Financial Statements and Report of Independent Certified Public Accountants

Charter Oak State College

For the year ended June 30, 2025

Connecticut State Colleges and Universities
Members of the Board of Regents for Higher Education
As of June 30, 2025

APPOINTED BY THE GOVERNOR
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Juanita James, Vice Chair
Ira Bloom
Delwyn Cummings
Richard Porth
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Elease E. Wright
Ted Yang

APPOINTED BY LEGISLATIVE LEADERS
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APPOINTED BY STUDENTS
Luis Sanchez
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As of June 30, 2025 there were two vacancies: one Governor Appointee and one Legislative Appointee.

EX-OFFICIO, NON-VOTING MEMBERS

Brendan Cunningham	Chair of the Faculty Advisory Committee
Colena Sesanker	Vice Chair of the Faculty Advisory Committee
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Charlene Russell-Tucker	Commissioner of the Connecticut Department of Education
Daniel O'Keefe	Commissioner of the Connecticut Department of Economic and Community Development
Dr. Manisha Juthani	Commissioner of the Connecticut Department of Public Health
Kelli-Marie Vallieres	Connecticut Chief Workforce Officer
Charlene Casamento	Undersecretary for Strategic Initiatives (OPM Sec. Designee)

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Charter Oak State College

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2025 and 2024

INTRODUCTION

Management Discussion & Analysis provides an overview of the financial position and activities of the Charter Oak State College ("COSC") and Charter Oak State College Foundation (the "Foundation") for the fiscal year ended June 30, 2025, along with comparative information for the prior fiscal year ended June 30, 2024. This discussion has been prepared by and is the responsibility of management and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, CT State Community College, and COSC, effective July 1, 2011. The Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees" for the Universities and Colleges.

COSC's role is to serve both residents of Connecticut and nonresidents with a variety of credit aggregation mechanisms, credit for prior learning, testing, and the acceptance of a high level of transfer credits to assist adults to complete their college degrees. This role evolved in 1998 with the introduction of online courses to complete degrees. COSC, which is the State's online college, was authorized by Section 28, 10a-143 (c) of the CT general statutes. It offers four General Studies degrees: Associate of Arts, Associate of Science, Bachelor of Arts, and Bachelor of Science. In addition, COSC offers master's Degrees and certificate programs.

Courses are offered in three semesters during the year by COSC: fall, spring, and summer. The fall and spring semesters offer courses in three-time formats: 15 weeks, two eight-week, and three five-week offerings. In the summer, two eight-week and two five-week offerings are available. Students are accepted into a program during three time periods throughout the year: fall, spring, and summer.

The Foundation is the only component unit of COSC. The Foundation is a legally independent, tax-exempt non-profit organization separate from college control, founded to foster and promote the growth, progress and general welfare of COSC and to solicit, receive and administer donations for such purposes.

USING THE FINANCIAL STATEMENTS

COSC's financial report includes the following financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* ("GASB Statement No. 35") established standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of COSC as a whole. As required by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 35, a condensed comparative analysis of fiscal year 2025 to prior reporting periods is included. Full financial statements and footnotes for fiscal year 2025 are also presented, both for the COSC primary institution, as well as for certain other organizations that have a significant related party relationship with COSC.

FINANCIAL HIGHLIGHTS

COSC had total assets of $26.4 million, liabilities of $4.8 million, and a total net position balance of $21.7 million as of June 30, 2025. Of this amount, $14.5 million is classified as unrestricted net position which increased when compared to 2024.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $9.9 million, down 9.6% as compared to the previous year. Operating expenses were $20.7 million, in line with the previous year, resulting in an operating loss of $10.7 million during the year ended June 30, 2025. Net non-operating revenues and other changes were $12.2 million, up 8.2% compared with prior year. State of Connecticut general fund appropriations were down 4.7% within fiscal 2025 at $6.3 million.

