	\$ 631,884
University support	1,274,991	1,344,739
Collections of artwork	1,706,850	-
	<u>3,523,127</u>	<u>1,976,623</u>
Buildings and improvements on which a time restriction is implied	2,215,003	2,276,303
	<u>\$ 5,738,130</u>	<u>\$ 4,252,926</u>

Investment income earned on investments is included as investment income in the appropriate net asset group in accordance with the donors' original gift instruments.

Note 10 - 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 or by passage of time. The temporarily restricted net assets released from restrictions related to the following:

	2012
Purpose restrictions accomplished:	
Scholarships and awards	\$ 140,472
General university support	181,173
Total	<u>321,645</u>
Implied time restriction	61,300
Management fee	137,339
Net assets released from restrictions	<u>\$ 520,284</u>

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11 - Transactions with Eastern Connecticut State University:

The Foundation expensed \$400 for rent of its facilities from the University for each of the years ended June 30, 2012 and 2011. The value of the rental space has been estimated at \$6,000 per year. The difference between the estimated value and the rent due has been treated as a donation.

To ensure the proper use of the scholarship fund by students, the Foundation routinely disburses such funds either payable to the University or jointly payable to the University and the student. The Foundation provided institutional support to the University through the Endowed Chair in Sustainable Energy Studies, the President's grant and other services. All of the Foundation's expenditures are in an effort to advance the University.

Note 12 - Endowed Chair Investment Fund:

The Foundation has a permanently restricted fund under the provisions of Section 10a-20a of the Connecticut General Statutes. The fund is for the purpose of addressing concerns about energy conservation and energy efficiency. The fund is called the "Endowed Chair in Sustainable Energy Studies at Eastern Connecticut State University" ("Endowed Chair").

The Foundation received a contribution of \$500,000 for the Endowed Chair. This contribution is held by the Foundation and the investment income on the contributions is restricted to support the Endowed Chair. The State of Connecticut will invest \$500,000 in matching state funds with the State Treasurer. The interest earned on the matching state portion will also be allocated to the Connecticut State University system to support the Endowed Chair.

Note 13 - Endowment:

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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13 - Endowment (continued):

In accordance with CTUPMIFA, 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) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 156,807	\$ 11,229,167	\$ 11,385,974

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 409,784	\$ 10,987,357	\$ 11,397,141

Changes in endowment net assets for the year ended June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 409,784	\$ 10,987,357	\$ 11,397,141
Investment income	-	173,373	-	173,373
Net realized and unrealized depreciation	-	(179,234)	-	(179,234)
Donations and grants	-	-	211,079	211,079
Amounts appropriated for expenditure or satisfaction of restriction	-	(247,116)	-	(247,116)
Other changes	-	-	30,731	30,731
Endowment net assets, end of year	\$ -	\$ 156,807	\$ 11,229,167	\$ 11,385,974

ECSU FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13 - Endowment (concluded):

Changes in endowment net assets for the year ended June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (575,098)	\$ 156,841	\$ 10,598,809	\$ 10,180,552
Investment income	90,896	84,322	-	175,218
Net realized and unrealized appreciation	484,202	449,186	-	933,388
Donations and grants	-	-	388,548	388,548
Amounts appropriated for expenditure or satisfaction of restriction	-	(280,565)	-	(280,565)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 409,784</u>	<u>\$ 10,987,357</u>	<u>\$ 11,397,141</u>

Note 14 - Rental activities:

The Foundation leases real estate on a month to month basis to the State of Connecticut and another related party. Total rent earned for the years ended June 30, 2012 and 2011 was \$195,947 and \$194,297, respectively and related expenses (including depreciation of \$54,962 and \$54,286, respectively) were \$207,831 and \$215,613, respectively.

SCHEDULE OF REVENUES AND CHANGES IN PERMANENTLY RESTRICTED NET ASSETS
YEAR ENDED JUNE 30, 2012

	Net Assets Beginning of Year	Revenues/ Donations	Pledge Allowances and Discounts	Net Assets End of Year
Dr. Jacqueline Abbott Endowed Scholarship Fund	\$ 7,531	\$ 325	\$ -	\$ 7,856
Founders of Accounting Scholarship	19,969	5,422	-	25,391
Akus Gallery Exhibitions 2000	500	-	-	500
ECSU Alumni Association Career & Experiential Services Fund	10,164	-	-	10,164
Alumni Centennial Endowed Fund	40,400	25	-	40,425
Alumni Center Endowed Fund	28,507	-	-	28,507
Athletic Endowment Fund	298,706	7,680	-	306,386
Barnes & Noble Scholarship Fund	10,000	-	-	10,000
Dr. Stanley and Judith Rozie-Battle Endowed Scholarship	17,042	-	-	17,042
Hermann Beckert Music Scholarship Fund	12,468	200	-	12,668
Biology Endowed Fund	15,338	910	-	16,248
Doris Kopochus Brown Scholarship (Land)	285,000	-	-	285,000
Doris Kopochus Brown Scholarship	4,022,031	-	-	4,022,031
Juliet Burstermann Endowed Scholarship	10,200	-	-	10,200
Paul Burton Scholarship	7,682	-	-	7,682
Arturo and Elba Candale	32,760	1,110	-	33,870
The Dorothy N. Carlyle Charitable Remainder UniTrust	44,575	35,303	(9,098)	70,780
The Dorothy N. Carlyle Endowed Scholarship	26,500	3,500	-	30,000
David G. Carter 15th Anniversary Celebration Endowed Fund	271,683	-	2,727	274,410
David G. Carter, Sr. Endowment	13,750	-	-	13,750
David T. Chase Institute Endowed Fund	145,000	-	-	145,000
Citizens Bank Conference Room	10,000	-	-	10,000
Marlin S. Clark Endowed Scholarship	10,000	-	-	10,000
Connecticut Endowment Match	983,641	-	-	983,641
Class of 1994 Achievement Scholarship	7,294	-	-	7,294
Class of 1959 Endowed Scholarship	9,920	2,152	-	12,072
Class of 2008 Endowed Scholarship	11,265	170	-	11,435
Class of 2009 Endowed Scholarship	8,965	380	-	9,345
Curran Family Scholarship	12,735	50	-	12,785
Curran Family Group Study Room	10,000	-	-	10,000
Jarrell Cuyler and Angelica Padilla Memorial Scholarship	10,438	156	-	10,594
John J. Delmonte, Jr. Endowed Scholarship	12,975	4,000	-	16,975

SCHEDULE OF REVENUES AND CHANGES IN PERMANENTLY RESTRICTED NET ASSETS
YEAR ENDED JUNE 30, 2012

	Net Assets Beginning of Year	Revenues/ Donations	Pledge Allowances and Discounts	Transfers	Net Assets End of Year
Corbett DeVivo Endowed Scholarship	\$ 20,000	\$ 10,000	\$ -	\$ -	\$ 30,000
Dr. Robert W. Dolph Scholarship	36,305	-	-	-	36,305
Alf E. Dyrland Memorial Endowed Scholarship	7,000	-	-	-	7,000
ECSU Endowed Scholarship	101,021	8,856	-	-	109,877
Endowed Chair in Sustainable Energy Studies at ECSU	500,076	-	-	-	500,076
Grace F. Engass Scholarship	10,849	-	-	-	10,849
Erlandson Summer Concert Series	365,214	-	-	-	365,214
Neil R. Esposito Memorial Endowed Scholarship	75,000	-	-	-	75,000
Fine Arts Endowed Chair	500,060	-	-	-	500,060
Fund for a New Century	55,332	-	-	-	55,332
Michael F. Gable Endowed	33,773	7,135	-	-	40,908
Thomas W. Gavigan Endowed Scholarship	15,000	-	-	-	15,000
Francis E. Geissler Scholarship	72,852	2,685	-	-	75,537
General Endowment	781,608	-	-	-	781,608
Constance Belton Green Endowed Scholarship	-	1,050	-	14,231	15,281
John D. Heredia Endowed Scholarship	10,641	-	-	-	10,641
John C. Hicks Endowed	333,248	-	-	-	333,248
Luva Mead Hoar Endowed Scholarship	27,078	10,150	-	-	37,228
The Carlton P. and Theresa H. James Endowed Scholarship	48,718	10,094	-	-	58,812
Sophie L. Jenkins Scholarship Fund	27,588	1,398	-	-	28,986
Dr. Arthur L. Johnson Unity Fund	28,680	-	-	-	28,680
Paul E. Johnson Sr. Community Conference Room	60,000	-	-	-	60,000
Andy Jones Visual Arts Endowed Scholarship	-	-	-	10,000	10,000
Kahan, Kerensky & Capossela, LLC Endowed Scholarship	10,000	-	-	-	10,000
Mae K. Kaplitz Memorial Music Scholarship	30,690	-	-	-	30,690
Stephen A. Kenton Endowed Scholarship	34,768	5,269	-	-	40,037
Megan Kleczka Endowed	8,315	100	-	-	8,415
Howard S. Kniffin Endowed Scholarship	41,500	3,500	-	-	45,000
Konover Endowed Scholarship	77,653	-	-	-	77,653
Dr. K. Narayan Kutty Endowed Scholarship	15,540	765	-	-	16,305
Earl Lacey Scholarship	12,465	650	-	-	13,115
Ellen L. Lang '81 & James E. Watson, M.D. Endowed Scholarship	23,050	1,350	-	-	24,400
Lauter Greer Flanzer	1,000	-	-	-	1,000
Library Associates Endowment	27,915	-	-	-	27,915
Looking into the Future	41,832	-	-	-	41,832
Susan McCray Endowed Fund for Theatre Arts	17,500	5,000	-	-	22,500
Meehan & Daughters Real Estate and Development Scholarship	35,094	1,000	-	-	36,094
Bernice C. Niejadlik Scholarship	9,674	-	-	-	9,674
ECSU New London High School Scholarship	151,067	10,000	-	-	161,067
NRY Endowed Scholarship Fund	26,913	3,970	-	-	30,883
Juan & Carmen Nunez Scholarship	27,087	5,018	-	-	32,105

**SCHEDULE OF REVENUES AND CHANGES IN PERMANENTLY RESTRICTED NET ASSETS
YEAR ENDED JUNE 30, 2012**

	Net Assets Beginning of Year	Revenues/ Donations	Pledge Allowances and Discounts	Transfers	Net Assets End of Year
ODK Scholarship Fund	\$ 3,757	\$ -	\$ -	\$ -	\$ 3,757
Ann Marie Orza Endowed Scholarship	27,720	5,960	-	-	33,680
Daniel Pearl Endowed Scholarship	7,903	100	-	-	8,003
Pepsi-Cola Endowed Scholarship	48,500	-	-	-	48,500
David and Janet Phillips Scholarship Fund	10,446	-	-	-	10,446
Frank and Kathrina Post Scholarship	5,320	-	-	-	5,320
Edith and Franklin Prague Centennial Scholarship	25,198	-	-	-	25,198
President's Community Endowed Scholarship	16,800	1,000	-	-	17,800
Charles & Virginia Prewitt Peace and Human Rights Studies	95,020	-	-	-	95,020
Kathleen W. Roan Endowed Scholarship	11,009	2,343	-	-	13,352
Mary M. Rogers Endowed Teaching Scholarship	17,031	130	-	-	17,161
David M. Roth Memorial Scholarship	24,528	4,288	-	-	28,816
SBM Charitable Foundation Dual Enrollment Endowed Scholarship	98,863	-	19,887	-	118,750
SBM Charitable Foundation Early Childhood Education Endowed Scholarship	250,000	475	-	-	250,475
Tammy E. Schaeffer Endowed Scholarship	50,910	35	-	-	50,945
SGA Endowed Scholarship	20,000	11,494	-	-	31,494
George Shafer-Frederick Noble Endowed Scholarship Fund	17,499	3,007	-	-	20,506
J. Eugene Smith Endowed Library Fund	11,710	-	-	-	11,710
Smith, Snider, Clebnik, Founders of EES Fund	18,066	5,515	-	-	23,581
The Nancy K. Sulinski Endowment Fund	5,816	-	-	-	5,816
SUOAF Endowed Scholarship Fund	5,999	130	-	-	6,129
Dr. R. Horrocks & Dr. D. Switchenko Founders of HPE Endowed Fund	4,758	2,001	-	-	6,759
Elizabeth A. Thomas Endowment Scholarship	10,500	1,500	-	-	12,000
Travelers Award Endowed Scholarship	15,000	-	-	-	15,000
Ann & Kenneth Tucker Endowed Scholarship Fund	10,000	1,000	-	-	11,000
United Technologies Endowed Scholarship	40,005	-	-	-	40,005
Rosalie Vernon Memorial Scholarship	20,112	-	-	-	20,112
Sidney Vernon, M.D. Endowed Scholarship	22,094	-	-	-	22,094
Veteran's Endowed Scholarship	-	3,935	-	6,500	10,435
Lee B. Watts Endowed Scholarship	56,840	5,125	-	-	61,965
Andree & C.R. Webb Scholarship	6,270	52	-	-	6,322
Robert K. Wickware Planetarium Endowed Fund	7,212	100	-	-	7,312
Priscilla Saunders Wilcox Memorial Scholarship	4,600	-	-	-	4,600
Margaret Wilson Endowed	15,760	-	-	-	15,760
Windham Pepsi Baseball Scoreboard Endowed Fund	12,000	-	-	-	12,000
Henry N. and Frances Z. Winiarski Scholarship	45,190	-	-	-	45,190
Zaring Property	614,200	-	-	-	614,200
Frances Karltn Zittel Endowment	109,553	-	-	-	109,553
Peace Through Education Fund	11,223	-	-	-	11,223
Total Permanently Restricted	\$ 11,886,557	\$ 197,563	\$ 13,516	\$ 30,731	\$ 12,128,367

SCHEDULE OF REVENUES AND CHANGES IN TEMPORARILY RESTRICTED NET ASSETS
YEAR ENDED JUNE 30, 2012

	Net Assets Beginning of Year	Donations/ Revenues	Pledge Allowances and Discounts	Transfers	Scholarships/ University Support	Investment Earnings	Management Fee	Net Assets End of Year
Dr. Jacqueline Abbott Temporarily Restricted Fund	\$ 577	\$ -	\$ -	\$ -	\$ (500)	\$ (4)	\$ (73)	\$ -
Academic Management Services Scholarship	275	-	-	-	-	-	-	275
Accessibility Services Fund	3,496	1,130	-	-	(50)	(2)	-	4,574
Accounting Society Fund	-	50	-	-	-	-	-	50
Admissions Program	8,150	-	-	-	-	(4)	-	8,146
African/Caribbean Library Fund	35,641	-	-	-	-	(18)	-	35,623
Akus Gallery Exhibitions 2000 Temp Rest Earnings	107	-	-	-	-	-	(7)	100
Cecille Allen Scholarship Fund	-	390	-	-	-	-	-	390
Alumni Association Career and Experiential Services Fund	803	390	-	-	(355)	(6)	(142)	690
Alumni Centennial Temp Rest Earnings	9,127	-	-	-	-	(26)	(567)	8,534
Alumni Center Temp Rest Earnings	6,409	-	-	-	-	(18)	(400)	5,991
Alumni General Scholarship	126	515	-	-	-	-	-	641
Athletic Fund Temp Rest	56,884	-	-	-	-	(193)	(4,295)	52,396
Barnes & Noble Scholarship Fund	349	5,000	-	-	(5,000)	(6)	(140)	203
Baseball Stadium Scoreboard	78,571	-	-	-	-	(39)	-	78,532
Dr. Stanley and Judith Rozie-Battle Temporarily Restricted	96	-	-	-	-	(9)	(87)	-
Hermann Beckert Music Scholarship	960	-	-	-	(750)	(6)	(178)	26
Madeleine Bernstein Theatre Arts	418	50	-	-	-	-	-	468
Charlotte Biederman French Studies Fund	836	-	-	-	-	-	-	836
Biology Temporarily Restricted Fund	8,141	-	-	-	-	(13)	(228)	7,900
Todd Brackoneski Memorial Fund	1,257	-	-	(212)	(1,045)	-	-	-
Gloria Thomas Brandenburg Scholarship	-	750	-	-	-	-	-	750
Dorothy E. Brown House (115 Bolivia Street Willimantic, CT)	131,538	-	-	-	(3,654)	-	-	127,884
Dorothy E. Brown Scholarship Fund Temp Rest Earnings	136,090	-	-	-	(17,500)	(2,220)	(56,379)	59,991
J. N. Brown & V. B Gascon Scholarship	5,236	2,039	-	-	-	(4)	-	7,271
Juliet Burstermann Temporarily Restricted Fund	357	-	-	-	-	(6)	(143)	208
Paul Burton Memorial Scholarship	321	-	-	179	(500)	-	-	-
Business Department Fund	-	9,749	-	-	(1,200)	(4)	-	8,545
Connie Campo Scholarship	6,271	2,291	-	-	(1,000)	(4)	-	7,558
Arturo and Elba Candale Endowment Earnings	645	-	-	-	(500)	(16)	(129)	-
The Dorothy N. Carlyle Endowed Scholarship	1,816	500	-	-	(1,500)	(17)	(421)	378
Dr. Carter's 15th Anniversary Temp Rest Earnings	51,583	-	-	-	-	(172)	(3,800)	47,611
David G. Carter, Sr. Temp Restricted Earnings	2,038	-	-	-	-	(8)	(183)	1,837
Center for CT Studies Fund	5,762	350	-	-	-	(3)	-	6,109
Charity Fund - Athletics	413	912	-	-	-	(1)	-	1,324
David T. Chase Institute Temporarily Restricted Fund	17,603	-	-	-	(1,000)	(86)	(2,033)	14,484
Child and Family Development Resource Center	68,863	1,250	1,250	-	(23,154)	(24)	-	48,185
Citizens Bank Conference Room	2,257	-	-	-	-	(7)	(140)	2,110
Martin Clark Scholarship Temp Rest Earnings	430	-	-	70	(500)	-	-	-
Class of 1951 Scholarship	2,801	1,485	-	-	-	(2)	-	4,284
Class of 1959 Scholarship Earnings	346	-	-	-	-	(7)	(169)	170
Class of 1960 Scholarship	2,644	250	-	-	-	(1)	-	2,893
Class of 1981 Scholarship	1,251	650	-	-	-	(1)	-	1,900
Class of 2008 Scholarship Earnings	394	-	-	-	-	(7)	(160)	227
Class of 2009 Scholarship Earnings	313	-	-	-	-	(5)	(131)	177
Class of 2010 Endowed Scholarship	1,639	655	-	-	-	(1)	-	2,293
Class of 2011 Scholarship	986	628	-	-	-	(1)	-	1,613
Class of 2012 Scholarship	-	995	-	-	-	-	-	995
Class of 1994 Achievement Scholarship Fund	255	-	-	-	-	(4)	(102)	149
Computer Resources Fund	1,824	260	-	-	-	(1)	-	2,083
Connecticut Endowment Match	34,383	-	-	-	-	(546)	(13,788)	20,049
Continuing Education Scholarship	3,327	920	-	-	(2,000)	(1)	-	2,246
Continuing Education REACH Scholarship	5,236	8,000	-	-	(8,000)	(3)	-	5,233
Curran Family Group Study Room	2,257	-	-	-	-	(7)	(140)	2,110

SCHEDULE OF REVENUES AND CHANGES IN TEMPORARILY RESTRICTED NET ASSETS YEAR ENDED JUNE 30, 2012

	Net Assets Beginning of Year	Donations/ Revenues	Pledge Allowances and Discounts	Transfers	Scholarships/ University Support	Investment Earnings	Management Fee	Net Assets End of Year
Curran Family Scholarship	\$ 445	\$ -	\$ -	\$ -	\$ -	(7)	(179)	\$ 259
Jarrell Cuyler & Angelica Padilla Memorial Scholarship	365	-	-	635	(1,000)	-	-	-
Davis Educational Foundation	12,865	-	-	-	(12,865)	-	-	-
John J. Delmonte, Jr. Annual Scholarship	1,487	1,000	-	-	(750)	(10)	(238)	1,489
Departmental Support Fund	4,724	22,375	-	-	(3,916)	(11)	-	23,172
Corbett DeVivo Endowed Scholarship Earnings	699	-	-	-	-	(16)	(421)	262
Dr. Robert W. Dolph Scholarship	769	500	-	-	(1,000)	(18)	(251)	-
Dual Enrollment - Hartford	23,245	3,100	-	-	(23,479)	(1)	-	2,865
Dual Enrollment - Manchester	20,942	-	-	-	-	(10)	-	20,932
Alf E. Dyrland Memorial Scholarship	772	200	-	-	(500)	(4)	(98)	370
E-Club Fund	190,907	80,849	-	-	(86,882)	(91)	-	184,783
Eastern Celebrates Scholarship	1,550	1,039	-	-	-	(1)	-	2,588
Endowed Chair in Sustainable Energy Studies at ECSU	67,104	-	-	-	-	(302)	(7,010)	59,792
ECSU Endowed Scholarship Earnings	5,808	-	-	-	(4,000)	(60)	(1,540)	208
Grace F. Engass Scholarship	641	-	-	-	(500)	(6)	(135)	-
Scholarship for Entrepreneurial Creativity	321	-	-	-	-	-	-	321
Erlandson Summer Concert Series Temp Rest Earnings	9,584	-	-	-	(4,701)	(199)	(4,684)	-
Neil Esposito Temp Restricted Scholarship Fund	621	-	-	379	(1,000)	-	-	-
Faculty Travel	9,123	11,638	-	-	(13,550)	(4)	-	7,207
Faculty/Staff Scholarship	2,373	780	-	-	(1,500)	(1)	-	1,652
Fine Arts Endowed Chair Temp Rest Earnings	17,479	-	-	-	-	(277)	(7,010)	10,192
First Niagara Scholarship	5,236	50,000	-	-	-	(27)	-	55,209
Foster Property	1,559,893	-	-	-	(43,330)	-	-	1,516,563
Foster Land	60,117	-	-	-	-	-	-	60,117
Foster Property Temporarily Restricted Fund for Rental	5,236	-	-	-	-	(3)	-	5,233
Friends of Eastern Brick Walkway Fund	11,163	-	-	-	-	(5)	-	11,158
Founders of Accounting Scholarship	2,936	1,250	-	-	(2,500)	(14)	(356)	1,316
Dr. Tina Fu Book Fund	9,609	1,026	-	-	-	(5)	-	10,630
Fund for a New Century	12,746	-	-	-	-	(36)	(776)	11,934
Michael F. Gable Biology Student Assistantships Fund	1,789	-	-	-	(1,200)	(23)	(566)	-
Thomas W. Gavigan Endowed Scholarship	524	-	-	-	(500)	(7)	(17)	-
Francis E. Geissler Temporarily Restricted Fund	1,697	-	-	-	(1,500)	(37)	(160)	-
General Endowment	27,321	-	-	-	-	(434)	(11,456)	15,431
General Scholarship Fund	6,529	12,025	-	9	(6,000)	(6)	-	12,557
C. B. Green Scholarship Fund	14,902	2,800	-	(14,231)	(500)	(10)	(214)	2,747
Todd Greenberg Memorial Scholarship	334	-	-	-	-	-	-	334
John D. Heredia Temporarily Restricted Fund	789	1,600	-	-	(750)	(7)	(149)	1,483
John Hicks Property (Condo)	112,984	-	-	-	(3,103)	-	-	109,881
Edith and John Hicks Family Scholarship	177,534	-	-	(4,838)	(11,000)	(259)	(4,671)	156,766
Luva Mead Hoar Scholarship	477	-	-	273	(750)	-	-	-
The Carlton P. and Theresa H. James Temp Rest Earnings	1,800	-	-	-	(1,500)	(29)	(271)	-
Sophie L. Jenkins Scholarship Fund	189	-	-	561	(750)	-	-	-
Dr. Arthur L. Johnson Unity Operations Fund	1,895	-	-	-	-	(1)	-	1,894
Dr. Arthur L. Johnson Unity Fund	1,350	500	-	-	(1,000)	(16)	(402)	432
Paul E. Johnson Sr. Community Conference Room	1,986	-	-	-	(1,750)	(30)	(206)	-
Andy Jones Scholarship	10,443	450	-	(10,000)	-	(6)	(140)	747