Cash and cash equivalents were $18.2 million at June 30, 2025, including $0.25 million of cash equivalents restricted for use in the form of specific programmatic expenditures or other governing agreements. Total current assets were $19.5 million as of June 30, 2025 compared to $16.3 million in the prior year. Liabilities decreased from $45.0 million to $4.8 million attributable to the derecognition of OPEB and net pension liabilities. The remaining long-term liability represents the long-term portion of accrued compensated absences, including the value of vacation and sick leave earned by employees. These amounts reflect benefits that employees are expected to either use or receive payment for in future periods, net of the portion expected to be paid or used within the upcoming year.

STATEMENTS OF NET POSITION

The Statements of Net Position presents the overall financial position of COSC at the end of the fiscal year and includes all assets and liabilities of COSC, including capital assets net of depreciation.

Condensed Statements of Net Position as of June 30 (in thousands)	2025	2024	% Change
Assets			
Current assets	$ 19,468	$ 16,271	19.6%
Non-current assets	6,940	7,678	(9.6)%
Total assets	26,408	23,949	10.3%
Deferred outflows of resources	-	8,006	(100)%
Liabilities			
Current liabilities	3,828	2,390	60.2%
Non-current liabilities	924	42,627	(97.8)%
Total liabilities	4,752	45,017	(89)%
Deferred inflows of resources		15,999	(100)%
Net position			
Invested in capital assets	6,940	7,678	(9.6)%
Restricted-expendable	250	793	(68.5)%
Unrestricted	14,466	(37,532)	138.5%
Total net position	$ 21,656	$ (29,061)	174.5%

Current assets consist of cash, cash equivalents, accounts receivable and prepaid assets. The 19.6% increase in current assets from the previous year is largely attributable to an increase in cash driven by pell grants associated with tuition revenue. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short-Term Investment Fund ("STIF") on behalf of State agencies. COSC does not carry any other separate investments.

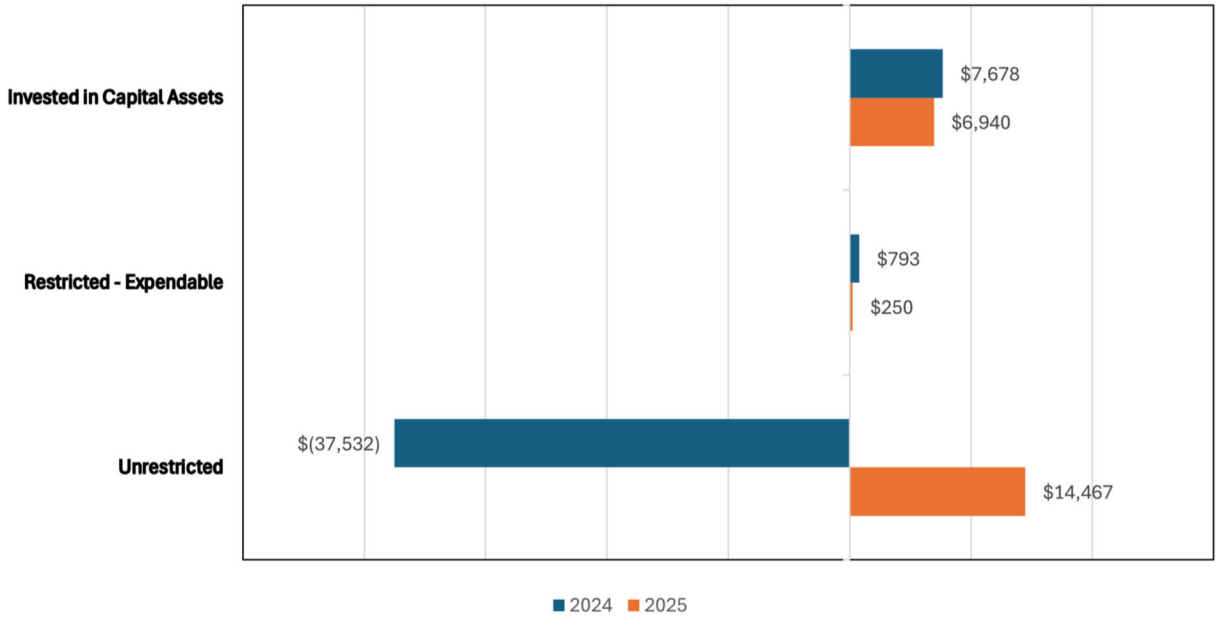
Non-current assets decreased by slightly from $7.7 million at June 30, 2024, to $6.9 million at June 30, 2025. As net capital assets account for the total amount of non-current assets, the decrease was due to depreciation associated with the College's new headquarters. COSC does not carry capital debt with