SCHEDULE OF REVENUES AND CHANGES IN TEMPORARILY RESTRICTED NET ASSETS
YEAR ENDED JUNE 30, 2012

	Net Assets Beginning of Year	Donations/ Revenues	Pledge Allowances and Discounts	Transfers	Scholarships/ University Support	Investment Earnings	Management Fee	Net Assets End of Year
Kahan, Kerensky & Capossela, LLC Endowed Scholarship Earnings	\$ 349	\$ -	\$ -	\$ -	\$ -	\$ (6)	\$ (140)	\$ 203
Mae K. Kaplitz Memorial Music Scholarship	323	-	-	177	(500)	-	-	-
Stephen A. Kenton Endowed Scholarship	614	-	-	-	(500)	(20)	(94)	-
Antoine Key Memorial Fund	3,440	-	-	-	-	(2)	-	3,438
Megan Kleczka Fund	3,389	-	-	-	(500)	(6)	(118)	2,765
Howard S. Kniffin Scholarship	782	-	-	218	(1,000)	-	-	-
Konover Scholarship Temp Rest Earnings	911	-	-	589	(1,500)	-	-	-
Dr. K. Narayan Kutty Endowed Scholarship	591	359	-	-	(750)	(8)	(192)	-
Earl M. Lacey Scholarship	185	-	-	-	-	(7)	(178)	-
Ellen L. Lang '81 & James E. Watson, M.D. .Scholarship	1,145	-	-	-	(500)	(13)	(342)	290
Lauter-Greer Scholarship	1,272	-	-	-	(1,000)	(1)	(14)	257
Library Associates Temporarily Restricted Fund	2,729	-	-	-	-	(17)	(391)	2,321
Liberty Bank Scholarship Fund	2,114	2,000	-	-	(2,000)	(1)	-	2,113
Qimin Liu Excellence Award	218	-	-	-	-	-	-	218
John Lombard Founder Economics Scholarship	6,969	1,060	-	-	-	(4)	-	8,025
Looking to the Future	9,456	-	-	-	-	(28)	(586)	8,842
M.A.L.E.S. Scholarship Fund	10,838	2,197	-	-	(500)	(6)	-	12,529
MassMutual Scholarship	776	-	-	(76)	(700)	-	-	-
Rick McCarthy's Men's Lacrosse Fund	3,053	830	-	-	-	(2)	-	3,881
Susan McCray Special Account for the Theatre Arts	871	-	-	-	-	(13)	(315)	543
Mariaelana McDevitt Memorial Scholarship	1,702	500	-	-	-	(1)	-	2,201
Dr. Marcia P. McGowan Scholarship	-	5,450	-	-	-	(3)	-	5,447
Meehan and Daughters Real Estate and Development	1,751	-	-	-	(1,500)	(18)	(233)	-
Music Department	-	15,000	-	-	(4,000)	(5)	-	10,995
Music To Our Ears	-	9,729	-	-	-	(5)	-	9,724
Sharon Mystique Memorial Scholarship	1,393	104	-	-	-	(1)	-	1,496
ECSU/New London High School Temporarily Restricted Fund	5,281	2,000	-	-	(4,000)	(88)	(2,258)	935
Bernice C. Niejadlik Scholarship	862	-	-	-	(750)	(5)	(107)	-
Norwich Savings Society Emergency Student Loan Fund	2,487	-	-	-	-	(1)	-	2,486
NRV Scholarship	2,689	-	-	-	(2,500)	(15)	(174)	-
Juan & Carmen Núñez Scholarship	423	405	-	-	(500)	(16)	(312)	-
ODK Temporarily Restricted Fund	331	-	-	-	-	(2)	(53)	276
AnnMarie Orza Scholarship	1,440	80	-	-	(1,500)	(17)	(3)	-
Parents Fund	45,504	9,760	-	-	(1,098)	(27)	-	54,139
Kenneth Parzych Economics Scholarship	1,485	262	-	-	-	(1)	-	1,746
Peace Conference	533	-	-	-	-	-	-	533
Peace and Human Rights Operating	1,746	365	-	-	(221)	(26)	(666)	1,198
Daniel Pearl Scholarship Fund	1,389	-	-	-	(1,000)	(5)	(112)	272
Pepsi-Cola Scholarship Temp Rest Earnings	1,528	-	-	-	(1,500)	(24)	(4)	-
David and Janet Phillips Scholarship Fund	1,349	-	-	-	-	(7)	(146)	1,196
Frank and Kathrina Post Scholarship	186	-	-	-	-	(3)	(75)	108
Edith and Franklin Prague Centennial Scholarship	130	-	-	620	(750)	-	-	-
Presidents Charity Games	18,169	-	-	-	-	(9)	-	18,160
President's Endowed Scholarship	91	-	-	-	-	(8)	(83)	-
Charles & Virginia Prewitt Peace & Human Rights Temp Rest	812	-	-	-	-	(26)	(666)	120
Project Compass Fund	4,794	6,925	-	-	-	(6)	-	11,713
Research & Scholarly Activities	5,918	-	-	-	-	(3)	-	5,915
Retired Education Professors Scholarship	1,518	135	-	-	-	(1)	-	1,652

SCHEDULE OF REVENUES AND CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

YEAR ENDED JUNE 30, 2012

	Net Assets Beginning of Year	Donations/ Revenues	Pledge Allowances and Discounts	Transfers	Scholarships/ University Support	Investment Earnings	Management Fee	Net Assets End of Year
Kathleen W. Roan Endowed Scholarship	\$ 909	\$ -	\$ -	\$ -	\$ -	\$ (8)	\$ (187)	\$ 714
Mary M. Rogers Endowed Teaching Scholarship	150	-	-	-	-	(8)	(142)	-
David M. Roth Memorial Scholarship	2,191	1,200	-	-	(1,880)	(16)	(404)	1,091
Rugby Club - ECSU	4,051	4,446	-	-	(2,702)	(3)	-	5,792
Dick Savage Scholarship	1,362	-	-	-	-	(1)	-	1,361
SBM Charitable Foundation Child Center Scholarship	223,594	-	-	-	-	(109)	-	223,485
SBM Charitable Foundation Dual Enrollment Scholarship	102,967	-	19,887	-	(667)	(106)	(1,433)	120,648
SBM Charitable Foundation Early Childhood Education	5,989	-	-	11	(6,000)	-	-	-
SBM Charitable Foundation Student Scholarships	929	8,900	-	-	(9,000)	-	-	829
Tammy E. Schaeffer Temp Rest	146	2,000	-	354	(2,500)	-	-	-
SGA Endowed Scholarship Temp. Rest. Earnings	699	-	-	-	-	(18)	(441)	240
George Shafer-Frederick Noble Scholarship Temp Rest.	664	100	-	-	(500)	(12)	(252)	-
Blum Shapiro Scholarship	460	-	-	-	-	-	-	460
Miriam Silcox TR Sch	94	-	-	(94)	-	-	-	-
J. Eugene Smith Library Fund	2,463	-	-	-	-	(8)	(164)	2,291
Smith, Snider, Clebnik, Founders of EES Fund	1,944	-	-	-	(1,250)	(13)	(331)	350
Nancy K. Sulinski Scholarship	203	-	-	-	-	(3)	(82)	118
SUOAF Scholarship Temp Rest Earnings	210	-	-	-	-	(3)	(86)	121
Dr. R. Horrocks & Dr. D. Switchenko Founders of HPE Temp Rest Earnings	309	-	-	-	-	(4)	(95)	210
Alexander Taylor Scholarship	5,238	500	-	-	-	(3)	-	5,735
Teacher Scholarship Program	5,930	-	-	(180)	(5,750)	-	-	-
Theatre Arts Award	574	26	-	-	-	-	-	600
Elizabeth A. Thomas Temp Rest Earnings	367	-	-	-	-	(7)	(168)	192
Travelers Award Temporarily Restricted Fund	524	-	-	-	(500)	(7)	(17)	-
Ann & Kenneth Tucker Scholarship Fund	6,545	-	-	-	(2,500)	(8)	(154)	3,883
United Technologies Temporarily Restricted Fund	398	-	-	352	(750)	-	-	-
The Sidney Vernon, MD Temporarily Restricted Scholarship	369	-	-	131	(500)	-	-	-
Rosalie Vernon Memorial Temporarily Restricted Fund	203	-	-	-	-	(10)	(193)	-
Veterans Scholarship	6,806	1,100	-	(6,500)	-	(7)	(146)	1,253
Veterans Center Operating Fund	281	-	-	-	-	-	-	281
Lee B. Watts Endowed Scholarship Earnings	1,486	-	-	14	(1,500)	-	-	-
Andree & C.R. Webb Scholarship	65	200	-	-	-	(3)	(89)	173
Charles R. Webb Scholarship	129	-	-	-	-	-	-	129
Hans Weiss Visual Arts Award	1,244	578	-	-	(500)	(1)	-	1,321
Wickware Planetarium Temporarily Restricted Fund	2,539	-	-	-	-	(6)	(102)	2,431
Priscilla Saunders Wilcox Temp Rest Earnings	161	-	-	379	-	(3)	(64)	473
Margaret Wilson Scholarship	1,526	1,500	-	-	(1,500)	(9)	(221)	1,296
Windham Pepsi Baseball Scoreboard Temp Rest Earnings	2,446	-	-	-	-	(8)	(168)	2,270
Henry N. & Frances Z. Winiarski Scholarship	2,366	-	-	-	(2,000)	(23)	(343)	-
Women's Center Operations	4,481	-	-	-	-	(2)	-	4,479
Yutzey Operational Fund	-	1,000	-	-	(750)	-	-	250
Yutzey Scholarship	-	4,000	-	-	-	(2)	-	3,998
Zaring Estate	189,838	674	-	-	-	(94)	-	190,418
Zaring Property	411,771	-	-	-	(11,213)	-	-	400,558
Holly Zimmerman Fund	1,308	450	-	-	(230)	(1)	-	1,527
Frances Karlyn Zittel Temporarily Restricted Fund	1,056	-	-	944	(2,000)	-	-	-
Collections	-	1,706,850	-	-	-	-	-	1,706,850
	\$ 4,252,926	\$ 2,021,026	\$ 21,137	\$ (30,236)	\$ (382,945)	\$ (6,439)	\$ (137,339)	\$ 5,738,130

See Report of Independent Public Accountants.

SCHEDULE OF REVENUES AND CHANGES IN UNRESTRICTED NET ASSETS (DESIGNATED)
YEAR ENDED JUNE 30, 2012

	Net Assets Beginning of Year	Transfers	Revenue/ Donations	Special Events, Net	Scholarships/ Distributions	Investment Income	Net Assets End of Year
Adopt-A-Student Scholarship	\$ 237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237
Admissions Program	3,961	-	-	-	-	(2)	3,959
Akus Gallery Exhibition Fund	4,713	-	-	-	-	(2)	4,711
Alston Memorial Scholarship	5,059	-	910	-	-	(3)	5,966
Baseball Stadium Signage	25,561	-	-	-	-	(13)	25,548
ECSU Foundation Community Youth Scholarship	61,857	-	15	5,707	(14,750)	(26)	52,803
Faculty and Staff Annual Fund	358	-	-	-	-	-	358
Free Enterprise	42,798	-	-	-	-	(21)	42,777
Honors Program Fund	183	-	15	-	-	-	198
International Studies	363	-	-	-	-	-	363
Library Resources Fund	22,979	-	2,620	-	(1,005)	(12)	24,582
Minority Affiliates Scholarship	116	(116)	-	-	-	-	-
Spanish Department	178	-	-	-	-	-	178
Priscilla Saunders Wilcox Scholarship	379	(379)	-	-	-	-	-
Scholarship Reception Operations	4,030	-	-	-	-	(2)	4,028
E-Club Funding Account	2,055	-	-	-	-	(1)	2,054
University Support Unrestricted Fund	107,776	-	-	-	-	(53)	107,723
	<u>\$ 282,603</u>	<u>\$ (495)</u>	<u>\$ 3,560</u>	<u>\$ 5,707</u>	<u>\$ (15,755)</u>	<u>\$ (135)</u>	<u>\$ 275,485</u>

See Report of Independent Public Accountants.

Eastern Connecticut State University Foundation Inc.
Board of Directors 2011-2012

Directors:

Employment

President:

Michael Scanlon '75
97 Hattertown Road
Newtown, CT 06470-2441
(203) 426-1107
lscanlon01@charter.net

Retired

Vice President:

Justin Murphy '98, Esq.
173 Daly Road
Coventry, CT 06238
(860) 930-4788

Kahan, Kerensky & Capossela, LLP
Attorney
P.O. Box K
45 Hartford Tpke.
Vernon-Rockville, CT 06066-5274
(860) 646-1974
jmurphy@kkc-law.com

Secretary:

Sandra Roth '71
9 Liberty Drive
Mansfield Center, CT 06250-1548
(860) 423-2461
(919) 401-1927

Retired

Treasurer:

Brian Hull
811 Worthington Ridge
Berlin, CT 06037
(860) 829-2845

Savings Institute Bank & Trust
Executive VP and Chief Financial Officer
803 Main Street
Willimantic, CT 06226
(860) 456-6568
Brian_Hull@banksi.com

Immediate Past President:

Timothy Coppage
4 Muirfield Lane
Bloomfield, CT 06002
(860) 539-2748

Eastern Connecticut State University Foundation Inc.
Board of Directors 2011-2012

Tracey Boyden '89

4 Hyde Park Road
North Franklin, CT 06254-1003
(860) 642-6623

Pfizer Inc.
Senior Scientist
Eastern Point Road
Groton, CT 06340
(860) 715-0082
Tracey.L.Boyden@pfizer.com

Jeffrey N. Brown '79

137 South Mill Drive
South Glastonbury, CT 06073-2224
(860) 633-9821

Webster Bank
145 Bank Street
Waterbury, CT 06702
(203) 578-2566
jbrown@websterbank.com

Barbara Candales '74

6847 Northwest 107th Terrace
Parkland, FL 33076-2973
(954) 753-2954
bcandales@aol.com

Pedro Johnson

439 Back Road
North Windham, CT 06256
(860) 456-2354

Retired

Joseph D. Lobe '03

10 Cathcart Drive
Unit #5
Jewett City, CT 06351
(860) 377-5109

Mohegan Sun
Attorney
1 Mohegan Sun Blvd.
Uncasville, CT 06382
(860) 862-4146
jlobe@mohegansun.com

Mary Mattke

39 Burr Road
Bloomfield, CT 06002-2203
(860) 614-3684

Sagemark Consulting
Advisor Representative
100 Northfield Avenue
Suite 200
Windsor, CT 06095-4701
(860) 298-1843
mary.mattke@LFG.com

Carol Pandiscia '89

235 East River Drive
Unit 208
East Hartford, CT 06108
(860) 830-3696

ESPN
Senior VP, Strategy & Technology Operations
ESPN Plaza, 935 Middle Street
Bristol, CT 06010
(860) 766-2516

Eastern Connecticut State University Foundation Inc.
Board of Directors 2011-2012

Francis Perrotti '51

42 Cedar Swamp Road
Mansfield, CT 06268
(860) 429-0323

Carol.pandiscia@espn.com

Retired

Marlene Piche '96

92 Stewart Hill Road
Portland, CT 06480-1398
(860) 342-3270

First Niagara

Senior VP, Director of Branch Sales & Service

195 Church Street

New Haven, CT 06510

(203) 784-5125

Marlene.Piche@fnfg.com

Ms. Kathleen M. Regan-Pyne '79

28 Apache Lane
Marlborough, CT 06447-1354
(860) 295-8785
kreganpyne@comcast.net

Mohegan Tribal Council

5 Crow Hill Road

Uncasville, CT 06382

(860) 862-6307

Christian Renstrom '93

20 Forest Road
West Hartford, CT 06119
(860) 523-0582
christian.renstrom@snet.net

Special Olympics Connecticut

VP of Corporate Relations & Special Events

2666 State Street, Suite 1

Hamden, CT 06517-2232

(203) 230-1201

Pamela Riccio '87

86 Vesper Street
Fairfield, CT 06825-4333
(203) 331-8238

Gartner, Inc.

VP, Worldwide Events

56 Top Gallant Road

Stamford, CT 06902

(203) 316-6131

pam.riccio@gartner.com

Magdalena Rodriguez

350 Ridge Road
Wethersfield, CT 06109
(860) 563-2124

Community Renewal Team

President/ CEO

555 Windsor Street

Hartford, CT 06120-2418

Michael Romanski '75

297 Strickland Street
Glastonbury, CT 06033-1358
(860) 659-2328

Farmington Bank

Senior Vice President, Commercial Lending

669 Hebron Ave.

Glastonbury, CT 06033

mromanski@farmingtonbankct.com

Eastern Connecticut State University Foundation Inc.
Board of Directors 2011-2012

Steve A. Watts, Jr.
796 Storrs Road
Storrs Mansfield, CT 06268-2627
(860) 423-3075

Retired

Hans Weiss
Fine Art Studio & Gallery
138 Oakland Street
Manchester, CT 06040
weissgallery@aol.com
(860) 646-5999

Honorary Members:

Roger Adams
282 Wormwood Hill Road
Mansfield Center, CT 06250
(860) 429-2265

Windham Region Chamber of Commerce
Executive Director
1010 Main Street
Willimantic, CT 06226
(860) 423-6389
roger@windhamchamber.com

Andrew Carey III '80
4 Main Street
P.O. Box 1
South Windham, CT 06266-0001
(860) 423-2490
andycarey3@sbcglobal.net

Retired

Luva Mead Hoar '42
275 Brookfield Road
Brimfield, MA 01010
(413) 245-6009
luvamead@charter.net

Retired

Eugene Mittelman
3400 South Ocean Blvd.
Apartment 7CN
Palm Beach, FL 33480
(561) 585-5190

Retired

Dr. Robert Spillane '56
34 Robinson Street
Pawcatuck, CT 06379
(860) 599-4066
budgerry1@verizon.net

The Center for Education, CNA
4825 Mark Center Drive
Alexandria, VA 22311
(703) 824-2145
spillar@cna.org

Eastern Connecticut State University Foundation Inc.
Board of Directors 2011-2012

Dr. Colette Traylor '61

Retired

19 Bailey Heights
Norwich, CT 06360
(860) 887-6832

Ex Officio Members:

Kenneth J. DeLisa

Eastern CT State University
Vice President for Institutional Advancement
83 Windham Street
Willimantic, CT 06226
(860) 465-5267
delisak@easternct.edu

Judith Frankel

Student Representative

Eastern CT State University
SGA President
83 Windham Street
Willimantic, CT 06226

Dr. Elsa M. Núñez

Eastern CT State University
President
83 Windham Street
Willimantic, CT 06226
(860) 465-4484
nuncze@easternct.edu

Dr. David Stoloff

Faculty Representative

Eastern CT State University
Professor of Education
Webb Hall, Room 150
Willimantic, CT 06226
(860) 465-5501
stoloffd@easternct.edu

ECSU Foundation, Inc.
CSU Employees - Disbursements for Fiscal Year 2011-2012
 July 2011 through June 2012

Type	Num	Date	Name	Account	Paid Amount
Check	13289	07/12/2011	Joseph McGann	10260 - S.I. Checking Account 0813	
				61190 - Travel Expense	-204.43
				70060 - Fundraising Expenses- Other	-45.76
					<u>-250.19</u>
Check	13340	07/28/2011	Robert Molta	10260 - S.I. Checking Account 0813	
				47345 - Acad. & Prog.Support Relsd.Exp	-430.40
					<u>-430.40</u>
Check	13357	08/10/2011	Maureen Fahey	10260 - S.I. Checking Account 0813	
				47345 - Acad. & Prog.Support Relsd.Exp	-53.00
					<u>-53.00</u>
Check	13366	08/10/2011	Diana Pepin	10260 - S.I. Checking Account 0813	
				47345 - Acad. & Prog.Support Relsd.Exp	-99.00
					<u>-99.00</u>
Check	13406	09/02/2011	Greg DeVito	10260 - S.I. Checking Account 0813	
				47345 - Acad. & Prog.Support Relsd.Exp	-241.84
					<u>-241.84</u>
Check	13478	09/16/2011	Roxanne Deojay	10260 - S.I. Checking Account 0813	
				70060 - Fundraising Expenses- Other	-89.27
					<u>-89.27</u>
Check	13520	10/11/2011	Brenda Schiavetti	10260 - S.I. Checking Account 0813	
				61125 - Office Equipment Expense	-15.00
					<u>-15.00</u>
Check	13522	10/18/2011	Chris D'Ambrosio	10260 - S.I. Checking Account 0813	

ECSU Foundation, Inc.
CSU Employees - Disbursements for Fiscal Year 2011-2012

		July 2011 through June 2012			
Type	Num	Date	Name	Account	Paid Amount
AL				47345 · Acad. & Prog.Support Relsd.Exp	-202.61
					<u>-202.61</u>
Check	13553	10/25/2011	Christine Hutchinson	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-62.77
AL					<u>-62.77</u>
Check	13583	10/31/2011	Chris D"Ambrosio	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-81.49
AL					<u>-81.49</u>
Check	13680	11/23/2011	Carmen Cld	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-329.66
AL					<u>-329.66</u>
Check	13687	12/06/2011	Lana Pontbriant	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-90.00
AL					<u>-90.00</u>
Check	13703	12/07/2011	Diana Pepin	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-45.00
AL					<u>-45.00</u>
Check	13723	12/07/2011	Elizabeth Peterson	10260 · S.I. Checking Account 0813	
				70060 · Fundraising Expenses- Other	-63.75
AL					<u>-63.75</u>
Check	13799	01/06/2012	Donna Snell	10260 · S.I. Checking Account 0813	
				61190 · Travel Expense	-110.00
AL					<u>-110.00</u>
Check	13836	01/19/2012	Brenda Schiavetti	10260 · S.I. Checking Account 0813	

ECSU Foundation, Inc.
CSU Employees - Disbursements for Fiscal Year 2011-2012

July 2011 through June 2012

Type	Num	Date	Name	Account	Paid Amount
				61190 · Travel Expense	-76.52
AL					-76.52
Check	13854	01/27/2012	William Salka	10260 · S.I. Checking Account 0813	
				61055 · Professional & Consulting Exp	-750.00
AL					-750.00
Check	13862	02/07/2012	Maureen Fahey	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-330.40
AL					-330.40
Check	13872	02/07/2012	Edward Osborn	10260 · S.I. Checking Account 0813	
				61190 · Travel Expense	-66.90
AL					-66.90
Check	13882	02/07/2012	Roxanne Deojay	10260 · S.I. Checking Account 0813	
				70060 · Fundraising Expenses- Other	-49.94
AL					-49.94
Check	13892	02/07/2012	Joseph McGann	10260 · S.I. Checking Account 0813	
				61190 · Travel Expense	-58.65
				70060 · Fundraising Expenses- Other	-61.29
AL					-119.94
Check	13942	02/28/2012	Kyle Verona	10260 · S.I. Checking Account 0813	
				61190 · Travel Expense	-57.08
AL					-57.08
Check	13946	02/28/2012	Denise Blerly	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-556.09
AL					-556.09

ECSU Foundation, Inc.
CSU Employees - Disbursements for Fiscal Year 2011-2012

July 2011 through June 2012

Type	Num	Date	Name	Account	Paid Amount
Check	13948	03/02/2012	Maureen Fahey	10260 · S.I. Checking Account 0813	
				44220e · Advertising and Promotion	-509.90
TOTAL					-509.90
Check	13970	03/15/2012	Chris D'Ambrosio	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-99.65
TOTAL					-99.65
Check	13997	03/21/2012	Denise Blerly	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-797.82
TOTAL					-797.82
Check	14048	04/02/2012	Imna Arroyo	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-250.00
TOTAL					-250.00
Check	14061	04/03/2012	Ryan Rose	10260 · S.I. Checking Account 0813	
				70052 · Alumni-Other Events/Receptions	-700.00
TOTAL					-700.00
Check	14070	04/05/2012	Roxanne Deojay	10260 · S.I. Checking Account 0813	
				70060 · Fundraising Expenses- Other	-76.51
TOTAL					-76.51
Check	14099	04/16/2012	Michael Stenko	10260 · S.I. Checking Account 0813	
				61190 · Travel Expense	-544.11
				10875 · Due From Alumni Association	-131.59
				47345 · Acad. & Prog.Support Relsd.Exp	-447.92
TOTAL					-1,123.62
Check	14100	04/16/2012	Nicole Krassas	10260 · S.I. Checking Account 0813	

ECSU Foundation, Inc.
CSU Employees - Disbursements for Fiscal Year 2011-2012

		July 2011 through June 2012			
Type	Num	Date	Name	Account	Paid Amount
				61170 · Recognition Expenses	-100.00
TOTAL					-100.00
Check	14139	04/24/2012	Christine Hutchinson	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-111.46
TOTAL					-111.46
Check	14166	05/02/2012	Christine Hutchinson	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-26.79
TOTAL					-26.79
Check	14189	05/07/2012	Greg Devito	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-271.80
TOTAL					-271.80
Check	14191	05/07/2012	Christine Hutchinson	10260 · S.I. Checking Account 0813	
				47345 · Acad. & Prog.Support Relsd.Exp	-81.69
TOTAL					-81.69
Check	14240	05/29/2012	Donna Snell	10260 · S.I. Checking Account 0813	
				47365 · Operating Expenses Released	-180.00
TOTAL					-180.00
Check	14285	06/05/2012	Ryan Rose	10260 · S.I. Checking Account 0813	
				47365 · Operating Expenses Released	-38.69
TOTAL					-38.69

Report of Independent Public Accountants

To the Board of Directors
ECSU Foundation, Inc.

We have examined ECSU Foundation, Inc.'s compliance with the provisions of Connecticut General Statutes 4-37e to 4-37i during the year ended June 30, 2012. Management is responsible for ECSU Foundation, Inc.'s compliance with those requirements. Our responsibility is to express an opinion on ECSU Foundation, Inc.'s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about ECSU Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of ECSU Foundation, Inc.'s compliance with specified requirements.

In our opinion, ECSU Foundation, Inc. complied, in all material respects, with the provisions of Connecticut General Statutes 4-37e to 4-37i for the year ended June 30, 2012.

This report is intended solely for the information and use of the Board of Directors and management of ECSU Foundation, Inc. and the Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

CohnReznick LLP

Glastonbury, Connecticut
November 1, 2012

ITEM

The Annual Foundation Report of the Southern Connecticut State University Foundation, Inc. and the audited financial statements for fiscal year 2012.

- ◆ An updated listing of Foundation Board members.
- ◆ A schedule of disbursements the Foundation made to University employees during fiscal year 2012.
- ◆ The comparative audited financial statements of the Southern Connecticut State University Foundation, Inc. for the years ended June 30, 2012 and 2011, and the independent auditors' report on the financial statements issued by J. H. Cohn, LLP. Copy of the Management letter and the Foundation compliance report.
- ◆ A copy of the agreement between the SCSU Foundation and the University for FY 12.

BACKGROUND

Connecticut General Statutes (CGS) §§4-37e through 4-37j, and Board Resolution #01-68 as amended by Board Resolution #03-33 require that the University Presidents keep the Board of Trustees apprised of pertinent information about the foundations associated with the Connecticut State University System (CSUS). Accordingly, the President of Southern Connecticut State University has submitted the above-listed reports to the Board of Regents through the Executive Committee.

ANALYSIS

The Independent Auditors' Opinion states that the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During the fiscal year, the auditors also considered the Foundation's internal controls in order to determine their auditing procedures and the scope of the audit. During the audit, the auditors did not become aware of any issues that would weaken internal controls and/or operating efficiency.

Financial Highlights

As of June 30, 2012, the Foundation reported total assets of \$17.5 million, a decrease of \$0.3 million or 1.7% below the fiscal year 2011 level of \$17.8 million. The decrease was primarily the result of a decrease in pledges receivable of \$0.1 million and a decrease in cash and cash equivalents of \$0.1 million. Investment securities, stated at market value of \$16.4 million, were \$0.2 million above cost.

Total liabilities of \$247,845 decreased by \$109,780 or 30.7% primarily due to a decrease in Other Liabilities.

Total net assets at the end of the fiscal year of \$17.2 million reflect a decrease of \$0.2 million or 1.19% below the fiscal year 2011 level of \$17.4 million primarily due to support and revenues of \$1.8 million, offset by expenses of \$2.0 million. Unrestricted (\$1.7 million), temporarily restricted (\$4.2 million) and permanently restricted (\$11.3 million) net assets were 9.9%, 24.4% and 65.7% of total net assets, respectively.

In June 2005, the State of Connecticut amended the State match for endowed contributions from a 50% match to a 25% match, with the exception of the match on multi-year commitments made by donors by December 31, 2004, which would remain at 50%. The State also changed the parameters under which it would fund the matching grant program, thereby reducing the likelihood that funding for matches subsequent to December 31, 2003 will be realized. Due to this uncertainty, management of the Foundation has decided not to record a receivable from the State for the outstanding State matching grant at the end of the fiscal year. Instead, the Foundation will recognize revenue from the State's matching program when it is received. In fiscal year 2012 the Foundation has received no matching funds from the State.

Total support and revenues earned during fiscal year 2012 of \$1.8 million decreased by \$2.7 million from the fiscal year 2011 level of \$4.5 million. This decrease was primarily due to a decrease in the net realized and unrealized gains on investment securities of \$2.8 million. Net assets released from temporary restrictions to unrestricted were \$1.3 million. This release was due to the satisfaction of the restricted purpose specified by the donor.

Total expenses for the fiscal year of \$2.0 million were \$0.5 million or 33.3% higher than the fiscal year 2011 level of \$1.5 million primarily due to the increase in program services of \$0.5 million.

The Foundation received support from the University through the donation of the University's employees' time in effect for the year ended June 30, 2012. The value of these services for the years ended June 30, 2012 and 2011 is \$426,714 and \$369,937, respectively, and is reflected as income and itemized as donated services.

RECOMMENDATION

The Audit Committee receive the Foundation's reports as required by Connecticut General Statutes and Board Resolution #01-68 as amended by Board Resolution #03-33.

**Southern Connecticut State University
Foundation, Inc.**

Report on Financial Statements

Years Ended June 30, 2012 and 2011

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

Index

	PAGE
Report of Independent Public Accountants	2
Statements of Financial Position June 30, 2012 and 2011	3
Statements of Activities and Changes in Net Assets Years Ended June 30, 2012 and 2011	4
Statements of Cash Flows Years Ended June 30, 2012 and 2011	5
Notes to Financial Statements	6-20

Report of Independent Public Accountants

To the Board of Directors of
Southern Connecticut State University Foundation, Inc.

We have audited the accompanying statement of financial position of Southern Connecticut State University Foundation, Inc. as of June 30, 2012, and the related statements of activities and changes in net assets 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. The financial statements of Southern Connecticut State University Foundation, Inc. as of and for the year ended June 30, 2011, were audited by other auditors whose report dated October 12, 2011, expressed an unqualified opinion on those financial statements.

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 of material misstatements. 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 2012 financial statements referred to above present fairly, in all material respects, the financial position of Southern Connecticut State University Foundation, Inc. as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

J.H. Cohn LLP

Farmington, Connecticut
October 3, 2012

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 652,587	\$ 792,376
Investment securities (Note 3)	16,373,465	16,398,194
Pledges receivable - other (Note 8)	259,183	326,489
Property and equipment, net (Note 9)	45,530	95,274
Collections of works of art (Note 2)	-	-
Beneficial interest in trusts	<u>136,969</u>	<u>148,122</u>
Total assets	<u><u>\$ 17,467,734</u></u>	<u><u>\$ 17,760,455</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 60,949	\$ 40,522
Gift annuities payable (Note 10)	85,546	87,712
Custodial obligation payable (Note 11)	39,350	43,350
Other liabilities (Note 12)	<u>62,000</u>	<u>186,041</u>
Total liabilities	<u>247,845</u>	<u>357,625</u>
Net assets:		
Unrestricted net assets	1,062,052	856,243
Board designated - unrestricted net assets	658,908	658,908
Temporarily restricted net assets (Note 13)	4,198,395	4,863,804
Permanently restricted net assets (Note 15)	<u>11,300,534</u>	<u>11,023,875</u>
Total net assets	<u>17,219,889</u>	<u>17,402,830</u>
Total liabilities and net assets	<u><u>\$ 17,467,734</u></u>	<u><u>\$ 17,760,455</u></u>

See Notes to Financial Statements.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:								
Support:								
Contributions	\$ 158,468	\$ 798,923	\$ 290,437	\$ 1,247,828	\$ 134,693	\$ 914,209	\$ 116,612	\$ 1,165,514
University donated services (Note 17)	426,714	-	-	426,714	369,937	-	-	369,937
Net assets released from restrictions	1,255,895	(1,255,895)	-	-	763,490	(763,490)	-	-
Total support	1,841,077	(456,972)	290,437	1,674,542	1,268,120	150,719	116,612	1,535,451
Revenues:								
Interest income	80,717	341,243	-	421,960	58,657	327,186	-	385,843
Administrative fee income (expense)	161,151	(161,151)	-	-	129,644	(129,644)	-	-
Gift fee income (expense)	31,851	(31,851)	-	-	48,670	(48,670)	-	-
Net realized and unrealized gains (losses) on investment securities	74,068	(332,634)	-	(258,566)	47,895	2,512,835	-	2,560,730
Net realized gain on sale of property and equipment	-	-	-	-	3,481	-	-	3,481
Change in value of annuity agreements	(7,122)	-	-	(7,122)	(18,429)	-	-	(18,429)
Change in value of perpetual trusts	-	-	(11,153)	(11,153)	-	-	13,156	13,156
Total revenues	340,665	(184,393)	(11,153)	145,119	269,918	2,661,707	13,156	2,944,781
Total support and revenues	2,181,742	(641,365)	279,284	1,819,661	1,538,038	2,812,426	129,768	4,480,232
Expenses:								
Program services (Note 17)	1,326,291	-	-	1,326,291	837,147	-	-	837,147
General and administrative services (Note 17)	400,463	-	-	400,463	386,886	-	-	386,886
Fundraising services (Note 17)	275,848	-	-	275,848	239,145	-	-	239,145
Total expenses	2,002,602	-	-	2,002,602	1,463,178	-	-	1,463,178
Changes in net assets	179,140	(641,365)	279,284	(182,941)	74,860	2,812,426	129,768	3,017,054
Net assets, beginning of year	1,515,151	4,863,804	11,023,875	17,402,830	1,450,318	2,051,022	10,884,436	14,385,776
Interfund transfers	26,669	(24,044)	(2,625)	-	(10,027)	356	9,671	-
Net assets, end of year	\$ 1,720,960	\$ 4,198,395	\$ 11,300,534	\$ 17,219,889	\$ 1,515,151	\$ 4,863,804	\$ 11,023,875	\$ 17,402,830

See Notes to Financial Statements.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Changes in net assets	\$ (182,941)	\$ 3,017,054
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	49,744	52,475
Contributions restricted for long-term purposes	(290,437)	(116,612)
Unrealized (gain) loss on investment securities	274,908	(2,556,709)
Realized gain on investment securities	(16,342)	(4,021)
Realized gain on sale of property and equipment	-	(3,482)
Changes in operating assets and liabilities:		
Pledges receivable - other	67,306	47,448
Beneficial interest in trusts	11,153	(13,156)
Accounts payable and accrued expenses	20,427	(7,861)
Gift annuities payable	(2,166)	15,988
Custodial obligation payable	(4,000)	(7,975)
Other liabilities	<u>(124,041)</u>	<u>186,041</u>
Net cash provided by (used in) operating activities	<u>(196,389)</u>	<u>609,190</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(54,489)
Proceeds from sale of property and equipment	-	23,000
Purchase of investment securities	(739,478)	(531,643)
Proceeds from sale of investment securities	<u>505,641</u>	<u>199,284</u>
Net cash used in investing activities	<u>(233,837)</u>	<u>(363,848)</u>
Cash flows from financing activities:		
Principal payments on note payable	-	(10,806)
Proceeds from contributions restricted for investment in permanent endowment	<u>290,437</u>	<u>116,612</u>
Net cash provided by financing activities	<u>290,437</u>	<u>105,806</u>
Net increase (decrease) in cash and cash equivalents	<u>(139,789)</u>	<u>351,148</u>
Cash and cash equivalents, beginning of year	<u>792,376</u>	<u>441,228</u>
Cash and cash equivalents, end of year	<u>\$ 652,587</u>	<u>\$ 792,376</u>
Supplemental information:		
Interest paid	<u>\$ -</u>	<u>\$ 215</u>

See Notes to Financial Statements.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization:

Southern Connecticut State University Foundation, Inc. (the "Foundation") exists to assist Southern Connecticut State University (the "University") in fulfilling its mission and achieving its vision through the development, stewardship and delivery of private financial resources. The Foundation provides financial management of the private resources received through the investment of contributions for any or all of the educational and support activities that may be conducted by the University.

Note 2 - Summary of significant accounting policies:

Basis of presentation and revenue recognition:

The Foundation follows the provisions of accounting for contributions made and received, financial statements of not-for-profit organizations and accounting for certain investments held by not-for-profit organizations. The provisions for accounting for contributions made and received generally require that contributions received or made, including unconditional promises to give, are recognized as increases or decreases in net assets in the period received or made at their fair values. The provisions for financial statements of not-for-profit organizations require that the Foundation display its activities and net assets in three classes of net assets as follows: unrestricted, temporarily restricted and permanently restricted. The provisions for accounting for certain investments held by not-for-profit organizations require that investments with readily determinable fair values be reported at fair value with gains and losses included in the statements of activities and changes in net assets. Additionally, the Foundation is required to present a statement of cash flows as a result of the provisions for financial statements of not-for-profit organizations.

Net assets and 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:

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

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met by actions of the Foundation and/or the passage of time.

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

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

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Basis of presentation and revenue recognition (concluded):

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets (i.e., the donor restricted purpose has been fulfilled and/or the restricted time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Concentrations:

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less when acquired. The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such investments may exceed Federally insured limits. At June 30, 2012, the Foundation's uninsured cash balances totaled \$402,587.

Fair values of financial instruments:

Investments are recorded at fair value (see Notes 3 and 6). Net realized and unrealized gains and losses on investments are recorded in the statement of activities.

Promises to give:

Unconditional promises to give which are restricted by the donor to a specific purpose which has not been met as of the statement of financial position date, are shown as increases in temporarily restricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Property and equipment:

The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000 and having a useful life of greater than one year. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method using the estimated lives of the assets. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals are capitalized.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Collections of works of art:

Collections of works of art acquired through donations since the Foundation's inception are not recognized as assets in the accompanying statements of financial position. Each of these items is cared for and activities verifying their existence and assessing their condition are performed continuously.

Interest in perpetual trust:

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 from perpetual trusts in the statements of activities and changes in net assets. Income received during the years ended June 30, 2012 and 2011 with respect to the trusts was \$9,368 and \$9,517, respectively, and has been classified as temporarily restricted. The principal is controlled by bank trustees independent of the Foundation. The Foundation has recorded its proportionate share of the permanently restricted amount of such trusts as permanently restricted net assets.

Endowment:

On October 1, 2007, the State of Connecticut adopted the Uniform Prudent Management of Investment Funds Act ("UPMIFA"), which governs the investment and management of donor-restricted endowment funds by not-for-profit organizations. In addition, the Financial Accounting Standards Board ("FASB") provided guidance on the net asset classification of endowment funds that are subject to UPMIFA. This guidance, FASB Accounting Standards Codification ("ASC") 958-205 (formerly FSP FAS 117-1), Reporting Endowment Funds, has been adopted by the Foundation.

Non-cash donations:

Donations other than cash are recorded as support at their estimated fair market value at the date of the gift. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose.

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.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (concluded):

Statements of cash flows:

For the purpose of the statements of cash flows, the Foundation considers cash equivalents as highly liquid investments with an initial maturity of three months or less when acquired.

Income taxes:

The Foundation is exempt from Federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made in the accompanying financial statements for Federal or state income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation has no unrecognized tax benefits at June 30, 2012 or 2011. The Foundation's Federal and state income tax returns prior to fiscal year 2008 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Foundation would recognize interest and penalties associated with tax matters as part of management and general expenses in the statements of activities and include accrued interest and penalties in accrued expenses in the statements of financial position. The Foundation did not recognize any interest or penalties associated with tax matters for the years ended June 30, 2012 and 2011.

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

Subsequent events:

Management has reviewed subsequent events through October 3, 2012, the date at which the statements were approved and available for issuance.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments:

The cost and fair value of investments as of June 30, 2012 and 2011 are as follows:

Investments	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 52,773	\$ 56,839	\$ 54,498	\$ 59,667
Index fund	30,633	31,179	9,937	9,732
Closed end mutual funds	17,754	18,073	2,472	2,482
Fixed income - preferred	6,480	6,658	4,916	5,150
Publicly traded partnerships	3,212	3,143	9,770	11,335
High quality bond fund	5,552,125	6,078,961	5,502,555	5,823,179
Small cap fund	741,814	771,841	735,743	803,549
International equity fund	1,717,433	1,265,576	1,689,394	1,515,274
Core equity fund	8,064,883	8,141,195	7,943,691	8,167,826
	<u>\$16,187,107</u>	<u>\$16,373,465</u>	<u>\$15,952,976</u>	<u>\$16,398,194</u>

Note 4 - Other investments:

The Foundation receives various contributions of interests in limited partnerships and REITs. Management has estimated the value of these assets as \$-0-; however, management monitors these investments on a regular basis.

Note 5 - Program related investment:

The Foundation has provided \$100,000 to a student investment fund to provide students in business, finance and economics with an educational opportunity to gain valuable hands-on experience in fiduciary management of investment assets. This investment continues to be an asset of the Foundation and is reported and reviewed by the investment committee. The amount included in cash and cash equivalents at June 30, 2012 and 2011 was \$5,484 and \$24,049, respectively. The amount included in investments at June 30, 2012 and 2011 was \$115,891 and \$88,366, respectively.

Note 6 - Fair value of financial instruments:

The Foundation has adopted the fair value accounting standards on financial assets and liabilities and any other assets and liabilities that are recognized or disclosed at fair value on a recurring or nonrecurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Fair value of financial instruments (continued):

The fair value hierarchy distinguishes three levels of inputs that may be utilized when measuring fair value including Level 1 inputs (the highest priority, using quoted prices in active markets for identical assets or liabilities), Level 2 inputs (using inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability), and Level 3 inputs (the lowest priority, unobservable inputs supported by little or no market activity based on management's assumptions used to measure assets and liabilities). A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2012 and 2011 are as follows for the Foundation:

	Fair Value	Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2012				
Assets:				
Common stock	\$ 56,839	\$ 56,839	\$ -	\$ -
Index fund	31,179	31,179	-	-
Closed end bond mutual funds	18,073	18,073	-	-
Fixed income - preferred	6,658	6,658	-	-
Publicly traded partnerships	3,143	3,143	-	-
High quality bond fund	6,078,961	-	6,078,961	-
Small cap fund	771,841	-	771,841	-
International equity fund	1,265,576	-	1,265,576	-
Core equity fund	8,141,195	-	8,141,195	-
Beneficial interest in trusts	136,969	136,969	-	-
	<u>\$ 16,510,434</u>	<u>\$ 252,861</u>	<u>\$ 16,257,573</u>	<u>\$ -</u>
Liability:				
Gift annuities payable	<u>\$ 85,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,546</u>

A reconciliation for assets using significant unobservable inputs is as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Description	Beginning Balance	Total Gains or Losses Included in Revenues	Purchases	Payments to Beneficiaries	Ending Balance
Gift annuities payable	<u>\$ 87,712</u>	<u>\$ 7,122</u>	<u>\$ -</u>	<u>\$ 9,288</u>	<u>\$ 85,546</u>

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Fair value of financial instruments (continued):

Changes in unrealized gains and losses relating to assets still held at year end reported in the change in the value of annuity agreements are \$7,122.

Fair Value Measurements at Reporting Date Using

	Fair Value	Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2011				
Assets:				
Common stock	\$ 59,667	\$ 59,667	\$ -	\$ -
Index funds	9,732	9,732	-	-
Closed end mutual fund - commodities	2,482	2,482	-	-
Fixed income	5,150	5,150	-	-
Publicly traded partnerships	11,335	11,335	-	-
High quality bond fund	5,823,179	-	5,823,179	-
Small cap fund	803,549	-	803,549	-
International equity fund	1,515,274	-	1,515,274	-
Core equity fund	8,167,826	-	8,167,826	-
Beneficial interest in trusts	148,122	148,122	-	-
	<u>\$ 16,546,316</u>	<u>\$ 236,488</u>	<u>\$ 16,309,828</u>	<u>\$ -</u>
Liability:				
Gift annuities payable	<u>\$ 87,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,712</u>

A reconciliation for assets using significant unobservable inputs is as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Description	Beginning Balance	Total Gains or Losses Included in Revenues	Purchases	Payments to Beneficiaries	Ending Balance
Gift annuities payable	<u>\$ 71,724</u>	<u>\$ 18,429</u>	<u>\$ 6,230</u>	<u>\$ 8,671</u>	<u>\$ 87,712</u>

Changes in unrealized gains and losses relating to assets still held at year end reported in the change in the value of annuity agreements are \$18,429.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Fair value of financial instruments (concluded):

Investments in common stock, index funds, closed end bond mutual funds, fixed income - preferred, publicly traded partnerships and beneficial interests in trusts are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. The high quality bond fund, small cap fund, international equity fund and core equity fund valuations are based on the net asset value as a practical expedient. These funds may be redeemed at or near the measurement date and, therefore, are classified as Level 2 investments. These funds allow for redemptions either weekly or on the last business day of the month with five business days advanced notice for the transaction. There are no redemption restrictions on these funds. The high quality bond fund's investment strategy is to outperform the Barclays Capital U.S. Aggregate Bond Index. The investment strategy of the small cap fund is to outperform the Russell 2000 Index. The international equity fund strives to outperform the Morgan Stanley Capital International (MSCI) EAFX index while the core equity fund looks to outperform the S&P 500 index. These funds try to outperform their various indexes over a full market cycle while reducing risk through diversification of manager allocations. Fair values for assets in Level 3 are valued using the income approach and are calculated using assumptions about life expectancy, discounted cash flow and other present value techniques. There were no changes in the valuation techniques during the current or prior year.