bonding and debt repayment being the direct and sole responsibility of the State of Connecticut and therefore are not reflected in COSC's financial statements.

Current liabilities consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were $3.8 million at the end of fiscal year 2025, representing a $1.4 million increase from fiscal year 2024. The most significant current liability was unearned revenue which increased year over year due to the timing of the 2025 summer semester. Additional current liabilities include accounts payable, accrued payroll, accrued compensated absences (sick and vacation time benefits) and subscription liabilities that will be paid within the coming year.

Non-current liabilities consist of subscription liabilities and long-term accrued compensated absences ("ACA") of $0.7 million - to be paid out to terminating employees over time in the future beyond one year. Total non-current liabilities decreased by 98% in 2025 due to decreases in retirement benefit allocations from the State of Connecticut. The ACA liability represents the total payout should 100% of the employees resign immediately.

The total *net position* balance dramatically changed in the current year due to the derecognition of pension and OPEB related liabilities along with stronger revenues.



Restricted-Expendable net position represents primarily bond fund appropriation balances at June 30, 2025 and unexpended funds held for certain grant or federal programs. The changes in restricted- expendable net position year over year were a result of the College spending down some of the previously restricted cash in accordance with the stipulated conditions.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of revenues, expenses and changes in net position presents COSC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2025 were $9.9 million, down 9.6% from $11.0 million in fiscal year 2024. *Net student tuition and fees* of $8.5 million represent the largest portion of operating revenue and decreased 0.3% as compared to fiscal year 2024

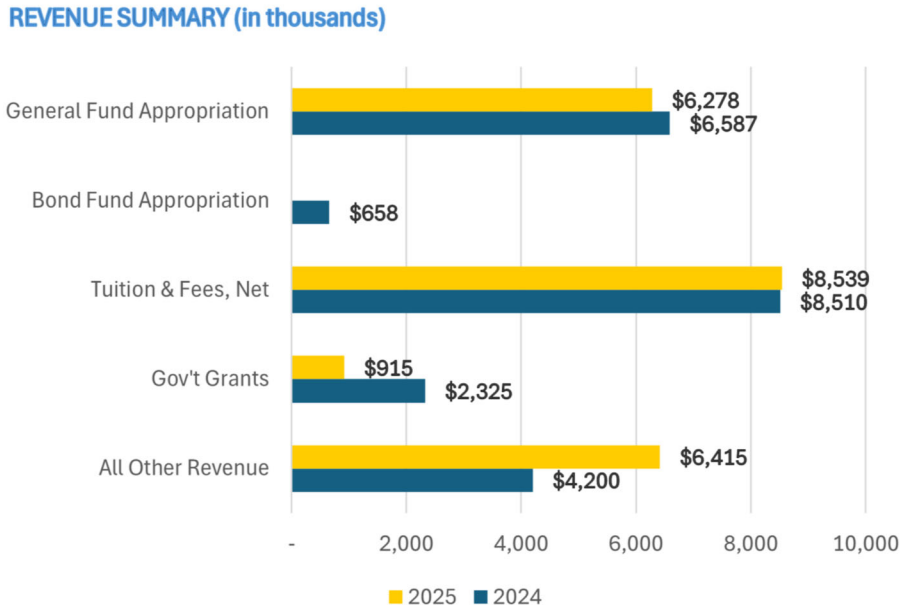
due to increased enrollment. Additionally, revenues associated with grants were down 60.6% yielding $915 thousand in the current year primarily associated with federal grants.