Note 7 - Pledges receivable - state match:

Public Act 97-293, and as amended by Public Acts 98-252 and 01-141, empowered the Board of Trustees of the Connecticut State University System ("CSUS") to establish a permanent Endowment Fund. This fund was established for the benefit of the universities within the CSUS to encourage donations from the private sector through a match in the form of Endowment Fund state grants. Private funds permanently restricted by donors and received by CSUS foundations, of which the Foundation is one, were eligible for 50% state-matching grants commencing on January 1, 1998, through June 30, 2014. On June 23, 2005, during a Special Assembly, the General Assembly adopted new legislation. Effective with calendar year 2005, the matching ratio was changed to 25% state-matching grants. Additionally, going forward, state-matching dollars will only be provided when the State's Rainy Day Fund equals 10% of the general fund appropriation for a given fiscal year. In addition, the legislation caps state payments for the match at \$25 million in any given fiscal year. Due to the uncertainty regarding the timing of state payments, revenue is recorded upon receipt.

The total state-matching grants were calculated based on eligible funds received by the Foundation during the calendar year subject to certifications and other statutory limitations. Payments were subject to fluctuating annual maximum state grant commitments. During the years ended June 30, 2012 and 2011, the Foundation did not receive any state match. However, the Foundation established a liability account in 2011, "CT State Match Payable", to record \$62,000 that was returned to the state representing 50% state-matching funds received in prior years related to the payment to a local foundation of principal donations on behalf of a donor (see Note 12).

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Pledges receivable - other:

Pledges receivable - other consists of the following:

	<u>2012</u>	<u>2011</u>
Temporarily restricted	\$ 242,650	\$ 315,650
Permanently restricted	<u>25,700</u>	<u>34,750</u>
	268,350	350,400
Less: unamortized discount	<u>9,167</u>	<u>23,911</u>
	<u>\$ 259,183</u>	<u>\$ 326,489</u>

Gross amounts expected to be collected in:

Less than one year	\$ 146,650
One to five years	<u>121,700</u>
	<u>\$ 268,350</u>

Discount rates used on long-term pledges were 1.67% and 3.16% for the years ended June 30, 2012 and 2011, respectively.

Note 9 - Property and equipment:

Property and equipment are summarized by major classifications as follows:

	<u>2012</u>	<u>2011</u>
Software	\$ 169,259	\$ 169,259
Computer equipment	31,928	31,928
Less: accumulated depreciation	<u>(155,657)</u>	<u>(105,913)</u>
Net book value of property and equipment	<u>\$ 45,530</u>	<u>\$ 95,274</u>

Note 10 - Charitable gift annuity:

The Foundation has established a program under which donors may set up charitable gift annuities. Under this program, donors can contribute assets to the Foundation and in return receive a guaranteed fixed income for life. The Foundation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability.

Annuity liabilities are recorded for the required life of annuity payments at the present value of expected future cash payments discounted using discount rates for the 10-year U.S. Treasury rate at the time of the original gift and actuarial assumptions for the life expectancy of the beneficiary. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. The present value of future liability payments of charitable gift annuities was \$85,546 and \$87,712 at June 30, 2012 and 2011, respectively.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11 - Custodial obligation payable:

The Foundation is custodian of grant funds belonging to the Southern Connecticut State University Alumni Association, Inc. (the "Association"). The investments of these are held in fixed income securities. As of June 30, 2012 and 2011, this obligation was \$39,350 and \$43,350, respectively, and is classified on the statements of financial position as a liability.

The agreement between the Association and the Foundation provide for payment of a programming grant from the Foundation to the Association in recognition of the value of the Association's programs for alumni in supporting the fundraising efforts of the Foundation.

The amount of the annual grant is equal to the first \$25 of each unrestricted gift of \$25 or above received from alumni in the previous year. The programming grant expense for the years ended June 30, 2012 and 2011 was \$39,350 and \$43,350, respectively.

Note 12 - Other liabilities:

In 2011, the Foundation entered into an agreement with a donor to transfer his/her principal gifts to a local community foundation. As a result, a new obligation payable of \$124,041 was established, which was paid out during the year ended June 30, 2012. In addition, another new obligation payable was established for the return of \$62,000 in Connecticut state-match funds that were received in prior years as a result of the donor's gifts. The Foundation is working with the state to arrange for payment. The total liability is \$62,000. This amount reduced contributions for the year ended June 30, 2011 to accurately reflect the reduction of permanently restricted funds donated.

Also in 2012, the Foundation returned \$27,812 to the Connecticut Health Foundation for funds unspent from the Masters in Public Health Scholarship. This amount reduced contributions to accurately reflect the reduction of temporarily restricted funds donated.

Note 13 - Temporarily restricted net assets:

The balance in temporarily restricted net assets as of June 30, 2012 and 2011 are from the following sources:

	<u>2012</u>	<u>2011</u>
Unspent investment earnings on endowment funds, net of fees	\$ 1,429,026	\$ 2,120,188
Unspent gifts for expendable purposes	<u>2,769,369</u>	<u>2,743,616</u>
	<u>\$ 4,198,395</u>	<u>\$ 4,863,804</u>

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Scholarships and other financial aid	\$ 1,056,268	\$ 1,583,886
Athletic activities	540,959	593,679
Other University programs	<u>2,601,168</u>	<u>2,686,239</u>
	<u>\$ 4,198,395</u>	<u>\$ 4,863,804</u>

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14 - Permanently restricted net assets:

At June 30, 2012 and 2011, permanently restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Endowment fund	\$ 11,163,565	\$ 10,875,753
Beneficial interest in trusts	<u>136,969</u>	<u>148,122</u>
	<u>\$ 11,300,534</u>	<u>\$ 11,023,875</u>

Endowment funds consist of donations that were permanently restricted by the donor, the income from which is available to support the activities specified by the donor.

Note 15 - Endowment:

The required disclosures are as follows:

		<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Asset Composition:				
Donor-restricted endowment funds	\$ -	\$ 1,832,227	\$ 11,163,565	\$ 12,995,792
Board-designated endowment funds	<u>658,908</u>	<u>-</u>	<u>-</u>	<u>658,908</u>
	<u>\$ 658,908</u>	<u>\$ 1,832,227</u>	<u>\$ 11,163,565</u>	<u>\$ 13,654,700</u>
Change in Endowment Net Assets:				
Endowment net assets, July 1, 2011	\$ 658,908	\$ 2,120,188	\$ 10,875,753	\$ 13,654,849
Investment return:				
Investment income	-	324,301	-	324,301
Net return	-	(279,768)	-	(279,768)
Contributions	-	46,803	290,437	337,240
Interfund transfers	-	(2,579)	(2,625)	(5,204)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(376,718)</u>	<u>-</u>	<u>(376,718)</u>
Endowment net assets, June 30, 2012	<u>\$ 658,908</u>	<u>\$ 1,832,227</u>	<u>\$ 11,163,565</u>	<u>\$ 13,654,700</u>

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 15 - Endowment (continued):

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Asset Composition:				
Donor-restricted endowment funds	\$ -	\$ 2,120,188	\$ 10,875,753	\$ 12,995,941
Board-designated endowment funds	658,908	-	-	658,908
	<u>\$ 658,908</u>	<u>\$ 2,120,188</u>	<u>\$ 10,875,753</u>	<u>\$ 13,654,849</u>
Change in Endowment Net Assets:				
Endowment net assets, July 1, 2010	\$ 658,908	\$ (310,691)	\$ 10,749,470	\$ 11,097,687
Investment return:				
Investment income	-	294,052	-	294,052
Net return	-	2,283,300	-	2,283,300
Contributions	-	30,210	116,612	146,822
Interfund transfers	-	-	9,671	9,671
Appropriation of endowment assets for expenditure	-	(176,683)	-	(176,683)
Endowment net assets, June 30, 2011	<u>\$ 658,908</u>	<u>\$ 2,120,188</u>	<u>\$ 10,875,753</u>	<u>\$ 13,654,849</u>

The Foundation's endowment includes funds designated by the Board of Directors to function as endowments. As required by FASB ASC 958-205 (formerly FSP FAS 117-1), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Board of Directors of the Foundation have interpreted the UPMIFA 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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 15 - Endowment (concluded):

Interpretation of relevant law (concluded):

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Investment return objectives, risk parameters and strategies:

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending formula:

The Foundation has adopted an endowment spending policy to help assure that there is a stable stream of dollars available for scholarships, awards, research or other program support over the long-term.

The Foundation's spending policy calculation for fiscal year ended June 30, 2012 was based on a percentage of the 12 quarters (3 year) average of the market value of the portfolio for the year ended December 31, 2010, prior to the start of the fiscal year. The standard policy percentage is 4% with a resulting effective rate of 3.18%.

Due to the decline in economic conditions, the fair values of many of the endowments have dropped below their historic gift value. As of June 30, 2012 and 2011, the overall difference between fair value and historic gift value was approximately \$17,600 and \$5,000, respectively. Management believes the economic conditions will improve over the next few years and has decided not to permanently reduce the historic gift value of the endowments.

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 16 - University donated services:

The Foundation received support from the University through the donation of the University's employees' time in effect for the year ended June 30, 2012. The value of these services for the years ended June 30, 2012 and 2011 is \$426,714 and \$369,937, respectively, and is reflected as income and itemized as donated services (see Note 17).

Note 17 - Functional expense classifications:

The Foundation's functional expense classifications for the years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Program services:		
Athletic and University activities	\$ 754,308	\$ 531,187
Donated services	97,785	84,774
Scholarships	463,178	209,135
Uncollected program receipts	-	800
Other support	<u>11,020</u>	<u>11,251</u>
Total program services	<u>\$ 1,326,291</u>	<u>\$ 837,147</u>

	<u>2012</u>	<u>2011</u>
General and administrative services:		
Administration	\$ 13,579	\$ 11,534
Depreciation	49,744	52,475
Board and director's activities	7,219	11,309
Consultants	52,275	38,746
Dues, memberships and subscriptions	4,111	5,004
Insurance	4,023	4,149
Investment fees	48,591	51,365
Office expenses	22,236	24,513
Partnership agreement - Alumni Association	39,350	43,350
Professional fees	27,750	26,850
Rent and overhead	1,200	1,200
Salaries	67,162	61,813
Donated services	53,081	46,018
Legal	5,406	2,314
Travel	4,736	6,031
Interest expense - automobile	<u>-</u>	<u>215</u>
Total general and administrative services	<u>\$ 400,463</u>	<u>\$ 386,886</u>

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 17 - Functional expense classifications (concluded):

	<u>2012</u>	2011
Fundraising services:		
Donated services	<u>\$ 275,848</u>	<u>\$ 239,145</u>

Note 18 - Commitment and contingencies:

The Foundation maintains a renewable annual letter of agreement between the Foundation and the University dated July 1, 2012, and terminating June 30, 2013. This agreement specifies that the Foundation shall maintain an identity separate from that of the University, while working only to serve the interests of the University.

**SCSU FOUNDATION, INC.
BOARD OF DIRECTORS, 2011-2012**

Name	Work Information
-------------	-------------------------

Officers:

Robin Sauerteig <i>Chair of Foundation Board</i>	Hamden, CT 06517
--	------------------

John M. Brown <i>Vice Chair</i>	Executive-in-Residence Aquiline Capital Management Boston, MA 02110
---	---

David R. McHale <i>Treasurer</i>	Executive Vice President and CFO Northeast Utilities System Hartford, CT 06103
--	--

Richard F. Tripodi <i>Secretary</i>	President RFTS, Inc. Little Rock, AR 72223
---	--

Vacant <i>Executive Director</i>	David R. Vance, Interim Administrative Dir. Southern CT State University Foundation New Haven, CT 06515
--	---

Board Members:

Paula Armbruster	Former Associate Clinical Professor Yale University, New Haven, CT
-------------------------	---

Michael R. Chambrello	President and Chief Operating Officer Scientific Games Corporation New York, NY 10022
------------------------------	---

Richard Illingworth	Retired Sparta, NJ 07871-3757
----------------------------	----------------------------------

**SCSU FOUNDATION, INC.
BOARD OF DIRECTORS, 2011-2012**

Name	Work Information
Mary O'Connell Kozik	Senior Chemist AECOM Corporation Chelmsford, MA 01824
Thomas J. Madigan	Vice President - Investments UBS Financial Services, Inc. New Haven, CT 06510-1708
Joseph Natarelli	Partner-in-Charge Marcum LLP New Haven, CT 06511-6104
Marc A. Nivet	Chief Diversity Officer Association of American Medical Colleges Washington, DC 20037
William H. Pratt, Esq.	Intellectual Property Licensing Attorney Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P. Washington, DC 20001-4413
Anthony F. Verlezza	Consultant Danbury, CT 06811

Ex-officio Members:

Dr. Stanley Battle July 1, 2011 - January 31, 2012	Interim President Southern CT State University New Haven, CT 06515
Dr. Mary A. Papazian February 1, 2012 - Present	President Southern CT State University New Haven, CT 06515

SCSU FOUNDATION, INC.
BOARD OF DIRECTORS, 2011-2012

Name	Work Information
James E. Blake	Executive Vice President for Finance and Administration Southern CT State University New Haven, CT 06515
Hugh S. Cafferty <i>Alumni Rep.</i>	Alumni Association President Guilford, CT 06437
Jennifer Haddad <i>Student Rep.</i>	Student Representative Middletown, CT 06457
William "Doc" Holley <i>Alumni Rep. (serving on Investment Committee)</i>	23 Henry Lane Higganum, CT 06441
Dr. Katherine Marsland <i>Faculty Rep.</i>	Associate Professor of Psychology Southern CT State University New Haven, CT 06515

SCSU Foundation, Inc.
Employee Expenses
FYE 2012

Employee	Description	Check		Amt	Total
		Date	Num	Paid	
Barbara Aronson	Reimb - Attend NLN Simulation Course	8/31/2011	3948	2,500.00	2,500.00
a Barbaro	Reimb - expenses for Volleyball Senior Day	10/26/2011	4002	101.90	
	Reimb - airfare for Softball recruit	10/26/2011	4002	275.40	
	Advancement -NTC Softball, FL	2/22/2012	4147	3,846.00	
	Reimb - deposit on airfare 5 @50 Softball team travel to FL	3/7/2012	4168	250.00	
	Reimb - Softball Senior Day 4/15/12	5/3/2012	4253	295.23	4,768.53
ristina Baum-	Reimb - Friends of Buley Library event	11/17/2011	4059	39.95	39.95
ghana Brown	Reimb - Wm's Basketball meals	11/17/2011	4060	112.76	112.76
reen Cammarata-Gilhuly	Reimb - Cigar purchase for Golf Tournament 5/23/12	5/22/2012	4286	420.00	420.00
irley Cavanagh	Reimb - student celebration	12/14/2011	4082	151.51	151.51
. Adiel Coca-	Reimb - conference registration fees & fuel costs	6/20/2012	4340	208.72	208.72
ene Crawford-	Reimb - expenses for Vietnamese -exchange pgm	8/18/2011	3933	418.23	418.23
egg Crerar	Reimb - Golf/Lunch - J & G Soto, P Nicol (donor)	9/14/2011	3959	299.63	
	Reimb - 3 Kindles-New HPS students via SCSU Acedemy	9/14/2011	3959	363.72	
	Reimb - Golf & lunch w/donors: L Anderson & Pariner	10/12/2011	3985	171.70	
	Reimb - March of Dimes Awards - D Lopiano, J Carosone & T D	12/1/2011	4066	39.00	
	Reimb - Donors M Sasi & Anne Gundersen	1/11/2012	4100	55.06	
	Reimb - Dinner- Joe Nosal & Chad Wable (donor)	6/8/2012	4308	461.47	
	Reimb - SCSU Annual Golf event - gift cards	6/8/2012	4308	1,621.29	3,011.87
r. Sarah Crawford	Present research @ Nat'l Cancer Inst, Bethesda, MD	2/9/2012	4145	600.00	600.00
r. Ellen Durnin	Reimb - coffee maker for business student resource ctr	1/11/2012	4102	67.97	
	Reimb - refreshments-title III Grant Committee meeting	5/10/2012	4277	78.01	
	Reimb - refreshment for school of business meeting	5/22/2012	4292	347.50	
	Reimb - refreshment for students of MBA 562-01	5/22/2012	4292	139.89	633.37
obert M. Eldridge-	Reimb - Conference costs Nov 2011	1/11/2012	4104	500.00	500.00
elley Frassinelli-	Reimb - Lacrosse banquet	5/22/2012	4295	181.64	
	Reimb - field hockey banquet 5/9/12	6/8/2012	4312	331.00	512.64
r. DonnaJean Fredeen	Travel exp - Council of College of A & S 11/1-5/11	9/14/2011	3964	1,898.60	
	Attend Choir to London - Meal per diem rate 7 @180	10/26/2011	4007	1,260.00	3,158.60
r. Yilma Gebremaria-	Exp - Travel to Africa Microfinance Conference 9/19-22/11	6/20/2012	4341	500.00	500.00
r. Rafael Hernandez-	Reimb - organization of carnival conference	3/7/2012	4173	93.03	93.03
eidget Stepeck-Holt-	Reimb - Exp for Bring Your Child Day event	5/3/2012	4267	610.38	610.38
sther Howe	Reimb - Going away lunch for Dutch students	11/9/2011	4024	249.80	249.80
avid Kelly	Reimb - expenses for men's soccer senior night	11/9/2011	4025	234.69	
	Reimb - First Aid/CPR cert online training	1/25/2012	4133	39.95	
	Reimb - Recruiting exp 2/2-6/12, TA#120566	2/22/2012	4157	427.29	
	Reimb - staff support, recruitment trip to Germany	4/2/2012	4205	1,292.07	1,994.00

SCSU Foundation, Inc.
Employee Expenses
FYE 2012

Employee	Description	Date	Num	Paid	Total
Michael Kobylanski	Reimb - bkfast for UNH game on 12/11/11	1/11/2012	4108	59.86	
	Reimb - Pizza for Girls & Wms in Sports Day	3/20/2012	4196	75.00	
	Reimb - Nat'l student-athlete day reception 4/2/12	4/13/2012	4223	39.40	
	Reimb - Student/athletic photos-Senior Award gifts	5/3/2012	4259	26.83	201.09
Dr. Sharon Misasi	Reimb - pymnt made for AA luncheon. SchED	10/13/2011	3991	25.00	25.00
Berard Nelson	Reimb - exp for Senior Day & Alumni Social	2/22/2012	4161	192.13	
	Reimb - misc exp-ECAC Conf Championships 3/24/12	4/13/2012	4224	51.08	243.21
Vara Neverow	Reimb - Eng dept graduate conference	5/3/2012	4262	136.43	136.43
Deborah Newton,	Reimb - hosted & paid a dinner for a keynote speaker	12/14/2011	4090	91.81	91.81
Patricia Nicol	Reimb - Supper w/Doner, Louise O'Neal in PA	10/12/2011	4000	156.00	156.00
Belinda Pearman-	Reimb - dinner w/L O'Neill re NACWAA Award (donor)	10/26/2011	4011	81.41	81.41
Tim Quill	Reimb - Alumni Weekend exp, Antonio's Deli & Sam's Club	11/16/2011	4056	1,048.63	
	Reimb - Express mail - Keith Plaques	6/8/2012	4319	29.59	
	Reimb - door prizes purchased for Golf tourn 5/23/12	6/20/2012	4343	5,345.07	6,423.29
Nancy Ronne	Reimb - Sweatshirt for DLS lecturer speaker M. Kelly	5/22/2012	4301	47.84	47.84
Heather Rowe	Reimb-cash outlays @Blackbaud conference	10/13/2011	3992	37.75	
	Reimb - Case conference 4/16-20/12	5/22/2012	4302	127.66	165.41
Tim Shea	Reimb - team travel to FL TA110711	9/29/2011	3979	1,715.33	
	Reimb - field rental fee pd to Morehead City, NC	3/7/2012	4181	200.00	
	Reimb - Florida Palm Beach Challenge tournament	5/3/2012	4264	6,886.38	8,801.71
Lauren Tamborino	Reimb - Field Hockey Senior Day, 10/20/11	11/9/2011	4030	72.94	
	Reimb - Flower arrangement for student athlete	1/25/2012	4138	74.98	
	Reimb - Senior gifts presented on 4/14/12	5/3/2012	4268	66.01	213.93
Stephen M. Tomczak	Reimb - community action poverty simulation kit	6/8/2012	4330	1,995.00	1,995.00
Dr. Thuan Vu	Reimb - entertaining Vietnamese vistors-exchange program	10/12/2011	3998	150.99	150.99
Kim Wilk-	Reimb - Placque for Marsha Clements Memoriam	8/18/2011	3940	65.51	65.51
Patricia Zibluk	Reimb - exp for TRIO mtg 12/20/11	1/11/2012	4123	52.64	
	Reimb - refreshments for Tittle III retreat	4/2/2012	4214	88.63	141.27
				39,423.29	39,423.29

October 3, 2012

To the Board of Directors
Southern Connecticut State University Foundation, Inc.
501 Crescent Street
New Haven, CT 06515

We have audited the financial statements of Southern Connecticut State University Foundation, Inc. for the year ended June 30, 2012, and have issued our report thereon dated October 3, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 27, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Southern Connecticut State University Foundation, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the net book value of pledge receivables is based upon a discount rate of 1.67%. We evaluated the key factors and assumptions to develop the discount rate and allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimates of depreciable lives and methods are based upon industry standards. We evaluated the key factors and assumptions to develop the depreciable lives and methods in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management is required to estimate the net present value of the annuity liability. Management estimated the discount factor at inception based upon the 10 year treasury rate and estimated the life expectancy of donors based on the tables published in IRS Publication 1458. We evaluated the calculations made to determine that the estimates are reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the fair value of investments is based on their valuation methodologies described in Note 5. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management has estimated the value of interests in limited partnerships and REITs to be \$0.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected financial statement misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Southern Connecticut State University Foundation, Inc.
October 3, 2012
Page 3

J.H. Cohn LLP

This information is intended solely for the use of the Board of Directors and management of Southern Connecticut State University Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

J.H. Cohn LLP

J.H. Cohn LLP

**Independent Auditors' Report on Compliance with
the Provisions of Sections 4-37e to 4-37i of
the Connecticut General Statutes**

To the Board of Directors of
Southern Connecticut State University Foundation, Inc.

We have audited the financial statements of Southern Connecticut State University Foundation, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated October 3, 2012.

We have also audited the compliance of Southern Connecticut State University Foundation, Inc. with the provisions of Sections 4-37e to 4-37i of the Connecticut General Statutes. The management of Southern Connecticut State University Foundation, Inc. is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements 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 material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Southern Connecticut State University Foundation, Inc. complied, in all material respects, with the applicable provisions of Sections 4-37e to 4-37i of the Connecticut General Statutes for the year ended June 30, 2012.

This report is intended for the information of the Board of Directors, management, and applicable agencies of the State of Connecticut. However, this report is a matter of public record, and its distribution is not limited.

J. H. Cohn LLP

Farmington, Connecticut
October 3, 2012

Southern Connecticut State University Foundation, Inc.

AGREEMENT

This agreement entered into as of this 1st day of July 2011, by and between Southern Connecticut State University Foundation, a Connecticut non-stock corporation (the "Foundation") and Southern Connecticut State University (the "University"), an instrumentality of the state of Connecticut and an institution of the Connecticut State University System (the "System"):

W I T N E S S E T H

Whereas, the University is a constituent institution of the Connecticut State University System;
and

Whereas, the Foundation's purposes are to receive, hold, invest, manage, use, dispose of, and administer property and assets for the benefit of the University or for the educational support activities that may be conducted by the University; and

Whereas, the University welcomes the support received from the Foundation and wishes to facilitate the continuation of that support, to the extent possible; and

Whereas, the parties wish to enter into this agreement for the purpose of establishing an arm's length relationship setting forth the services and facilities to be provided by each to the other and the financial commitments by each to the other associated therewith;

NOW, THEREFORE, in consideration for the mutual commitments herein set forth, the parties agree as follows:

1. *Term.* This agreement shall take effect on July 1, 2011 and terminate on June 30, 2012.
2. *Foundation Services and Support for University.*

(a) The Foundation will receive, hold, invest, manage, use, dispose of, and administer property and assets for the benefit of the University or for the educational support activities that may be conducted by the University. The Foundation will accept gifts in accordance with the Connecticut State University System Board of Trustees policies (Board Resolution #97-71 and the non-discrimination contract language pursuant to Public Acts 88-351 and 89-253). All gifts, donations, bequests, private endowments, and private grants will be used in accordance with the wishes of the donors.

(b) The Foundation will support the fundraising programs of the University.

(c) The Foundation will provide fund management and account management to the University.

(d) The Foundation shall reimburse the University for expenses, including the costs of personnel services, which are incurred as a result of Foundation operations and which would not have been incurred otherwise by the University by customary University operations. In addition to such specific reimbursement, the Foundation shall provide monthly general reimbursement of \$100.00 to cover overhead costs.

3. *University Services and Support for Foundation.*

(a) The University will provide sufficient space in the Wintergreen Building and in Engleman Hall, on the University campus in New Haven, Connecticut for the Foundation to conduct its affairs. In addition, the University will make available to the Foundation the personal property located in that space which belongs to the University, including data processing equipment, computers, typewriters, copy machines, telephones, filing cabinets, desks, chairs, and tables. In addition, the University will assure that the Foundation space is supplied with electricity, heat, air-conditioning, and any and all other utility services necessary for the comfortable occupancy and use of the Foundation space.

(b) The maintenance of such books and records at the University shall not cause them to be deemed public records nor shall such records be subject to disclosure pursuant to the provisions of section 1-210 of the Connecticut General Statutes.

4. *Names, Emblem and Other Trademarks.* The University grants a license to the Foundation to make unlimited use of its name, other names used by the University (i.e. the SCSU Owls), the emblems and other trademarks to which the University has a legal right, and to sublicense those marks pursuant to its normal course of business, including but not limited to sublicenses for fund raising support. This license shall be terminated if the Foundation shall fail to act in substantial compliance with this agreement and with System policies on affiliated foundations, *provided, however*, that any such termination shall not affect a binding sublicense the Foundation has entered into with another entity until that sublicense has expired or otherwise terminated by its terms, or for a period of five (5) years, whichever shall first occur, *provided however*, that the said five year limitation shall not apply to any sublicense which the University has consented to in writing where said written consent specifically waives the five year limitation.

5. *Foundation's Independence.* The parties acknowledge that the Foundation is an independent entity that shall remain solely under the direction and control of its board of directors. As such, the Foundation shall maintain an identity separate from that of the University while working only to serve the interests of the University.

6. *Investment and Spending Policy.* The Foundation shall establish and adhere to an investment policy and a spending policy that are consistent with sections 45a-526 to 45a-534, inclusive, of the Connecticut General Statutes.

7. *Liability.* Neither the University nor the Board of Trustees for the Connecticut State University System shall be liable for the obligations, acts or omissions of the Foundation. Likewise, the Foundation shall not be liable for the obligations, acts or omissions of either the University or the Board of Trustees for the Connecticut State University System.

8. *Dissolution.* Should the Foundation cease to exist or cease to be a foundation as defined in section 4-37e of the Connecticut General Statutes, it shall:

(a) be prohibited from using the name of the University;

(b) make available to the University, its records, or copies of such records provided that such records or copies thereof shall not be deemed to be public records and shall not be subject to disclosure pursuant to the provisions of section 1-210 of the Connecticut General Statutes; and


(c) after payment of all its liabilities and obligations, transfer title of all its remaining assets to the Board of Trustees, or its successor agency, for the benefit of the University in accordance with section 10a-150 of the Connecticut General Statutes and Board Resolution 95-11, EXCEPT to the extent there is a restriction on an asset which prohibits the transfer of such asset to the University or where the

(d) University does not want the asset, in which case such asset shall be distributed by the Foundation, upon the approval of its Board of Directors, to any non-profit, charitable or educational organization that promotes purposes similar to the Foundation.

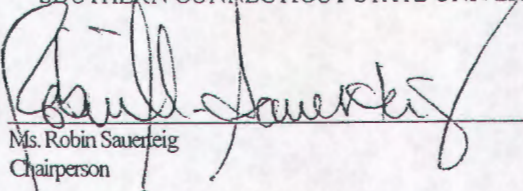
9. The parties agree that said Agreement may be reviewed, amended, and/or modified during said Term should substantive changes occur at the University and/or the Foundation. Such review, amendment(s) and or modifications(s) will not be unreasonably withheld by either party.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their duly authorized representatives as of the day and date of the first above written.

SOUTHERN CONNECTICUT STATE UNIVERSITY

By:  Date: 7/1/11
Dr. Stanley F. Battle
Interim President

SOUTHERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

By:  Date: 7/1/11
Ms. Robin Sauerfeig
Chairperson

INFORMATION ITEM

The Annual Foundation Report of the Western Connecticut State University Foundation Inc. and the audited financial statements for fiscal year 2012:

- ◆ A list of employee reimbursements and credit card expenditures for fiscal year 2012.
- ◆ The audited financial statements of the Western Connecticut State University Foundation, Inc. for the year ended June 30, 2012, and the independent auditors' reports on the audited financial statements, additional supplementary information, and compliance report. These reports were issued by Fiorita, Kornhaas, & Company, P.C.
- ◆ An updated listing of Foundation Board members.
- ◆ Report to the Audit Committee which provided a summary of the audit and presented the following five matters: a change in financial reporting system, written documentation, staffing needs, change in personnel, and board involvement. The audit did not find weaknesses in internal controls, but these matters were mentioned as areas that should be monitored.

BACKGROUND

Connecticut General Statutes (CGS) §§4-37e through 4-37j, and Board Resolution #01-68 as amended by Board Resolution #03-33 require that the University Presidents keep the Board of Trustees apprised of pertinent information about the foundations associated with the Connecticut State University System (CSUS). Accordingly, the President of Western Connecticut State University has submitted the above-listed reports to the Board of Regents through the Executive Committee.

ANALYSIS

The auditors' opinion states that the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The auditors' report on supplementary information states that the report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The report, however, has been subjected to the auditing procedures applied in the audit of the basic financial statements. The supplementary information, in the opinion of the auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The independent auditor's compliance report indicated that the audit tested the Foundation's compliance with Sections 4-37e -4-37j and the results of their tests disclosed no instances of noncompliance that are required to be reported.

Financial Highlights

At June 30, 2012, the Foundation reported total assets of \$12.8 million, a decrease of \$43,245 or 0.3% below the fiscal year 2011 level of \$12.843 million primarily due to a decrease in Unconditional Promises to Give of \$0.1 million offset by an increase in investments of \$67,455.

Total liabilities of \$36,504 increased by \$4,471 or 14.0% compared to the fiscal year 2011 level of \$32,033 primarily due to a decrease in accounts payable of \$5,475.

Total net assets at the end of fiscal year 2012 were \$12.76 million, \$47,716 or 0.4% below fiscal year 2011 level of \$12.81 million. The Foundation experienced a \$47,716 loss for the year, with revenues of \$633,933 and expenses of \$681,649. Unrestricted (\$158,147), temporarily restricted (\$2.9 million) and permanently restricted (\$9.7 million) net assets were 1.2%, 23.1% and 75.7% of total net assets, respectively. Temporarily restricted net assets of \$2.9 million at June 30, 2012 were available for the Ansell Business School (\$0.6 million), Robert Young Library (\$0.2 million), Scholarships and Other Program Purposes (\$2.1 million).

In June 2005, the State of Connecticut amended the State match for endowed contributions from a 50% match to a 25% match, with the exception of the match on multi-year commitments made by donors by December 31, 2004, which would remain at 50%. The State also changed the parameters under which it would fund the matching grant program, thereby reducing the likelihood that funding for matches subsequent to December 31, 2003 will be realized. Due to this uncertainty, management of the Foundation has decided not to record a receivable from the State for the outstanding State matching grant at the end of the fiscal year. Instead, the Foundation will recognize revenue from the State's matching program when it is received.

At June 30, 2012, total revenues earned of \$0.6 million showed a decrease of \$2.0 million from the fiscal year 2011 level of \$2,594,988. The primary components of this decrease were realized and unrealized gains on assets of \$1.8 million. During the fiscal year, \$624,857 of temporarily and permanently restricted net assets were released from donor restrictions to unrestricted net assets. This release was due to the incurrence of expenses satisfying the restricted purpose specified by the donor.

Total expenses for fiscal year 2012 of \$681,649 increased by \$154,205 or 29.2% above the fiscal year 2011 level of \$527,444 primarily due to an increase in university support of \$65,364 and Fundraising of \$88,940. The Foundation's functional distribution of expenses to university support, general administration, and fundraising was \$514,814, \$76,708 and \$90,127 respectively.

RECOMMENDATION

The Executive Committee receive the Foundation's reports as required by Connecticut General Statutes and Board Resolution #01-68 as amended by Board Resolution #03-33.

WESTERN CONNECTICUT STATE

UNIVERSITY FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2012 AND 2011



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C.

Certified Public Accountants



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C. Certified Public Accountants

146 Deer Hill Avenue, Danbury, Connecticut 06810 • Tel: (203) 790-1040 • Fax: (203) 790-9674

email address: mail@fkcpas.com • website: www.fkcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Western Connecticut State University Foundation, Inc.

Danbury, CT 06810

We have audited the accompanying statements of financial position of Western Connecticut State University Foundation, Inc. (the Foundation) as of June 30, 2012 and 2011 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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. The prior year summarized comparative information has been derived from the Foundation's 2011 audited financial statements, and, in our report dated September 11, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 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 preparation. We believe that our audits provide 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 Western Connecticut State University Foundation, Inc. as of June 30, 2012 and 2011 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fiorita, Kornhaas & Company, P.C.

Fiorita, Kornhaas, & Company, P.C.
Certified Public Accountants

August 30, 2012

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

As of June 30, 2012
(With Summarized Financial Information for 2011)

Assets	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,935,497	\$ 1,927,865
Investments	10,565,812	10,498,357
Unconditional promises to give	294,277	414,743
Prepaid expenses	<u>4,535</u>	<u>2,401</u>
Total assets	<u>\$ 12,800,121</u>	<u>\$ 12,843,366</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 28,650	\$ 23,175
Due to WCSU Alumni Association	<u>7,854</u>	<u>8,858</u>
Total current liabilities	<u>36,504</u>	<u>32,033</u>
Net assets:		
Unrestricted	158,147	112,890
Temporarily restricted	2,948,443	3,340,662
Permanently restricted	<u>9,657,027</u>	<u>9,357,781</u>
Total net assets	<u>12,763,617</u>	<u>12,811,333</u>
Total liabilities and net assets	<u>\$ 12,800,121</u>	<u>\$ 12,843,366</u>

See accompanying notes.

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2012
(With Summarized Financial Information for 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
Revenues:					
Contributions	\$ 93,280	\$ 371,324	\$ 127,487	\$ 592,091	\$ 590,702
Grant Income	--	24,310	--	24,310	200,000
Net event income	4,234	15,892	5,925	26,051	19,931
Total investment return, net	<u>4,535</u>	<u>(13,054)</u>	<u>--</u>	<u>(8,519)</u>	<u>1,784,355</u>
Total revenues	102,049	398,472	133,412	633,933	2,594,988
Net assets reclassified	--	(176,184)	176,184	--	--
Net assets released from restrictions	<u>624,857</u>	<u>(614,507)</u>	<u>(10,350)</u>	<u>--</u>	<u>--</u>
Total revenues and net assets released	726,906	(392,219)	299,246	633,933	2,594,988
Expenses					
University support	514,814	--	--	514,814	449,450
General administration	76,708	--	--	76,708	76,807
Fundraising	<u>90,127</u>	<u>--</u>	<u>--</u>	<u>90,127</u>	<u>1,187</u>
Total Expenses	<u>681,649</u>	<u>--</u>	<u>--</u>	<u>681,649</u>	<u>527,444</u>
Increase (Decrease) in net assets	45,257	(392,219)	299,246	(47,716)	2,067,544
Net assets, beginning of year	<u>112,890</u>	<u>3,340,662</u>	<u>9,357,781</u>	<u>12,811,333</u>	<u>10,743,789</u>
Net assets, end of year	<u>\$ 158,147</u>	<u>\$ 2,948,443</u>	<u>\$ 9,657,027</u>	<u>\$ 12,763,617</u>	<u>\$ 12,811,333</u>

See accompanying notes.

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

Statements of Functional Expenses

For the Year Ended June 30, 2012
(With Summarized Financial Information for 2011)

	<u>2012</u>			<u>2011</u>	
	University <u>Support</u>	General Adminis- <u>tration</u>	Fund- <u>Raising</u>	<u>TOTAL</u>	<u>TOTAL</u>
<u>EXPENSES</u>					
University Support	\$ 326,296	\$ --	\$ --	\$ 326,296	\$ 310,353
Donations to Departments	188,518	--	--	188,518	139,097
Accounting and professional fees	--	33,000	--	33,000	39,900
Insurance	--	2,869	--	2,869	3,094
Interest expense	--	0	--	0	37
Dues, subscriptions, books, and fees	--	55	--	55	215
WCSU reimbursements	--	36,842	--	36,842	27,092
Office expense	--	685	--	685	1,185
Donations	--	38	--	38	100
Credit card and bank service fees	--	3,219	--	3,219	5,184
Fundraising	--	--	90,127	90,127	1,187
Total expenses	\$ <u>514,814</u>	\$ <u>76,708</u>	\$ <u>90,127</u>	\$ <u>681,649</u>	\$ <u>527,444</u>

See accompanying notes.

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

For the Year Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Contributions and other revenue received	\$ 772,152	\$ 620,175
Interest and dividends received	247,015	266,471
Distributions to/for beneficiaries	(408,301)	(385,685)
Expenses paid	<u>(345,449)</u>	<u>(210,989)</u>
Net cash provided by operating activities	265,417	289,972
Cash flows from investing activities		
Proceeds from sale and maturities of investments	5,106,852	7,355,671
Purchases of investments	<u>(5,364,637)</u>	<u>(7,295,905)</u>
Net cash provided by (used in) investing activities	(257,785)	59,766
Cash flows from financing activities		
Principal payments of long-term debt	<u>0</u>	<u>(10,058)</u>
Net cash used in financing activities	<u>0</u>	<u>(10,058)</u>
Net increase in cash and cash equivalents	7,632	339,680
Cash and cash equivalents, beginning of year	<u>1,927,865</u>	<u>1,588,185</u>
Cash and cash equivalents, end of year	<u>\$ 1,935,497</u>	<u>\$ 1,927,865</u>
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase (decrease) in net assets	\$ (47,716)	\$ 2,067,544
Change in unconditional promises to give	120,466	(198,320)
Change in prepaid expenses	(2,134)	226
Change in accounts payable	5,475	(1,276)
Change in due to Alumni Association	(1,004)	(4,506)
(Gain) loss on investments, net	<u>190,330</u>	<u>(1,573,696)</u>
Net cash provided by operating activities	<u>\$ 265,417</u>	<u>\$ 289,972</u>

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Note 1: THE FOUNDATION

The Western Connecticut State University Foundation, Inc. ("the Foundation") operates exclusively for charitable and educational purposes and as such promotes, encourages, and assists all forms of education and research at Western Connecticut State University ("WCSU" or the "University"). The Foundation solicits donations of properties, monies and securities and acts as custodian for any and all funds and property received. The Foundation then disburses such funds, property, and the income there from in aiding, supplementing, improving, and enlarging the educational, cultural, and research facilities and activities of WCSU.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

The Foundation follows the provisions of the Financial Accounting Standards Board's ASC 958-205 "Not-for-Profit Charities Presentation of Financial Statements" (Formerly SFAS 116 and 117). Under these provisions, the accompanying financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets resulting from public support and revenue whose use by the Foundation is not subject to donor-imposed restriction.

Temporarily restricted net assets - Net assets resulting from public support and revenue whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those donor-imposed stipulations.

Permanently restricted net assets - Net assets resulting from public support and revenue whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or state law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed) are reported as a reclassification from temporarily restricted net assets to unrestricted net assets.

(c) Office Furnishings

Cost of office furnishings and equipment are consistently charged to expense because the Foundation does not deem such amounts to be sufficiently material to warrant capitalization and depreciation.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cont'd)

(d) Cash and Cash Equivalents

Cash equivalents are considered to be all highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

(e) Investments

The Organization has adopted ASC 958-320 "Not-for-Profit Charities - Debt and Equity Securities" (Formerly SFAS 124). Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(f) Property

Property is valued at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

(g) Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received.

(h) Office Facilities

The University provides office facilities to the Foundation. The fair value of this support cannot be reasonably estimated and is therefore not reflected in the accompanying financial statements.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Tax Exempt Status

The organization is currently exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code. Consequently, no provision for federal and state income taxes is presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

ote 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ont'd)

(k) Prior Year Summarized Financial Information

The financial statements include prior year summarized financial information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements as of the year ended June 30, 2011, from which the summarized information was derived. The net asset restatement described in Note 13 has been applied to the prior year summarized financial information.

ote 3: INVESTMENTS

The fair values of all investments are determined using quoted prices in active markets for identical assets.

Investments at June 30, 2012 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
640,000 Units of U.S. Government Agency obligations	\$ 640,004	\$ 642,031
1,410,000 units of Corporate Bonds and Notes	1,409,815	1,437,133
9,447 shares of Common Stock	1,028,450	1,071,481
150,000 shares Government Bond MF	120,530	131,395
543,878 shares Union Savings Bank Wealth Management	352,992	356,667
245,870 shares of Equities	7,201,430	7,258,842
S/T	<u>10,753,221</u>	<u>10,897,549</u>
<u>Less:</u> Cash Equivalents reclassified	<u>(352,992)</u>	<u>(356,667)</u>
S/T	<u>10,400,229</u>	<u>10,540,882</u>
<u>Add:</u> Accrued Interest and Dividends	24,930	24,930
	<u>\$ 10,425,159</u>	<u>\$ 10,565,812</u>

Investments at June 30, 2011 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
1,219,000 Units of U.S. Government Agency obligations	\$ 1,218,200	\$ 1,224,352
1,694,000 units of Corporate Bonds and Notes	1,691,408	1,726,679
7,947 shares of Common Stock	840,279	864,364
50,000 shares Government Bond MF	50,405	52,257
200 shares of Preferred Stock	5,167	4,968
543,878 shares Union Savings Bank Wealth Management	543,878	543,878
172,567 shares of Equities	6,373,933	6,595,778
S/T	<u>10,723,270</u>	<u>11,012,276</u>
<u>Less:</u> Cash Equivalents reclassified	<u>(543,878)</u>	<u>(543,878)</u>
S/T	<u>10,179,392</u>	<u>10,468,398</u>
<u>Add:</u> Accrued Interest and Dividends	29,959	29,959
	<u>\$ 10,209,351</u>	<u>\$ 10,498,357</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

ote 3: INVESTMENTS

ont'd)

The change in unrealized gains (losses) relating to investments that are still held at year end is (\$148,353) and \$871,032 for the years ended June 30, 2012 and 2011, respectively.

ote 4: FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 - inputs that are unobservable and significant to the fair value measurement

Following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks, preferred stocks, corporate bonds and notes, government bonds, foreign equity, and U.S. government agency obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end.

Real estate: Valued based on the estimated quoted prices for similar assets in active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan 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.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30,:

	<u>Assets at Fair Value as of June 30, 2012</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks, preferred stocks, corporate \$	9,676,766	\$ -	\$ -
bonds and notes, government bonds,		-	-
foreign equity, and U.S. government agency		-	-
obligations		-	-
Mutual funds	864,116	-	-
Real estate	-	-	-
Total assets at FV	\$ <u>10,540,882</u>	\$ <u>-</u>	\$ <u>-</u>

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

ote 4: FAIR VALUE MEASUREMENTS

ont'd)

Assets at Fair Value as of June 30, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks, preferred stocks, corporate \$	10,468,398 \$	- \$	-
bonds and notes, government bonds,		-	-
foreign equity, and U.S. government agency		-	-
obligations		-	-
Mutual funds	-	-	-
Real estate	-	-	-
Total assets at FV	<u>\$ 10,468,398</u>	<u>\$ -</u>	<u>\$ -</u>

ote 5: UNCONDITIONAL PROMISES TO GIVE

Unconditional Promises To Give are recorded as either unrestricted support, temporarily restricted support, or permanently restricted support during the year in which the promise is made based on the donor's restrictions, if any. Under ASC 958-205, long-term promises to give must be discounted to their net present value. As of June 30, 2012 and 2011, this discount was \$3,820 and \$7,520 respectively. Promises receivable consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Receivable in Less than 1 Year \$	127,280 \$	182,281
Receivable in 1-5 Years	166,997	232,462
<u>TOTAL</u>	<u>\$ 294,277</u>	<u>\$ 414,743</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.27%.

ote 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 and 2011 were available for the following purposes:

	<u>2012</u>	<u>2011</u>
Ancell Business School \$	554,009 \$	591,790
Robert Young Library	207,754	222,326
Scholarships and other programs	2,186,680	2,526,546
	<u>\$ 2,948,443</u>	<u>\$ 3,340,662</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

ote 7: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$624,857 and \$497,989 were released from donor restrictions during 2012 and 2011, respectively, by incurring expenses satisfying the restricted purposes.

ote 8: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2012 and 2011 consist of \$9,657,027 and \$9,357,781, respectively, of Foundation endowments. The principal of these assets must be invested in perpetuity; however, the income is expendable to support general or donor specific purposes. As of June 30, 2012 and 2011, the Foundation did not have any Board designated endowment funds.

Return Objectives and Risk Parameters - The Foundation's investment goals are to achieve the maximum yields at minimum cost while safeguarding the assets and operating within risk constraints. Permitted investments have been defined but a long-term rate-of-return objective has not been established, nor has an asset allocation plan been developed.

Strategies Employed for Achieving Objectives - The Foundation has not formally adopted long-term rate-of-return objectives.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation has defined the criteria for grants and scholarships and has set a goal for spending to be no more than 5% of the average of the market value of the investment portfolio.