Condensed Combined Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30 (in thousands)

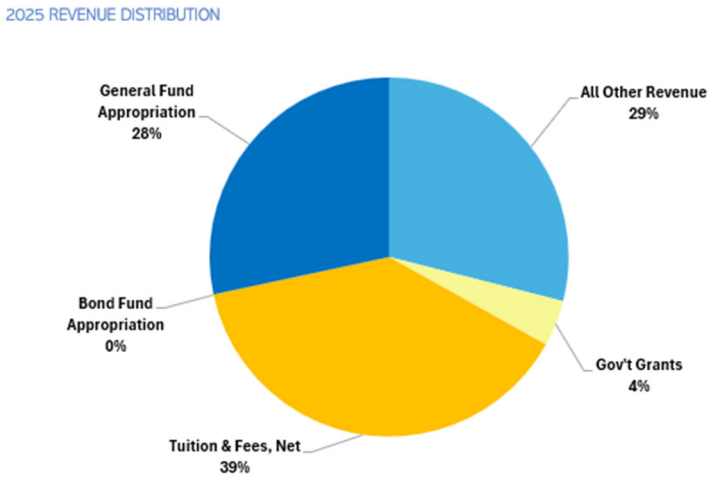
	2025	2024	% Change
Operating revenues			
Tuition and fees, net	$ 8,539	$ 8,510	0.3%
Government grants and contracts	915	2,325	(60.6)%
Additional operating revenues	459	136	237.5%
Total operating revenues	9,913	10,971	(9.6)%
Operating expenses			
Expenses before depreciation and amortization	19,878	19,995	(0.6)%
Depreciation and amortization	776	791	(1.9)%
Total operating expenses	20,654	20,786	(0.6)%
Operating loss	(10,741)	(9,815)	(9.4)%
Non-operating revenues (expenses)			
State appropriations - general fund*	6,278	6,587	(4.7)%
State appropriations - capital appropriations	-	658	(100)%
Pell grants	5,167	3,838	34.6%
Other non-operating revenues (expenses), net	790	226	249.6%
Net non-operating revenues	12,235	11,309	8.2%
Other changes in net position			
Special item - derecognition of pension liability	18,312	-	100%
Special item - derecognition of OPEB liability	30,911	-	100%
Net non-operating revenues	49,223	-	100%
Net position			
Change in net position	50,717	1,494	3,294.7%
Net position, beginning of year	(29,061)	(30,555)	4.9%
Net position, end of year	$ 21,656	$ (29,061)	(174.5)%

* Including non-cash fringe benefit expenditures in 2024

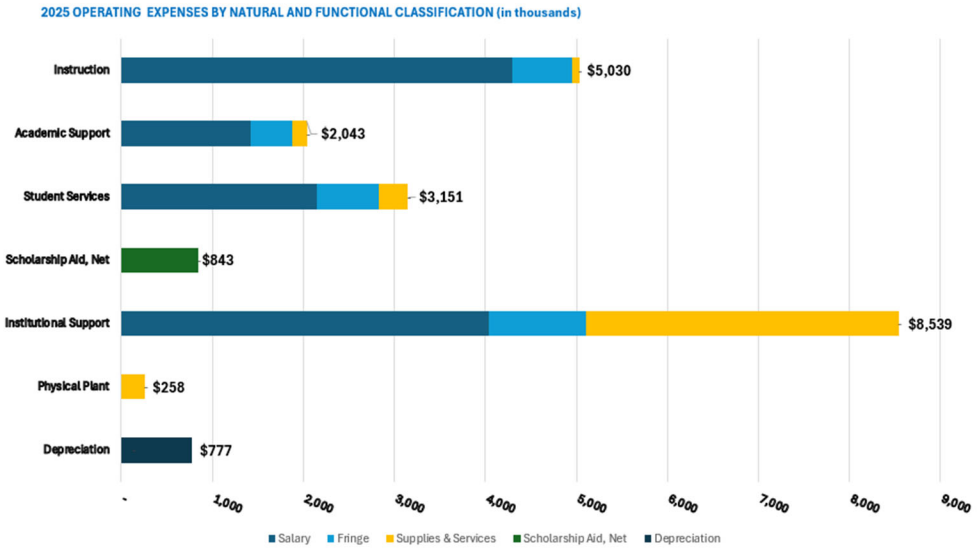
COSC recorded an operating loss of $10.7 million during the year ended June 30, 2025. The primary contributing factor of operating losses is that State appropriations and Pell Grant revenue are classified as *non-operating revenues* under GASB 35 although the expenditures of these resources on personnel, non-capital equipment, depreciation and scholarships are an operating expense. Tuition and fees inclusive of pell increased as a result of larger enrollment while government grants decreased as a result of various projects being completed. State appropriations decreased as a result of no longer being provided appropriations to cover the cost of fringe benefits. Capital appropriations were also down as a result of completing construction on COSC's new headquarters. In the current fiscal year, Pell grants significantly increased which are considered non-operating as previously noted.