Funds with Deficiencies

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 CTPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 as of June 30, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by management.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Note 8: PERMANENTLY RESTRICTED NET ASSETS

Interpretation of Relevant Law - The Board of Directors of the University has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund
- (b) The purposes of the organization and the donor-restricted endowment fund
- (c) General economic conditions
- (d) The possible effect of inflation and deflation
- (e) The expected total return from income and the appreciation of investments
- (f) Other resources of the organization
- (g) The investment policies of the organization

2012

Endowment Net Asset Composition by type of Fund
as of June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 0	\$ 1,820,203	\$ 9,657,027	\$ 11,477,230

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Note 8: PERMANENTLY RESTRICTED NET ASSETS

Cont'd) **Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (93,366)	\$ 2,146,435	\$ 9,357,781	\$ 11,410,850
Investment return:				
Investment income	1,331	241,150	-	242,481
Net depreciation (realized and unrealized)	(1,441)	(188,889)	-	(190,330)
Total investment return				
Contributions	-	-	133,412	133,412
Appropriation of endowment assets for expenditure	(600)	(366,183)	-	(366,783)
Other changes:				
Reclassifications	<u>94,076</u>	<u>(12,310)</u>	<u>165,834</u>	<u>247,600</u>
Endowment net assets, end of year	\$ <u>0</u>	\$ <u>1,820,203</u>	\$ <u>9,657,027</u>	\$ <u>11,477,230</u>

2011

Endowment Net Asset Composition by type of Fund
as of June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>(93,366)</u>	\$ <u>2,146,435</u>	\$ <u>9,357,781</u>	\$ <u>11,410,850</u>

**Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2011**

Endowment net assets, beginning of year	\$ (341,224)	\$ 1,839,969	\$ 8,213,478	\$ 9,712,223
Investment return:				
Investment income	49,278	206,839	-	256,117
Net appreciation (realized and unrealized)	302,620	1,271,076	-	1,573,696
Total investment return				
Contributions	-	-	188,964	188,964
Appropriation of endowment assets for expenditure	(104,040)	(216,110)	-	(320,150)
Other changes:				
Reclassifications	<u>-</u>	<u>(955,339)</u>	<u>955,339</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>(93,366)</u>	\$ <u>2,146,435</u>	\$ <u>9,357,781</u>	\$ <u>11,410,850</u>

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Item 9: STATE MATCHING PROGRAM

The State of Connecticut has an endowment matching program under which it will issue permanently restricted grants for 25% (formerly 50%) of pledge payments which create an endowment or add to existing endowments. Since the inception of the program in 1998, the Foundation has raised permanently endowed funds totaling approximately \$6,735,623 as of June 30, 2012, which are eligible for the endowment matching program. However, due to the uncertainty of future matching gifts, management has elected to not accrue any state matching income for the calendar year 2006 and forward. Had management elected to accrue the state match at the full 25% on gifts and pledges, receivables and net income increased by approximately \$31,000 and \$47,000 for the years ended June 30, 2012 and 2011, respectively.

Endowed funds received	<u>2012</u>		<u>2011</u>
July 1, 2010 to December 31, 2010	\$ 0	\$	139,745
January 1, 2011 to June 30, 2011	0		49,219
July 1, 2010 to December 31, 2011	61,076		0
January 1, 2011 to June 30, 2012	61,987		0
	<u>\$ 123,063</u>	\$	<u>188,964</u>

Item 10: CONTRIBUTIONS

Contributions consist of the following for the years ended June 30, 2012 and 2011:

	<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>		<u>2012 Totals</u>		<u>2011 Totals</u>
Donations - Non-endowed	\$ 371,324	\$	-	\$	371,324	\$	466,273
Donations - Endowed	-		127,487		127,487		579,293
	<u>\$ 371,324</u>	\$	<u>127,487</u>	\$	<u>498,811</u>	\$	<u>1,045,566</u>

Item 11: TOTAL INVESTMENT RETURN (NET)

Total investment return (net) consists of the following for the years ended June 30, 2012 and 2011:

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>2012 Totals</u>		<u>2011 Totals</u>
Interest and dividends	\$ 4,535	\$	242,480	\$	247,015	\$	266,471
Realized gain (loss) on investments	-		(45,652)		(45,652)		318,846
Unrealized gain (loss) on investments	-		(144,678)		(144,678)		1,254,850
Fiduciary Fees	-		(65,204)		(65,204)		(55,812)
	<u>\$ 4,535</u>	\$	<u>(13,054)</u>	\$	<u>(8,519)</u>	\$	<u>1,784,355</u>

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Note 12: REIMBURSEMENT TO WESTERN CONNECTICUT STATE UNIVERSITY

In accordance with Public Act 89-267, the Foundation has agreed to reimburse the University for expenses, including the costs of personnel services, which are incurred as a result of Foundation operations and which would not have been incurred otherwise by the University. In addition to any specific expenses, the Foundation has agreed to make an annual payment of \$1,500 to cover incidental costs. Payments to the University for specific expenses are reflected in the Statements of Activities and Changes in Net Assets. During the fiscal years ended June 30, 2012 and 2011, the Foundation has accrued fees totaling \$27,335 and \$27,092, respectively.

Note 13: SUBSEQUENT EVENTS

The date at which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is August 30, 2012, which is the date on which the financial statements were issued.



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C. *Certified Public Accountants*

146 Deer Hill Avenue, Danbury, Connecticut 06810 • Tel: (203) 790-1040 • Fax: (203) 790-9674

email address: mail@fkcpas.com • website: www.fkcpas.com

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

Board of Directors
Western Connecticut State University Foundation, Inc.
Danbury, CT 06810

Our report on our audits of the basic financial statements of Western Connecticut State University Foundation, Inc. for June 30, 2012 and 2011 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fiorita, Kornhaas & Company, P.C.

Fiorita, Kornhaas & Company, P.C.
Certified Public Accountants

August 30, 2012

WESTERN CONNECTICUT STATE UNIVERSITY FOUNDATION, INC.

Schedules of Events

For the Years Ended June 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>	<u>2011</u>					
<u>Wine tasting</u>										
Revenue			\$ 10,665	\$ 10,665	\$ 8,995					
Expenses			<u>(4,740)</u>	<u>(4,740)</u>	<u>(2,885)</u>					
Net Wine tasting			5,925	5,925	6,110					
<u>Lama Lecture</u>										
Revenue	\$	9,100		9,100	-					
Expenses		<u>(1,118)</u>		<u>(1,118)</u>	<u>-</u>					
Net Lama Lecture		7,982		7,982	-					
<u>Macricostas Entrepreneur</u>										
Revenue		11,400		11,400	-					
Expenses		<u>(3,490)</u>		<u>(3,490)</u>	<u>-</u>					
Net Macricostas Entrepreneur		7,910		7,910	-					
<u>WestConn Society Luncheon</u>										
Revenue	\$	11,800		11,800	15,925					
Expenses		<u>(4,713)</u>		<u>(4,713)</u>	<u>(3,955)</u>					
Net WestConn Society Luncheon		7,087		7,087	11,970					
<u>Other Events</u>										
Revenue		3,720		3,720	1,635					
Expenses		<u>(6,573)</u>		<u>(6,573)</u>	<u>225</u>					
Net Other Events		<u>(2,853)</u>		<u>(2,853)</u>	<u>1,855</u>					
Total Event Income (Net)	\$	<u>4,234</u>	\$	<u>15,892</u>	\$	<u>5,925</u>	\$	<u>26,051</u>	\$	<u>19,935</u>

See accompanying notes.



Western Connecticut State University Foundation, Inc.

Board of Directors

2012 - 2013

Mr.	Anthony	Caraluzzi
Mr.	Thomas	Crucitti
Mrs.	Theresa	Eberhard Asch
Mrs.	Isabelle	Farrington
Mr.	Kevin	Freyer
Mr.	Joseph	Giaquinto
Dr.	Daniel	Goble
Mr.	Erland	Hagman
Dr.	Josie	Hamer
Mr.	Gary	Hawley
Ms.	Tracy	Horosky
Mr.	M. Farooq	Kathwari
Mr.	Constantine	Macricostas
Mr.	David	Nurnberger
Dr.	Cory	Plock
Mr.	Ronald	Pugliese
Ms.	MaryJean	Rebeiro
Mr.	Robert	Reby
Mr.	Bernard	Reidy
Mr.	Paul	Reis
Mr.	Gerard	Robilotti
Mr.	Scott	Sanderude
Dr.	James W.	Schmotter
Mr.	Paul	Steinmetz
Mr.	Nabil	Takla
Mr.	Jack	Tyransky
Mr.	Robert	Yamin
Mr.	Roy	Young

Employee Reimbursements for FY 12

Employee Name	Date	Num	Memo	Amount
A. Ben Oumlil				
	08/19/2011	6824	Reimbursement of T&E to Poland to present paper	\$1,400.00
	10/13/2011	6850	Reimbursement for T&E to Canada to present paper	\$1,500.00
	12/01/2011	6922	Reimbursement for travel to Memphis, TN to present at the 2011 Society for Marketing Advances Council	\$1,250.00
			Total A. Ben Oumlil	\$4,150.00
Alba Skar				
	05/18/2012	7062	Reimbursement Honors Convocation Books	\$37.47
			Total Alba Skar	\$37.47
Allen Morton				
	10/13/2011	6851	Reimbursement for mileage to attend AACSB Conference	\$147.05
	03/15/2012	006994	Reimbursement for airfare to LA to attend AACSB Dean's Conference	\$373.60
	04/12/2012	007023	Reimbursement for T&E to FL to attend Comm. on Fund Investor Conference 3/10/12 - 3/13/12	\$516.60
	05/18/2012	7063	Reimbursement for airfare to attend AACSB conf. and meeting	\$361.20
			Total Allen Morton	\$1,398.45
Anne Roberts				
	06/14/2012	007101	Reimbursement for books for Chemistry graduates	\$152.71
			Total Anne Roberts	\$152.71
Chin-Wen Huang				
	08/19/2011	6813	Reimbursement for expense incurred for paper editing	\$290.50
	12/15/2011	6936	Reimbursement for remaining T&E to WA DC to present paper	\$404.19
			Total Chin-Wen Huang	\$694.69
Darby Cardonsky				
	06/28/2012	007140	Reimbursement for exp. incurred at MFA NYC show	\$191.76
			Total Darby Cardonsky	\$191.76

Employee Reimbursements for FY 12

Employee Name	Date	Num	Memo	Amount
David Jurasek				
	11/09/2011	6914	Reimbursement for Accelerade for Ice Hockey Players	\$66.91
	11/09/2011	6914	Reimbursement for Accelerade for Ice Hockey Players	\$568.13
	04/26/2012	7047	Reimbursement for trophies purchased for ice hockey	\$329.70
	06/28/2012	007125	reimbursement for ice hockey pucks	\$522.10
			Total David Jurasek	\$1,486.84
Douglas Stevens				
	12/01/2011	6927	Remainder of reimbursement for registration fee to attend the 2011 APICS International Conference	\$250.00
			Total Douglas Stevens	\$250.00
Eileen Coladarci				
	07/18/2011	6787	Reimbursement for Travel expenses 4/11-6/10/11	\$127.62
	03/15/2012	6998	Reimbursement of T&E related to Art Alumni project	\$163.28
	06/28/2012	007141	Reimbursement of T&E for Spring semester FY12	\$177.80
			Total Eileen Coladarci	\$468.70
Elyse Shapiro				
	12/15/2011	6940	50% proceeds from silent auction item at wine tasting	\$150.00
			Total Elyse Shapiro	\$150.00
Frank Herbert				
	04/12/2012	7029	Reimbursement for expenses incurred for USITT trip	\$1,745.24
			Total Frank Herbert	\$1,745.24
Frederick Maidment				
	02/23/2012	006987	Reimbursement of T&E to LA to conduct workshop 1/11/12 to 1/15/12	\$405.21
			Total Frederick Maidment	\$405.21

Employee Reimbursements for FY 12

Employee Name	Date	Num	Memo	Amount
Frederick Tesch				
	04/12/2012	7030	Reimbursement for T&E to Tarrytown NY for conference 3/23/12 - 3/24/12	\$436.74
			Total Frederick Tesch	\$436.74
Helen Bechard				
	04/12/2012	7031	Reimbursement for the WCSoc award presentation box	\$15.94
			Total Helen Bechard	\$15.94
James Donegan				
	10/13/2011	6856	Reimbursement for T&E to Denver to present paper	\$1,222.10
	10/27/2011	006904	Reimbursement for travel to Philadelphia, PA to attend the AACSB Annual Accreditation Conference	\$681.72
	05/18/2012	7074	Reimbursement for T&E to attend AACSB Intl. Conf.	\$1,818.97
			Total James Donegan	\$3,722.79
Janet McKay				
	12/15/2011	6942	Reimbursement for purchase of postage stamps	\$43.75
	06/28/2012	007126	reimbursement for postage stamps for Pres. Office	\$45.00
			Total Janet McKay	\$88.75
John Briggs				
	06/14/2012	007110	Reimbursement for materials for Creativity & Compassion Conference 4/20-21	\$91.06
			Total John Briggs	\$91.06
Josephine Hamer				
	03/15/2012	6999	Reimbursement for registration in math modeling contest	\$200.00
			Total Josephine Hamer	\$200.00

Employee Reimbursements for FY 12

Employee Name	Date	Num	Memo	Amount
Karen Koza				
	07/18/2011	6789	Reimbursement for T&E to present paper in Rochester	\$1,013.57
	08/19/2011	6825	Reimbursement for T&E to present paper at Conf.	\$878.78
	09/14/2011	6834	Reimbursement for T&E to San Diego to present paper at European Institute of Retailing and Services	\$100.00
			Total Karen Koza	\$1,992.35
Kimberly Rybczyk				
	04/12/2012	7033	Winner of Leap Year Event 50/50 Raffle	\$75.00
			Total Kimberly Rybczyk	\$75.00
Lynne Paris-Purtle				
	04/26/2012	7049	Reimbursement for meals for placement test scorers	\$98.87
			Total Lynne Paris-Purtle	\$98.87
Marie Wright				
	05/30/2012	7091	Reimbursement of registration for student to attend Conf. May 30th	\$25.00
			Total Marie Wright	\$25.00
Melissa Newsome				
	04/26/2012	7050	Reimbursement for Dance Team announcements	\$63.75
			Total Melissa Newsome	\$63.75
Michele Ganon				
	10/13/2011	6857	Reimbursement of T&E to present paper in Colorado	\$203.40
			Total Michele Ganon	\$203.40
Nicholas Greco				
	06/14/2012	007116	gifts (mugs) for Chem. graduates	\$185.61
			Total Nicholas Greco	\$185.61

Employee Reimbursements for FY 12

Employee Name	Date	Num	Memo	Amount
Pam McDaniel				
	02/10/2012	6978	Reimbursement for exp. For KCACTF Regional Performance & Sweeney Todd	\$1,864.73
	05/30/2012	7092	Food for musical theater auditions and 2 tech weekends	\$568.22
	05/30/2012	7099	Reimbursement for UA Adelka Polack meals	\$30.92
	05/30/2012	7099	Reimbursement for KCACTF Respondent meals	\$30.17
			Total Pam McDaniel	\$2,494.04
Patrizia Farina				
	12/20/2011	6951	Advance for expenses for Study Abroad in Italy 2012	\$2,000.00
			Total Patrizia Farina	\$2,000.00
Paul Steinmetz				
	01/30/2012	006973	Reimbursement for DD hostess gift for Taklas	\$27.64
	05/16/2012	7057	Reimbursement for tips for servers at Pres. Club event	\$75.00
			Total Paul Steinmetz	\$102.64
Rashad Evans				
	03/15/2012	7004	Registration fee for tournament	\$240.00
	03/15/2012	7005	Rental car for CEDA Tournament in Norman, OK	\$462.01
	03/15/2012	7006	Meal allowance for 7 people/6 days/\$25 per day	\$1,050.00
			Total Rashad Evans	\$1,752.01
Richard Molinelli				
	06/14/2012	007117	reimbursement for food for Chem. Grad. Celebration 5/13/12 & Chem. Sr. Presentations Day 5/11/12	\$335.24
			Total Richard Molinelli	\$335.24

Employee Reimbursements for FY 12

Employee Name	Date	Num	Memo	Amount
Ronald Drozdenko				
	10/27/2011	006905	Reimbursement for lunch w/ guest speaker, MKT dept. faculty, & MBA students on 10/5/11	\$157.40
	03/15/2012	7007	Reimbursement for travel to NV to present paper	\$1,236.46
	05/18/2012	7078	Reimbursement for T&E to attend AACSB conf. & meeting	\$1,598.74
			Total Ronald Drozdenko	\$2,992.60
Sal Trapani				
	09/14/2011	6838	Reimbursement for refreshments at BBQ to welcome new students	\$224.12
	12/01/2011	6930	Hotel for respondents from Kennedy Center American College Theatre Festival	\$136.85
	12/01/2011	6930	Lunch for tech weekend for Sweeney Todd	\$206.89
	04/12/2012	7035	Reimbursement for KCACTF Respondent Dinner	\$119.66
			Total Sal Trapani	\$687.52
Susan Wolf				
	07/18/2011	6794	Reimbursement for postage stamps for office invites	\$39.60
	02/23/2012	006991	Hauser Chocolates for Mrs. Farrington & Sympathy card for Nurnbergers from Paul	\$97.83
			Total Susan Wolf	\$137.43
Terrence Dwyer				
	07/18/2011	6795	Reimbursement for T&E to attend conference in RI	\$707.43
			Total Terrence Dwyer	\$707.43
Theresa Canada				
	04/13/2012	7041	Reimbursement for T&E to attend Myers-Briggs workshop	\$269.70
			Total Theresa Canada	\$269.70
Walter Bernstein				
	04/13/2012	7042	Reimbursement for books for incoming HSLP cohort 2012-2013	\$230.40
			Total Walter Bernstein	\$230.40

Employee Reimbursements for FY 12

Employee Name	Date	Num	Memo	Amount
Yuan Mei-Ratliff				
	10/27/2011	006909	Reimbursement for Food expenses for Chemistry Meeting of Majors	\$82.55
			Total Yuan Mei-Ratliff	\$82.55
			GRAND TOTAL	\$30,121.89

Credit Card Charges for FY 12

Employee Name	Date	Num	Memo	Amount
Allen Morton				
	07/15/2011	18185626	Wall Street Journal Subscription	\$31.20
	07/15/2011	18185626	Impact Statement	\$825.00
	08/15/2011	18356438	Wall Street Journal Subscription	\$31.20
	09/14/2011	18532811	Wall Street Journal Subscription	\$31.20
	09/14/2011	18532811	Membership Dues to National Asso. for Bus. Economics	\$160.00
	09/14/2011	18532811	AACSB Conf. registration for Allen and Donegan	\$1,790.00
	10/13/2011	18706884	Wall Street Journal Subscription	\$31.20
	10/13/2011	18706884	Crown Awards- Award for John Murphy "Entrepreneur of the Year" - MACRICOSTAS	\$75.65
	10/13/2011	18706884	AACSB related travel expenses	\$1,431.06
	11/14/2011	18880843	Wall Street Journal Subscription	\$31.20
	11/14/2011	18880843	PayPal - Charge for Publication of Dr. Collar's Paper per val changed to exp account	\$558.50
	11/14/2011	18880843	ETS Publication & Software	\$2,525.70
	12/14/2011	19029098	Wallstreet Journal & Annual Membership for AmExp	\$86.20
	12/14/2011	19029098	UPS charges for sending presentation materials for AARP	\$306.06
	12/14/2011	19029098	U.S. Airway ticket for AARP presentation	\$703.40
	01/11/2012	19169552	Wall Street Journal Subscription	\$31.20
	01/11/2012	19169552	Registration Fee to attend AACSB Dean's Conference	\$1,095.00
	02/16/2012	19397572	ETS Major Field Test Order	\$200.00
	03/13/2012	19548424	Hilton Hotel - New Orleans, LA to attend the Dean's Conference	\$858.72
	04/16/2012	19739878	AACSB Mentor visit dinner	\$159.01
	04/16/2012	19739878	AACSB Conference travel related charges	\$3,422.90
	05/18/2012	19938766	Hotel	\$834.24
	05/18/2012	19938766	Registration fee	\$1,195.00
	06/18/2012	20100079	member ticket to Gene B. Sperling Luncheon on 6/6/12	\$125.00
			Total American Express Charges for Allen Morton	\$16,538.64

Credit Card Charges for FY 12

Employee Name	Date	Num	Memo	Amount
James Schmotter				
	09/14/2011	18532791	Luncheon meeting- SBD Wibling	\$61.70
	11/14/2011	18880869	American Express Annual Member Dues	\$55.00
	11/14/2011	18880869	GDCC Leadership Luncheon	\$250.00
	11/14/2011	18880869	GDCC Leadership Program- J. von Trapp	\$1,000.00
	12/09/2011	19004072	P. Reis ticket for GDCC Leaders Luncheon	\$50.00
	03/13/2012	19548502	GDCC Eggs & Issues Breakfast for Business on 3/30/12	\$125.00
	05/18/2012	19938774	Reception NY Cornell Club for alum event 5/9/12	\$300.00
	05/18/2012	19938774	Reception NY Cornell Club for alum event 5/9/12	\$1,958.50
	06/18/2012	20100015	Great. Danbury Chamber Ann. Mtg. - Leaders Luncheon June 21, 2012	\$225.00
			Total American Express Charges for James Schmotter	\$4,025.20

Credit Card Charges for FY 12

Employee Name	Date	Num	Memo	Amount
Paul Steinmetz				
	07/15/2011	18185607	Annual Membership Fee	\$55.00
	07/15/2011	18185607	GDCC Luncheon w/Malloy/ Steinmetz, Reis	\$90.00
	08/15/2011	18356471	Lunch w/ Azaritti, Giaquinto, Greenberg	\$174.42
	09/14/2011	18535463	Two tickets for Good Scoust Luncheon honoring Rebeiro, Beattie, Ryer	\$250.00
	10/13/2011	18707589	Bronze Plaque for DHS Class of '61 Tree	\$374.50
	11/14/2011	18880881	New Checks for SBD	\$154.78
	11/14/2011	18880881	Envelopes for Wine Tasting	\$799.33
	11/14/2011	18880881	Piano Rental for SVPA Groundbreaking	\$850.00
	12/09/2011	19004073	Dinner with J. Hancock, W. Bernstein, J. von Trapp, P. Steinmetz	\$157.18
	01/11/2012	19169417	Lunch w/ Demont Associates, Steinmetz, Halek, von Trapp	\$67.04
	02/14/2012	19380168	Lunch w/ Cappobianco, Steinmetz, & von Trapp	\$65.70
	02/14/2012	19380168	fruit arrangement for Nurnbergers' (mom's death)	\$123.72
	02/14/2012	19380168	Haas Library Microwave	\$174.91
	02/14/2012	19380168	WCSoc postage stamps	\$352.00
	02/14/2012	19380168	Office postage	\$968.00
	03/13/2012	19548439	Lunch w/ Jane Gates, von Trapp, & Steinmetz	\$80.81
	03/13/2012	19548439	Lunch w/ Bernstein, Reis, von Trapp, & Steinmetz	\$140.00
	03/13/2012	19548439	Sherman Debate Team online Registration for Finals	\$625.00
	04/16/2012	19739875	Luncheon w/ von Trapp, Bull, & Sherri	\$171.93
	05/18/2012	19938830	Parking & Ad for Alumni Event in NYC	\$17.00
	05/18/2012	19938830	Flowers from BOD for Josie Hamer's Mom's funeral	\$58.00
	05/18/2012	19938830	Lunches with Andrea Wrinn and Ed Rosenberg	\$60.66
	06/18/2012	20099995	lunch with Marilyn Glen	\$56.80
			Total American Express Charges for Paul Steinmetz	\$5,866.78

Credit Card Charges for FY 12

Employee Name	Date	Num	Memo	Amount
Jane von Trapp				
	07/15/2011	18185652	Luncheon w/ Carol Hawkes 7/11/11	\$30.20
	07/15/2011	18185652	Luncheon w/ Behrens & von Trapp 6/17/11	\$114.11
	08/15/2011	18356615	Gift for Yamins Dir.Dinners	\$25.51
	08/15/2011	18356615	Lunches with anon. donor, Neylan, Hawkes	\$109.32
	09/14/2011	18532808	Lunch- Anon donor	\$31.48
	10/13/2011	18707581	Robilotti House gift for hosting Dir. Dinner	\$17.28
	10/13/2011	18707581	GDCC Seminar- von Trapp	\$100.00
	10/13/2011	18707581	Gifts for 4 BOD members leaving board	\$475.77
	11/14/2011	18880815	Lunch w/ Anon. Donor and von Trapp	\$26.16
	11/14/2011	18880815	Directors Dinner House Gift - Nurnberger	\$27.38
	01/11/2012	19169522	Lunch w/ von Trapp & Anon Donor	\$25.16
	01/11/2012	19169522	Parking for Arnhold Exhibit at Frick Museum	\$29.00
	01/11/2012	19169522	Sweatshirt for '84 Alum George Judd, cancer patient	\$47.84
	03/13/2012	19548446	House gift for Crucitti Dir. Dinner	\$23.18
	03/13/2012	19548446	Lunch w/ S. Guck, Steinmetz, & von Trapp	\$45.70
	05/18/2012	19938844	Parking in NYC at Alumni Event	\$15.00
	05/18/2012	19938844	House gift for T. Asch Dir. Dinner	\$23.74
	05/18/2012	19938844	Pins & Pens for name badges	\$26.48
	05/18/2012	19938844	Lunch with Nixon, Steinmetz, von Trapp	\$30.49
	06/18/2012	20099879	flowers for Pres. Club event	\$73.30
	06/18/2012	20099879	Senior Class Gift raffle prize	\$100.00
			Total American Express Charges for Jane von Trapp	\$1,397.10
			GRAND TOTAL	\$27,827.72



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C. *Certified Public Accountants*

46 Deer Hill Avenue, Danbury, Connecticut 06810 • Tel: (203) 790-1040 • Fax: (203) 790-9674

mail address: mail@fkcpas.com • website: www.fkcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Western Connecticut State University Foundation, Inc.

Danbury, CT 06811

We have audited the financial statements of Western Connecticut State University Foundation, Inc. (the Foundation) as of and for the year then ended June 30, 2012, and have issued our report thereon dated August 30, 2012.

We conducted our audit in accordance with generally accepted auditing standards, 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 preparation. We believe that our audit provides a reasonable basis for our opinion.

Conformance with Sections 4-37e - 4-37j, inclusive located in the Management of State Agencies sections of the Connecticut General Statutes applicable to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Foundation's conformance with these Sections. The results of our tests disclosed no instances of non-conformance that are required to be reported to you.

This report is intended for the information of the management of Western Connecticut State University Foundation, Inc. and the applicable agency of the State of Connecticut. However, this report is a matter of public record and its distribution is not limited.

Fiorita, Kornhaas & Company, P.C.

Fiorita, Kornhaas, & Company, P.C.
Certified Public Accountants

October 29, 2012

Report to the Audit Committee

***Western Connecticut State
University Foundation, Inc.***

*Presented on August 30, 2012
Opinion Date August 30, 2012*



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C.
Certified Public Accountants



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C. *Certified Public Accountants*

146 Deer Hill Avenue, Danbury, Connecticut 06810 • Tel: (203) 790-1040 • Fax: (203) 790-9674

email address: mail@fkcpas.com • website: www.fkcpas.com

August 30, 2012

Audit Committee

Dear Members of the Audit Committee:

We have audited the financial statements of Western Connecticut State University Foundation, Inc. for the year ended June 30, 2012.

Our firm and professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of Western Connecticut State University Foundation, Inc. are responsible. We have prepared the following comments to assist you in fulfilling that obligation. We will update the board of directors with any information or conclusions that we reach upon conclusion of our audit procedures that differ from the information communicated herein.

This report is intended solely for the information and use of management, the board of directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to continue to serve you.

Yours very truly,

Fiorita, Kornhaas & Company, P.C.

Fiorita, Kornhaas & Company, P.C.

TABLE OF CONTENTS

Section	Page
1 Report Matters.....	1
2 Responsibilities Under Auditing Standards	
Generally Accepted in the United States of America.....	2
3 Significant Accounting Policies.....	3
4 Management Judgments and Accounting Estimates.....	4
5 Key Audit Areas.....	5
6 Management Discussions	6
7 Other Matters.....	7 - 9
8 Analytical Review – Statements of Financial Position.....	10
9 Analytical Review – Statements of Activity	11

Report Matters

Fiorita, Kornhaas & Company, P.C. (hereinafter referred to as "us" or "we") plan to render an unqualified opinion on the financial statement of Western Connecticut State University Foundation, Inc. for the fiscal year ended June 30, 2012.

Responsibilities Under Auditing Standards Generally Accepted In the United States of America

Auditing standards generally accepted in the United States of America require that external auditors communicate certain information to the board of directors.

We confirm to you the following:

- We conducted our audit of Western Connecticut State University Foundation, Inc. fiscal 2012 financial statements in accordance with auditing standards generally accepted in the United States of America.
- Our responsibility is to form an opinion on the fairness of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management has the ultimate responsibility for these financial statements.
- Our audit scope was not restricted in any manner.
- Our audits were planned and performed to obtain reasonable, rather than absolute, assurance about whether each of the financial statements is free of material misstatement.
- We are required to obtain an understanding of the Western Connecticut State University Foundation, Inc. internal control sufficient to enable us to properly plan our auditing procedures for the purpose of reporting on the financial statements and not to provide assurance on the internal control taken as a whole.
- We designed our audits to provide reasonable assurance of detecting errors and fraud. However, because of the characteristics of fraud, particularly those involving forgery and collusion, a properly designed and executed audit may not detect such items. As a result of our audits, we did not become aware of any instances of illegal acts, improper payments or other apparent fraud.

Significant Accounting Policies

Western Connecticut State University Foundation, Inc.'s significant accounting policies are disclosed in Note 1 to each of the financial statements.

- During fiscal year 2012 there were no changes to previously adopted accounting principles or their application.
- We noted no transactions entered into by Western Connecticut State University Foundation, Inc. during fiscal year 2012 that were both significant and unusual and for which there neither is a lack of authoritative guidance or consensus nor did we note any transaction whose substance was different from its form.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Significant normal and recurring accounting estimates that are reflected in Western Connecticut State University Foundation, Inc.'s fiscal 2012 financial statements include:

- Pledge Receivable Discount
- Allowance for Bad Debts

We have concluded that the recorded estimates are reasonable in the context of the financial statements taken as a whole. The basis for our conclusions as to the reasonableness of these estimates, as expressed in our auditors' reports, is our review and tests of the processes used by management to develop the estimates and our development of an independent expectation of the estimates to corroborate management's expectations.

Key Audit Areas

Our audit approach is based on our understanding of Western Connecticut State University Foundation, Inc. business and is tailored specifically to focus our effort into areas of identified risk or significance. Accounts which received heightened scrutiny because of their relative size, complexity, degree of judgment to determine the balance, or other factors are as follows:

- Contributions & Event Income

Evaluate the accuracy and completeness in recording revenue amounts into proper accounts.

- Scholarship Funds

Evaluate the Organization's procedures and recording of appropriate receipts and disbursements.

- Policies and Procedures

Evaluate the Organization's written documentation of policies and procedures to ensure compliance with new standards.

- Investments

Largest asset on the balance sheet.
Evaluate the accuracy and completeness in recording revenue amounts and proper time period.

Management Discussions

We received full cooperation of management and staff relating to the performance of our audits, and our audit scopes were not restricted in any manner.

There were no differences of opinion with management on matters of an accounting, auditing or financial reporting nature.

We encountered no difficulties in dealing with management or employees during the course of the audits.

We believe we had direct and unrestricted access to Western Connecticut State University Foundation, Inc. senior management and we have been kept informed by them of important developments. Throughout the year, routine discussions regarding the application of accounting principles or auditing standards are held with management in connection with transactions that have occurred, transactions that are contemplated or reassessment of current circumstances. Such discussions have been helpful in the conduct of the audits.

We are not aware of any consultation that management had with other independent public accountants regarding significant accounting and tax matters during the year.

We affirm our responsibility to bring to the attention of the board of directors matters that we are aware of that are, in our opinion, significant to the responsibilities of the board.

OTHER MATTERS

- **Change in financial reporting system**

For the audit of fiscal year end June 30, 2012, all financial data was derived from Financial Edge ("FE"). Daily input of revenue and expenditures has been performed in Financial Edge for the past year. Banner interface with FE was completed during the year. Every single deposit line item will no longer need to be separately entered into FE; however daily postings will still need to be verified and discrepancies corrected.

- **Written documentation**

Propose a formalized, written documentation of internal control policies and procedures in use with the new reporting system. It is important to keep a segregation of duties. Written documentation will be helpful to the audit committee, auditors, and management.

- **Staffing needs**

As Financial Edge is currently maintained by a part-time employee, this role will need to be monitored. As a result of the limited hours, there were numerous adjustments booked by Foundation personnel after our fieldwork was mostly complete. To help mitigate the time constraints currently faced, we recommend using interns to assist in analyzing project and account balances. This would allow Foundation personnel additional time to perform their other duties in a more timely and efficient manner.

- **Change in personnel**

Whenever there is a change in key personnel, risk analyses must be performed. Sample questions to be discussed are as follows: How might the role and responsibilities of the interim VP of Institutional Advancement change? If the position gears toward a greater "fundraising mindset", will oversight of financial reporting be maintained on a consistent basis? There needs to be involvement by management in day to day operations. There also needs to be a regular review of internal reports.

OTHER MATTERS

- **Board involvement**

In recent years, regulations have been requiring greater board involvement. With the formation of an audit committee completed, meetings should be held several times per year. On an annual basis, a brainstorming session of risk analysis should take place. Sample questions to be discussed are as follows: How could fraud be perpetrated? Are strong ethical values communicated to the staff? What are the vulnerabilities of the Foundation?

As greater demands are placed on the Foundation and with limited staff resources, it is imperative that the Board monitor performance against expected objectives.

OTHER MATTERS

Proposed Audit Adjustments (subject to final review):

Western Connecticut State University Foundation, Inc.

	<u>Acct #</u>	<u>DR</u>	<u>CR</u>
1 Pledges Receivable Discount	2-1624	7,107.00	
Contributions	2-4030		7,107.00
(Quarterly adjustment to correct pledge discount balance)			
2 Accounting & Professional	1-5000	9,825.00	
Year-end Accruals	1-2010		9,825.00
(To adjust accrued auditing fees per engagement letter)			
3 Donations to Departments	2-5260	30,000.00	
Pledges Receivable	2-1620		30,000.00
(To adjust misposted Financial Literacy expense)			

Analytical Review - Statements of Financial Position

Assets	June 30,		Change
	<u>2012</u>	<u>2011</u>	
Cash and cash equivalents	\$ 1,935,497	\$ 1,927,865	\$ 7,632
Investments	10,565,812	10,498,357	67,455
Unconditional promises to give	294,277	414,743	(120,466)
Prepaid expenses	<u>4,535</u>	<u>2,401</u>	<u>2,134</u>
Total assets	<u>\$ 12,800,121</u>	<u>\$ 12,843,366</u>	<u>\$ (43,245)</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 28,650	\$ 23,175	\$ 5,475
Due to WCSU Alumni Association	<u>7,854</u>	<u>8,858</u>	<u>(1,004)</u>
Total current liabilities	<u>36,504</u>	<u>32,033</u>	<u>4,471</u>

Net assets:

Unrestricted	158,147	112,890	45,257
Temporarily restricted	2,948,443	3,340,662	(392,219)
Permanently restricted	<u>9,657,027</u>	<u>9,357,781</u>	<u>299,246</u>
Total net assets	<u>12,763,617</u>	<u>12,811,333</u>	<u>(47,716)</u>
Total liabilities and net assets	<u>\$ 12,800,121</u>	<u>\$ 12,843,366</u>	<u>\$ (43,245)</u>

Section 9

Analytical Review - Statements of Activity

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Contributions	\$ 592,091	\$ 590,702	\$ 1,389
Grant income	24,310	200,000	(175,690)
Net event income	26,051	19,931	6,120
Total investment return, net	(8,519)	1,784,355	(1,792,874)
Total revenues	<u>633,933</u>	<u>2,594,988</u>	<u>(1,961,055)</u>

EXPENSES

Alumni Development	4,496	10,877	(6,381)
Department support	195,474	148,650	46,824
Student activities	825	400	425
Faculty and employee relations	95	1,109	(1,014)
Promotions and receptions	1,850	21,291	(19,441)
Library	14,480	13,480	1,000
Plaques and awards	1,200	132	1,068
Scholarship awards	229,433	161,028	68,405
Seminars, travel, and training	6,656	18,057	(11,401)
AACSB Accreditation	55,280	32,000	23,280
Special Projects	5,025	4,886	139
Non Cash Donations	0	35,434	(35,434)
Miscellaneous	0	2,106	(2,106)
University Support	<u>514,814</u>	<u>449,450</u>	<u>65,364</u>
Accounting and professional fees	33,000	39,900	(6,900)
Insurance	2,869	3,094	(225)
Interest expense	0	37	(37)
Dues, subscriptions, books, and fees	55	215	(160)
WCSU reimbursements	36,842	27,092	9,750
Office expense	685	1,185	(500)
Donations	38	100	(62)
Credit card and bank service fees	3,219	5,184	(1,965)
General administration	<u>76,708</u>	<u>76,807</u>	<u>(99)</u>
Postage	1,460	602	858
Consulting	63,508	0	63,508
Public relations, advertising and printing	<u>25,159</u>	<u>585</u>	<u>24,574</u>
Fundraising	<u>90,127</u>	<u>1,187</u>	<u>88,940</u>
Total expenses	<u>681,649</u>	<u>527,444</u>	<u>154,206</u>
Increase (Decrease) in net assets	<u>\$ (47,716)</u>	<u>\$ 2,067,544</u>	<u>\$ (2,115,261)</u>

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

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

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 stylized, 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	111,238	172,947	2,783	286,968
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	102,596	-	-	102,596
CHANGE IN NET ASSETS	8,642	172,947	2,783	184,372
NET ASSETS, BEGINNING OF YEAR	\$ 63,668	\$ 170,571	\$ 1,013,671	\$ 1,247,910
NET ASSETS, END OF YEAR	\$ 72,310	\$ 343,518	\$ 1,016,454	\$ 1,432,282

See accompanying notes to financial statements.

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

	Program Services		Supporting Services		
	Scholarships and Grants	Women in Transition	General and Administrative	Fund Raising	Total
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	\$ 23,700	\$ 65,197	\$ 9,210	\$ 4,489	\$ 102,596

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><u>\$ 108,393</u></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><u>\$ 0</u></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>
---	----------------

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	<u>146,210</u>
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	<u>155,366</u>
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	<u>4,489</u>
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.

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

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
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

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

Inventory of Open Audit Recommendations Being Tracked By Internal Audit
Quarter Ending: June 30, 2013

KEY:

Blue: The institution has mitigated the risk related to the situation to the extent it deems feasible, from an operational expense and efficiency standpoint OR to the extent of its authority, where the ultimate resolution goes beyond that authority, residing elsewhere.

Green: Corrective action has been fully implemented.

Yellow: Corrective action implementation is in progress, but not yet fully complete.

Red: No corrective action yet taken.

ConnSCU System Wide

Issuing Source	Audit Reference Number	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
None								

ConnSCU System Office

Issuing Source	Audit Reference Number	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
None								

Central CSU

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	CCSU Firewalls and Routers	H	1. Need Pol. (e.g., Remote Access Policy, Patch Management Policy) and Proc. (e.g., firewall baselines) over Implementation / Maintenance / Security	Agree. Documentation will be completed.	12/22/2010	7/2011	5/2013 - The Director of Technical Services position will be filled shortly. This individual will resolve remaining issues.	10/31/2013
ConnSCU IA	CCSU Firewalls and Routers	M	3. Document Firewall and Router logging and monitoring controls: firewall log, rule, and security policy reviews, rule clean-up, router log reviews, monitoring remote access attempts.	Agree. Monitoring will be strengthened.	12/22/2010	12/2011	5/2013 - The Director of Technical Services position will be filled shortly. This individual will resolve remaining issues.	10/31/2013
ConnSCU IA	CCSU Firewalls and Routers	H	6. Change management (e.g., change approvals, change control committee, Patch Mgmt. Policy, TACACS+ ACL review) needs to be defined and documented.	Agree. This will occur as part of CSUS-wide Change Management initiative.	12/22/2010	12/2011	5/2013 - The Director of Technical Services position will be filled shortly. This individual will resolve remaining issues.	10/31/2013

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	CCSU Non-governmental grants	H	A. Develop a Policies and Procedures mannual.	Agree. Will develop a manual.	2/16/2012	6/2012	5/2013	6/30/2013

Eastern CSU

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	ECSU Firewalls and Routers	H	1. Need Pol. and Proc. (e.g., logging and monitoring of network devices) over Implementation, Maintenance, Security. Document firewall, router, and switch procedures.	Agree. Documentation will be completed.	11/21/2011	6/30/2012	5/2013 - Aspects of an Information Security Program are implemented, but not fully documented.	To Be Determined
ConnSCU IA	ECSU Firewalls and Routers	H	2. Need documented configuration and hardening standards. Document firewall, router, and switch procedures, baselines, and templates.	Agree. Documentation will be completed.	11/21/2011	6/30/2012	5/2013 - Aspects of an Information Security Program are implemented, but not fully documented.	To Be Determined
ConnSCU IA	ECSU Firewalls and Routers	M	3. Document Firewall and Router logging and monitoring controls: firewall log, rule, and security policy reviews, rule clean-up, router log reviews, monitoring remote access attempts.	Agree. Monitoring will be strengthened.	11/21/2011	6/30/2012	5/2013 - Aspects of an Information Security Program are implemented, but not fully documented.	To Be Determined

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	ECSU Firewalls and Routers	H	4. Password controls need to be strengthened.	Agree. Password controls will be strengthened. Documentation will be completed.	11/21/2011	6/30/2012	5/2013	Closed
ConnSCU IA	ECSU Firewalls and Routers	M	6. Documented change management procedures need to be enhanced.	Agree. This will occur as part of CSUS-wide Change Management initiative.	11/21/2011	6/30/2012	5/2013 - Aspects of change management are implemented, but not fully documented.	To Be Determined

Southern CSU

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Firewalls and Routers	H	1. Need Pol. and Proc. over Implementation / Maintenance / Security	Agree. Documentation will be completed.	3/8/2012	9/1/2012	5/2013 - New CIO responded as follows: Here is what we are doing immediately: 1) Hiring an Information Security person for the campus. 2) Revising the existing procedures, taking into account audit recommendations. 3) Documenting procedures. 4) Assessing necessary technology improvements to address the audit recommendations.	7/22/13 for documentation and technology improvement dates To Be Determined.

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Firewalls and Routers	H	2. Need documented configuration and hardening standards.	Agree. Documentation will be completed.	3/8/2012	9/1/2012	5/2013 - New CIO responded as follows: Here is what we are doing immediately: 1) Hiring an Information Security person for the campus. 2) Revising the existing procedures, taking into account audit recommendations. 3) Documenting procedures. 4) Assessing necessary technology improvements to address the audit recommendations.	7/22/13 for documentation and technology improvement dates To Be Determined.

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Firewalls and Routers	M	3. Firewall and Router logging and monitoring controls need enhancement.	Agree. Monitoring will be strengthened.	3/8/2012	7/1/2012	5/2013 - New CIO responded as follows: Here is what we are doing immediately: 1) Hiring an Information Security person for the campus. 2) Revising the existing procedures, taking into account audit recommendations. 3) Documenting procedures. 4) Assessing necessary technology improvements to address the audit recommendations.	7/22/13 for documentation and technology improvement dates To Be Determined.

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Firewalls and Routers	H	4. Password controls need to be strengthened.	Agree. Password controls will be strengthened. Documentation will be completed.	3/8/2012	9/1/2012	5/2013 - New CIO responded as follows: Here is what we are doing immediately: 1) Hiring an Information Security person for the campus. 2) Revising the existing procedures, taking into account audit recommendations. 3) Documenting procedures. 4) Assessing necessary technology improvements to address the audit recommendations.	7/22/13 for documentation and technology improvement dates To Be Determined.

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Firewalls and Routers	M	5. Document and use only authorized protocols for remote access.	Agree. Will implement.	3/8/2012	7/1/2012	5/2013 - New CIO responded as follows: Here is what we are doing immediately: 1) Hiring an Information Security person for the campus. 2) Revising the existing procedures, taking into account audit recommendations. 3) Documenting procedures. 4) Assessing necessary technology improvements to address the audit recommendations.	7/22/13 for documentation and technology improvement dates To Be Determined.

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Firewalls and Routers	M	6. Formal change management process needs to be enhanced.	Agree. This will occur as part of CSUS-wide Change Management initiative.	3/8/2012	6/1/2012	5/2013 - New CIO responded as follows: Here is what we are doing immediately: 1) Hiring an Information Security person for the campus. 2) Revising the existing procedures, taking into account audit recommendations. 3) Documenting procedures. 4) Assessing necessary technology improvements to address the audit recommendations.	7/22/13 for documentation and technology improvement dates To Be Determined.