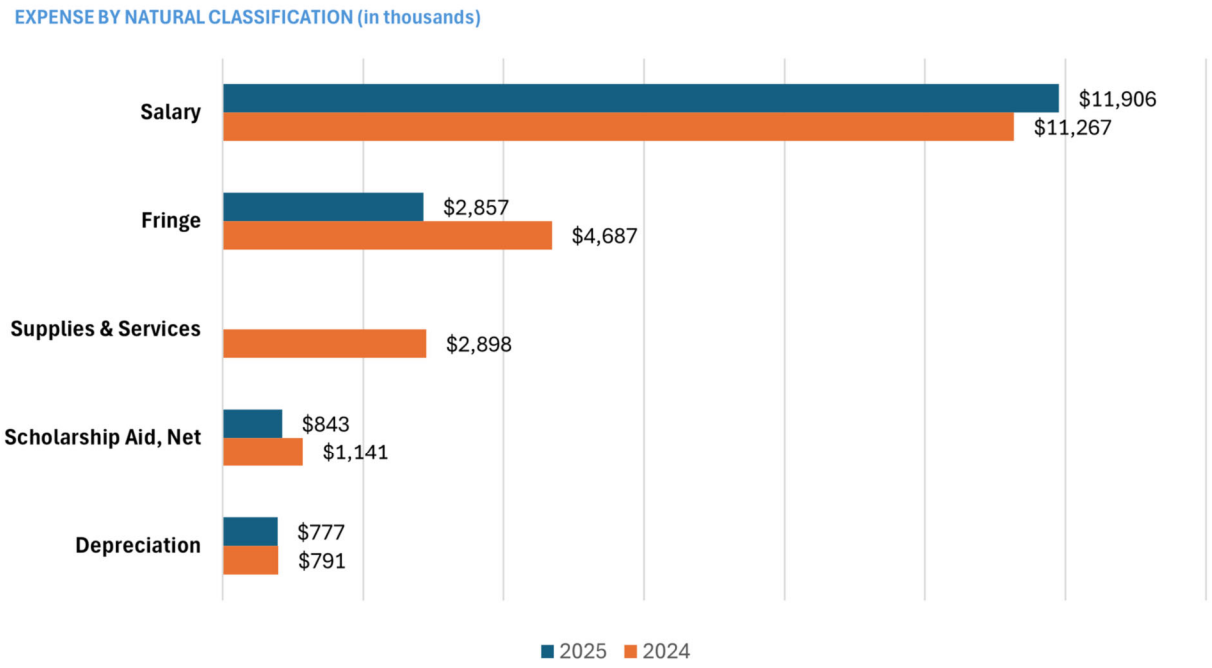
The State general fund appropriation for salaries decreased 4.7% from the prior year due to decreased allocations approved through the State of Connecticut budgetary process. Beginning in fiscal year 2025, COSC was no longer required to make retirement benefit contributions. Instead of fringe being a component of operating appropriations, the State now covers the fringe benefits of retirement-related costs and the higher education units fund non-state retirement costs such as medical insurance, life insurance, social security and Medicare taxes.