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Non-governmental grants	H	A. Monitor actual fund receipts, track in-kind contributions and annually reconcile open grant financial activity.	Agree. Will develop and implement procedures for these.	3/30/2012	7/1/2012	5/2013 - Although Sponsored Programs and Research have completed their management action plans, Finance has not provided a revised target date due to other priorities.	To Be Determined

Western CSU

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	WCSU Business Resumption Plan	H	1. Document an IT Disaster Recovery Plan, BIA, and risk assessment.	Agree. Will have complete by 7/1/2012	5/13/2010	12/15/2010	5/2013 - Base Plan by 7/1/13; Service Catalog, BIA, and risk assessment by 9/1/13.	7/1/2013, 9/1/2013
ConnSCU IA	WCSU Firewalls and Routers	H	1. Document IT policies and procedures for firewalls and router environments.	Agree. Will have complete by 7/1/2012	7/28/2011	7/1/2012	5/2013	9/1/2013
ConnSCU IA	WCSU Firewalls and Routers	H	2. Document Firewall configuration and hardening standards, back-up firewall logs, and router and switch templates.	Agree. Will have complete by 9/1/2012	7/28/2011	9/1/2012	5/2013 - Document standards by 9/1/2013, firewall log back-ups by 7/1/2013, and templates by 9/1/2013	7/1/2013, 9/1/2013
ConnSCU IA	WCSU Firewalls and Routers	H	3. Document Firewall and Router significant event logging, router and switch log reviews, and firewall log, rule, security policy, and remote firewall access attempts.	Agree. Will have complete by 7/1/2012	7/28/2011	7/1/2012	5/2013	8/1/2013

Issuing Source	Audit Name	Priority	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	WCSU Firewalls and Routers	H	4. Modify SNMP community strings and ACL evaluation and implementation of ACLs to limit traffice between VLANs.	Agree. Will have complete by 9/1/2012	7/28/2011	9/1/2012	5/2013	9/1/2013
ConnSCU IA	WCSU Firewalls and Routers	H	6. Document Patch Management Policy, performance of Nessus scans, quarterly TACACS+ ACL review, change approvals, and change committee minutes.	Agree. Will have complete by 9/1/2011.	7/28/2011	9/1/2011	5/1/2013 - Change management tool by 9/1/2013, patch management policies and procedures by 8/1/2013, Nessus scans and TACACS+ ACL reviews by 8/1/2013.	8/1/2013, 9/1/2013

2014 ConnSCU Internal Audit Plan
Prepared by: Karen E. Stone, Director of Internal Audit

	Audit Number		Location																		Time		
Audit / Activity Name		General Description of Areas of Audit Emphasis	CCSU	ECSU	SCSU	WCSU	ACC	CCC	GCC	HCC	MCC	MXCC	NCC	NVCC	NWCC	QVCC	TRCC	TCC	Charter Oak	SysOff	Budget	Actual	Notes
Direct Resource Allocation:																							
Audits:																							
2013 Work-In-Process carryover:																							
Financial Aid Allocation Process, including Perkins Loans	115 and 117	Review and documentation of financial aid process, from application through post award, to ascertain controls are in place to ensure consistency / efficiency / effectiveness. Review of Perkins controls over required student notifications, billing and collections and the accuracy of Fiscal operations Report and Application to Participate (FISAP).		50																	50		
																					0		
2014 Operational Audits:																							
Financial Aid Allocation Process	115 and 117	Review and documentation of financial aid process, from application through post award, to ascertain controls are in place to ensure consistency / efficiency / effectiveness.									300	300	300			300	300	300	300		2100		
Connecticut Distance Learning Consortium (CTDLC) Revenue	127	Review the contract/compilation of charges/billing and collections related to CTDLC business of Charter Oak.																	300		300		
Student Billing and Collection	100	Review and documentation associated with the student billing and collection process, from charge posting to final settlement to determine if controls are implemented to ensure accuracy, timeliness, maximization of collectability, and efficiency/effectiveness.												300							300		
Student One Card	145	Review controls over the debit card activity, meal plans and building access related to the student card.			300																300		
2013 IT Work-In-Process carryover:																							
Firewall and Router	IT 315	Review of Firewall rulesets and router configurations.																		50	50		
2014 IT Audits:																							
Firewall and Router	IT 315	Review of Firewall rulesets and router configurations.																	350		350		

2014 ConnSCU Internal Audit Plan
Prepared by: Karen E. Stone, Director of Internal Audit

Audit / Activity Name	Audit Number	General Description of Areas of Audit Emphasis	Location																		Time		Notes
			CCSU	ECSU	SCSU	WCSU	ACC	CCC	GCC	HCC	MCC	MXCC	NCC	NVCC	NWCC	QVCC	TRCC	TCC	Charter Oak	SysOff	Budget	Actual	
Direct Resource Allocation:																							
Information Security	IT120	Information Security Program, Controls over Personally Identifiable Information (PII), Risk Assessment Model (RAM), Security Awareness Program, Incident Response (e.g., security breach procedures), [NOTE: Vulnerability assessments were performed by PWC and the implementation status of those recommendations will be determined in this audit.]	350			350														350	1050		
Special Projects:																							
Unallocated for mgt. / BoT and BoR requests	N/A	Reserved for special reviews of campus situations that materialize.	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50		850		
Annual Commitments:																							
APA Staff Reports	N/A	Review / analysis / synopsis and staff report generation.	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	180		
Follow Up:																							
Quarterly Inventory of Findings	N/A	Analysis of status / follow - up on open items	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	360		
Audit Director Functions	N/A																			546	546		
Total Budgeted Direct Resources:			430	130	380	430														976	6436		

Indirect Resource Allocation:																						
Staff Administration	staff mtgs. / perf. evals. / campus mgt.mtgs. / S.O. functions / etc.																			300		
Professional Development																				200		
Vacation / Personal Days																				800		
Holidays																				384		
Illness																				200		
Total Budgeted Indirect Resources:																					1884	
Total Budgeted Resources:																					8320	
Total Budgeted Resources		8320																				
Available resources (4 FTE's x 2080 hours)		8320																				
WIP Carry-over to next year		0																				



CONNECTICUT STATE
COLLEGES & UNIVERSITIES

BOARD OF REGENTS FOR HIGHER EDUCATION

Internal Audit Report
to the President of
Central Connecticut
State University

CCSU Compensatory
Time Audit

June 4, 2013

Contents:

Transmittal Letter

Audit Parameters

Introduction

Background
Audit Approach

Detailed Findings

Detailed Findings, Recommendations
and Management Responses

TRANSMITTAL LETTER:	
----------------------------	--

TO: Dr. John W. Miller, President, CCSU

FROM: Karen E. Stone, Director of Internal Audit, ConnSCU, BOR
Linda B. Therriault, Senior Internal Auditor, ConnSCU, BOR

DATE: June 4, 2013

RE: CCSU Compensatory Time Audit

Attached is our report on the recently completed audit of Compensatory Time at Central Connecticut State University (CCSU).

In our opinion, the internal accounting and management controls environment over compensatory time at CCSU is satisfactory.

We appreciate the cooperation received from you and your staff during this audit. We welcome any comments you may have and would be happy to further discuss any aspect of this report with you. We remain available for consultation on an ongoing basis.

cc: Dr. Philip E. Austin, Interim President, ConnSCU, BOR
Mr. Lewis J. Robinson, Jr., Chairman, BOR
Mr. Craig S. Lappen, Chairman, Audit Committee, BOR
Mr. Michael E. Pollard, Audit Committee, BOR
Mr. Nicholas M. Donofrio, Audit Committee, BOR
Mr. Louis Pisano, Chief Human Resources Officer, CCSU
Ms. Kimberly Chagnon, University Controller, Audit Liaison, CCSU

AUDIT PARAMETERS:	
--------------------------	--

AUDIT: CCSU Compensatory Time Audit

AUDIT #: 310

DATE: June 4, 2013

AUDIT PERIOD: March 2011 to June 2012

OBJECTIVES: To ensure holiday and other compensatory time are approved, accrued, tracked, paid and/or reduced in compliance with the University's policy including Article 16 of the State University Organization of Administrative Faculty (SUOAF) /AFSCME Collective Bargaining Agreement.

SCOPE: We reviewed bargaining unit agreements and university processes to determine that compensatory time parameters and record keeping adhere to policies and accumulated liabilities were properly authorized and either expended or expired.

OPINION: The internal and management controls environment over compensatory time at CCSU is satisfactory.

REPORT TO: Dr. John W. Miller, President, CCSU

INTRODUCTION:	
----------------------	--

BACKGROUND:

The compensatory time ("comp time") function at CCSU is under the direct supervision of the Human Resources Department. It involves the tracking (holidays separately), reporting, and monitoring of employee compensatory time according to collective bargaining agreements and Connecticut State University (CSU) policy.

The following bargaining units/unions have compensatory time provisions, which were reviewed for this audit:

- Administrative & Residual Employees Union;
- American Federation of State, County and Municipal Employees (AFSCME);
- Connecticut State University American Association of University Professors (AAUP);
- Connecticut State Employee Association (CSEA) Engineering, Scientific and Technical Unit;
- Connecticut State Employee Association (CSEA) Maintenance & Service Unit;
- State of Connecticut Protective Services Employees Coalition; and
- State University Organization of Administrative Faculty (SUOAF).

In addition, approximately 30 CCSU non-union Management Confidential employees may earn comp time, which is normally holiday compensatory time. CSU Human Resource Policies for Chancellor and Presidents, Section 8.6, and CSU Human Resource Policy, Section 8.7, address comp time. The latter states, ".... Such compensatory time must be taken within one year work of such work."

CCSU began using CORE-CT in March 2011. All employees were fully converted to CORE-CT by May 2011. This is the system used for employee payroll processing, including the recording and supervisory approval of compensatory time.

According to CCSU procedures, employees must be asked to work beyond their regular hours or on a holiday to earn compensatory time. Supervisor approval is required. If a supervisor is in the same bargaining unit as the employee, the next highest supervisor not in the same unit authorizes the compensatory time, as evidenced in the "comment" section to CORE-CT. If for any reason supervisor approval is not granted, an e-mail is sent from Human Resources to the employee requesting authorization by a supervisor before payment is made.

According to CCSU procedure, compensatory time greater than ten days requires written approval by the Chief Human Resources Officer. It should be noted that holiday pay is tracked separately.

Per Article 16 of the SUOAF Collective Bargaining Unit agreement, compensatory time (including holidays) is subject to expiration guidelines as stated, "Annually, on August 15 any outstanding compensatory time balances shall be reduced to zero for SUOAF members except that compensatory time earned between June 1 and August 15 may be used until the following January 15."

Given the above and given CORE-CT does not distinguish when compensatory hours are earned, manual record keeping by CCSU Human Resources is necessary to track these attributes.

DETAILED AUDIT APPROACH:

Internal Audit conducted interviews with Human Resources staff to determine the controls over the compensatory time process. Our testing focused on SUOAF collective bargaining members, which consisted of approximately 300 members. Our detailed testing included other individuals, such as Management Confidential employees.

We performed the following testing:

- Tested 15 of 90 individuals for termination payment of compensatory time who terminated employment with the university between March 2011 (CORE-CT implementation) and June 2012;
- Tested 25 individuals selected from a university prepared report of employees with compensatory time before the August 15, 2011 and January 15, 2012 annual reductions of compensatory time were performed and noted the following:
 - 22 of the 25 were tested to ensure the August 15th and January 15th annual reductions of compensatory time were performed accurately and consistently with the employee's terms of employment; and
 - 3 of the 25 were Management Confidential employees, who were tested for compliance with an attribute that time earned must be used within one year.

No exceptions were noted from the testing we performed.

We also reviewed the most recent, December 16, 2009 State of Connecticut Auditors of Public Accounts (APA) report for comments related to compensatory time. There were no outstanding items pertaining to Central Connecticut State University.



CONNECTICUT STATE
COLLEGES & UNIVERSITIES

BOARD OF REGENTS FOR HIGHER EDUCATION

Internal Audit Report
to the President of
Southern Connecticut
State University

SCSU Financial Aid
Allocation Process
Audit

June 4, 2013

Contents:

Transmittal Letter

Audit Parameters

Introduction

Background
Audit Approach

Detailed Findings

Detailed Findings, Recommendations
and Management Responses

TRANSMITTAL LETTER:	
----------------------------	--

TO: Dr. Mary A. Papazian, President, SCSU

FROM: Karen E. Stone, Director of Internal Audit, ConnSCU, BOR
Sarah Beaulieu, Senior Internal Auditor, ConnSCU, BOR

DATE: June 4, 2013

RE: SCSU Financial Aid Allocation Process Audit

Attached is our report on the recently completed audit of the Financial Aid Allocation Process at Southern Connecticut State University.

In our opinion, the internal accounting and management controls environment over the financial aid allocation function is satisfactory with only minor issues. We have reviewed management's responses to our recommendations and are satisfied with the consideration given to them. As a result of the U.S. Department of Education Program Review, it should also be noted that management indicated they will continue to revise policies and procedures to ensure the appropriate controls are implemented over the financial aid environment.

We appreciate the cooperation received from you and your staff during this audit. We welcome any comments you may have and would be happy to further discuss any aspect of this report with you. We remain available for consultation on an ongoing basis and will do a follow-up overview in the next several months, on any pending management actions indicated in the responses.

cc: Dr. Philip E. Austin, Interim President, ConnSCU, BOR
Mr. Lewis J. Robinson, Jr., Chairman, BOR
Mr. Craig S. Lappen, Chairman, Audit Committee, BOR
Mr. Michael E. Pollard, Audit Committee, BOR
Mr. Nicholas M. Donofrio, Audit Committee, BOR
Mr. James E. Blake, Executive Vice Pres., Finance & Admin., Audit Liaison, SCSU

AUDIT PARAMETERS:	
--------------------------	--

AUDIT: SCSU Financial Aid Allocation Process Audit

AUDIT #: 115

DATE: June 4, 2013

AUDIT

PERIOD: 2011/2012 Financial Aid Awarding Year

OBJECTIVE: To ascertain that internal controls are in place to ensure consistency, efficiency, and effectiveness of the financial aid process from application through awarding.

SCOPE: We reviewed the overall financial aid awarded for the 2011/2012 academic year, against federal, state and University policies for authorization, appropriateness and timeliness. We also reviewed the corrective actions taken by SCSU pursuant to the U.S. Department of Education's findings as noted in their Program Review Report dated May 4, 2012.

OPINION: The internal and management control environment over the Financial Aid Allocation Process is satisfactory with only minor issues.

REPORT TO: Dr. Mary A. Papazian, President, SCSU

INTRODUCTION:	
----------------------	--

BACKGROUND:

During the 2011/2012 academic year, Southern Connecticut State University awarded more than \$94.4 million dollars in financial aid to 7,710 undergraduate and graduate students. Of the \$94.4 million, \$45.3 million dollars (48%) was awarded in the form of need-based financial aid and \$49.1 million dollars (52%) was awarded in the form of non-need based aid or scholarships or private loans.

Need-based financial aid is awarded based on the information provided by the student on the Free Application for Federal Student Aid (FAFSA) and calculated according to a formula specified in the federal law. The formula is called the Expected Family Contribution (EFC) and is a measure of how much the student and his or her family can be expected to contribute to the cost of the student's education for the year. The EFC is provided to the university by the U.S. Department of Education on an Institutional Student Information Record (ISIR). The University is required to use the EFC in computing the amount of federal aid.

Indicated below is the number of students and dollar amount of need-based aid in comparison to the total financial aid paid to students during the 2011/2012 academic year based on their EFC.

Estimated Family Contribution (EFC) calculation	# of Students Awarded Financial Aid	Total Need-based Aid Paid	Total Financial Aid Paid (e.g., need-based, non-need based, scholarships)
0-9,999	5,233	\$41,350,069	\$66,053,896
10,000-19,999	1,370	\$3,758,872	\$15,779,528
20,000-29,999	597	\$206,751	\$7,063,207
30,000-39,999	289	\$1,184	\$3,105,339
40,000-50,000	115	\$0	\$1,276,930
>50,000	106	\$0	\$1,135,318
Total	7,710	\$45,316,876	\$94,414,218

Another component used to arrive at the actual amount of need-based aid is the university's Cost of Attendance (COA). The Office of Financial Aid and Scholarships develops the COA based on direct and indirect costs associated with attendance at the university for the academic year. These costs generally consist of tuition and fees, room

and board, books, transportation and miscellaneous expenses. Annual COA budgets can range from \$9,024 for a part-time undergraduate to \$45,684 for a graduate student cumulatively for the fall, spring and summer semesters.

The types of need-based and non-need based financial aid at SCSU are described below. Need-based financial aid at SCSU generally consists of following types:

- Federal Pell Grant - grant assistance to undergraduate students. The grant maximum for the 2011-2012 award year was \$5,550 for the academic year, according to the U.S. Department of Education's 2011-2012 Federal Pell Grant Payment and Disbursement Schedules memorandum dated February 1, 2011.
- Federal Supplemental Educational Opportunity Grant (FSEOG) – grant assistance to undergraduate students with exceptional financial need.
- Federal Work Study (FWS) – a program to provide part-time employment to students with financial need. FWS funds are awarded as part of a student's financial aid package; however, they are not paid until the hours are worked.
- Federal Perkins Loan Program – a loan program for students with financial need. The primary source of funding is the repayment of loans by former students who borrowed under the program.
- Federal Direct Subsidized Stafford Loan Program – a loan program for students with financial need. Traditionally, the federal government pays the interest on these loans while the student is in school and during the grace period before repayment begins.
- Connecticut Aid for Public College Students (CAPCS) – grant assistance provided by the Office of Higher Education to undergraduate CT residents with financial need.
- Connecticut State University Grant (CSUG) – grant assistance provided through the tuition set-aside program authorized by Connecticut statute to undergraduate students with financial need.

At SCSU, students are first allocated need-based grants at 60% of their gross need, with maximum caps of \$8,000 for residents and \$11,000 for non-residents. Need-based loans and/or work study are offered next, up to 40% and, finally, non-need-based loans are offered for the remainder, up to the cost of attendance.

Non need-based financial aid at SCSU generally consists of the following types:

- Federal Direct Unsubsidized Stafford Loan Program – a loan program for students in which the student is responsible for the interest as soon as it is taken out. These loans have loan limits based on the student's grade level and dependency status.

- Federal Direct Parent Loan for Undergraduate Students (PLUS) Program – a loan program for parents of undergraduate students. The maximum loan amount is the cost of attendance minus any other aid the student receives.

In addition, there are various types of scholarships, private loans and in some cases, tuition waivers, such as for veterans and members of the Connecticut National Guard.

Federal U.S. Department of Education Audit

Prior to the start of our internal audit, the U.S. Department of Education conducted an audit of the administration of the Title IV financial aid programs at SCSU. The audit specifically focused on the area of withdrawn students, an area that has recently received heightened government awareness throughout the country. Based upon the results of the audit, SCSU may be required to return Title IV funds to the federal government in the amount of approximately \$1 million dollars, in addition to fines and fees. Therefore, at the recommendation of PricewaterhouseCoopers (PWC), LLP, SCSU has established a reserve in the amount of \$1.6 million dollars to return the funds.

The deficiencies were primarily due to the inability of the university to document attendance for the period of enrollment for those students who received Title IV funds and unofficially withdrew. These students are not eligible for financial aid and the Title IV funds paid to the student for the enrollment period become an institutional liability.

Internal Audit reviewed the preliminary Program Review Audit Report and performed follow-up on the issues of non-compliance for disposition and resolution of the stated findings. We noted that the OFAS, Provost, Registrar's Office, Faculty Senate and the Office of Information Technology have collaboratively taken action to establish and roll out attendance policies during the Fall 2012 semester and revised the policies for Spring 2013, adjusting them where needed. Per the Director of the OFAS, these policies will allow the OFAS to notify students of ineligibility in a timely manner and return Title IV funds in accordance with federal regulations, if necessary. Additionally, the OFAS indicated that they will continue to revise policies and procedures, as needed.

AUDIT APPROACH:

We met with management to determine the controls over the financial aid allocation process. We also used data from the Banner Financial Aid System extracted by SCSU's Information Technology Department and imported into ACL, our internal audit analytic software, to perform the following testing based upon departmental procedures:

- Performed statistical analysis on 100% of the following financial aid award types:

- Connecticut State University Grant (CSUG) awards (e.g., freshman, undergraduate, graduate, transfer CSUG) to ensure the maximum amount awarded per student did not exceed \$8,550 per policy. Exceptions were discussed with departmental management.
- Perkins Loan awards to ensure the maximum amount awarded per student did not exceed \$5,500 per policy.
- Pell awards to ensure the maximum amount awarded per student did not exceed \$5,550 per policy.
- Federal Supplemental Educational Opportunity Grant (SEOG) awards to ensure the maximum amount awarded per student did not exceed \$4,000 per policy.
- Connecticut Aid to Public Schools (CAPS) awards to ensure the maximum amount awarded per student did not exceed \$6,000 per policy.
- Analyzed 100% of CAPS awards to provide reasonable assurance they were not granted to out-of-state students.
- Recomputed the formula for determining gross need as cost of attendance (COA) minus expected family contribution (EFC) minus resource (e.g., insurance). Compared these to the Banner gross need and as needed, researched and resolved differences.
- Analyzed 100% of financial aid offered for students with a gross need of zero to provide reasonable assurance that need-based aid was not offered.
- Analyzed 100% of need-based aid offered to provide reasonable assurance that the sum of need-based aid did not exceed gross need.
- Classified 100% of the cost of attendance categories noted in the Banner Financial Aid System and performed follow-up on unusual cost of attendance amounts.
- Verified that the COA schedule established by the University agreed to the COA's noted in the Banner System for the categories noted.
- Selected 75 of the highest on-campus students offered need-based aid to ensure room and board charges were posted to their accounts and followed-up on exceptions.
- Selected 10 students that did not meet financial aid Satisfactory Academic Progress (SAP "N") for the 2011/2012 academic year, verified that the reason for the SAP "N" agreed to the satisfactory academic policies during this time and determined whether the student was denied financial aid or awarded aid based on an approved financial aid appeal on file.
- Reviewed the pre-packaging, packaging, and awarding processes within the Banner Financial Aid Module to determine if it was in accordance with the Federal Student Aid Handbook and the University's packaging philosophy.

DETAILED FINDINGS, RECOMMENDATIONS and MANAGEMENT RESPONSES:	
---	--

COMMENT A: Documented procedures do not exist for monitoring Cost of Attendance for reasonableness. Also, financial aid was awarded to some students based upon a “living on campus” Cost of Attendance when the students did not live on campus.

Cost of Attendance (COA), an estimate of the student’s educational expenses for the period of enrollment, is the cornerstone for establishing a student’s financial need and, accordingly, awarding financial aid. It consists of amounts defined by the OFAS for tuition, books, and living expenses and varies according to the student’s enrollment status (e.g., graduate/undergraduate, dependent/independent, resident/non-resident, on campus/off campus, full time/part time, summer session). We noted the following related to the COA:

- Documented procedures do not exist for monitoring amounts outside of defined COA’s. For the 2011/2012 academic year, the OFAS defined 128 possible COA categories based upon established institutional procedures as of April, 2011 to recognize various enrollment statuses. Our analysis of the actual COA categories in the Banner Financial Aid Module showed there were a total of 654 different categories for 8,631 students offered financial aid. Of these, only 113 matched to the COA categories defined by the OFAS. The remaining 541 categories were created as a result of manual intervention by various financial aid officers. Manual intervention occurs when students, initially awarded financial aid based on a full-time status, have subsequently changed their enrollment status. The 541 manually adjusted COA categories represented 1,537 (18%) of the students who were offered financial aid. Based upon Internal Audit’s analysis of the number of COA categories and varied amounts, we determined that documented procedures do not exist for monitoring amounts outside of defined COA’s. Without documented monitoring procedures in place, COA amounts could be erroneously computed, resulting in incorrect calculations of financial need and potential incorrect financial aid awards. Additionally, the volume of manual COA adjustments creates process inefficiencies and opportunities for error in calculating aid; and
- Three of 75 students selected for testing were awarded financial aid based upon a “living on campus” Cost of Attendance in the Banner Financial Aid Module. Per subsequent testing of housing charges posted to student accounts, we noted that these students did not live on campus, potentially resulting in the students being awarded financial aid that they were not entitled to receive.

RECOMMENDATION:

We recommend that the OFAS:

- Document and implement a monitoring procedure to review COA amounts for reasonableness, especially for those that have been manually adjusted.
- Review the current parameters for management exception reports that identify students with "living on campus" housing arrangements to ensure they identify all possible exceptions.

MANAGEMENT RESPONSE:

We agree with the recommendation.

During the 2011/2012 year, in order to accurately award financial aid, the OFAS made manual adjustments to the COA due to enrollment status changes and reversals of automatic feeds from the Bursar's Office for the GI Bill and sickness insurance waivers. The resource screen in Banner (RPAARSC) has historically been used for the GI Bill, sickness insurance waiver amounts, and other outside resources.

During the 2012/2013 year, the Director of the OFAS met with the Bursar to discuss ways to exclude using the resource screen in order to reduce the amount of manual adjustments made by the OFAS. The Bursar's Office was able to implement automated procedures, for GI Bill-related items, to eliminate using the resource screen. Additionally, the OFAS created an automated program to address the sickness insurance waivers which also reduced the manual processing for the OFAS.

During the current 2013/2014 year, the Director of the OFAS implemented changes to the COA categories, including reducing and simplifying the number and types of COA categories. As a result of these changes, the total COA will be the same for the in state commuter, on-campus and off-campus categories and the total COA will be the same for out of state on-campus and off-campus categories. This process allows for periodic reasonableness monitoring of COA amounts and eliminates the need for running exception reports identifying "living on campus" housing arrangements.

The Director of the OFAS will continue to monitor the COA process and make changes, where necessary, on an annual basis and include documented monitoring procedures on file.