Total operating expenses for fiscal year 2025 were $20.7 million. This reflects an operating expense decrease of 0.6% from $20.8 million in fiscal year 2024. The decrease in fiscal year 2025 is primarily driven by a decrease in fringe expenses paid by COSC and decreased student aid payments associated with grant-funded programs, offset by increases in salaries and supplies & services.



Supplies and services include expenditures for non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and other related costs, and all other non-personnel costs of operating COSC.



STATEMENT OF CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $9 million and receipts from grants and contracts of $1.2 million, which is down $1.2 million compared to prior year. The largest operating cash outflows include salaries paid to employees of $14.4 million, which is up $0.8 million compared to fiscal year 2024. Operating cash outflows also include vendor payments of $4.0 million up from $3.5 million in the prior year. Payments to students of $843 thousand for financial aid refunds and federal grant stipends were down slightly year over year. Net cash used in operating activities increased 20.9% in fiscal year 2025 when compared to fiscal year 2024, reflecting the increased cash outlays discussed above.

Non capital financing cash flows are derived from State appropriations and federal aid for students. Non capital financing cash flows increased 9.8% in fiscal year 2025 primarily due to an increase in Pell grant revenue.

Capital and related financing cash flows are derived from capital appropriations from the state. Cash provided by *investing activities* represents amounts of interest income earned on operating fund cash balances invested by the State treasurer on behalf of COSC and distributed quarterly which increased year over year due to increased return rates from the State's short term investment pool. The increase in cash coupled with increasing federal interest rates caused COSC's interest income to grow between years.

Condensed Combined Statements of Cash Flows for the Year Ended June 30 (in thousands)

	2025	2024	% Change
Net cash provided by (used in)			
Operating activities	$ (8,930)	$ (7,386)	(20.9)%
Noncapital financing activities	11,455	10,430	9.8%
Capital and related financing activities	(146)	(390)	(62.6)%
Investing activities	789	673	17.2%
Net change in cash and cash equivalents	3,168	3,327	(3)%
Cash and cash equivalents			
Cash and cash equivalents, beginning of year	15,071	11,746	20.6%
Cash and cash equivalents, end of year	$ 18,239	$ 15,073	21.4%

ENROLLMENT TABLE

COSC State College will face significant challenges and opportunities in the years ahead related to enrollment similar to other higher education institutions and State of Connecticut agencies. The following table illustrates the Integrated Postsecondary Education Data System unduplicated headcount and full-time equivalent ("FTE") student attendance at COSC over time:

Year Ended June 30,	Unduplicated Headcount	% Change	FTE	% Change
2025	2,898	14.1%	1,350	14.9%
2024	2,540	7.3%	1,175	16.6%
2023	2,367	3.5%	1,008	6.1%
2022	2,286	(1.1)%	950	(3.26)%
2021	2,312	(1.6)%	982	0.5%
2020	2,350	0.6%	977	7.1%
2019	2,337	3.0%	912	3.9%
2018	2,270	(4.8)%	878	(5.2)%
2017	2,384	(4.9)%	926	(2.5)%
2016	2,507	(14.0)%	950	(11.2)%
2015	2,915	17.1%	1070	18.1%
2014	2,489	(4.0)%	906	(1.2)%
2013	2,592	(1.7)%	917	4.0%
2012	2,637	-	882	-

ECONOMIC OUTLOOK

COSC operates in the higher education environment which is being shaped by the increasing demand for accessible and affordable online education. For the fiscal year ending June 30, 2025, COSC continued to experience notable enrollment growth with a 14.1% increase in unduplicated headcount and a 14.9% rise in FTE students compared to the prior year. This growth reflects COSC's ongoing efforts to meet the needs of adult learners through flexible, affordable, high-quality academic programs. Prudent tuition price setting has contributed to increased operating revenues and helping COSC support its mission of providing affordable, career-aligned education.

The financial landscape for COSC is influenced by broader economic conditions, most notably the demand for online learning, changes in state funding levels and the increasing costs of providing competitive online programs to market. COSC's revenue and cost structure is highly dependent on the number of students serviced. COSC's focus on efficient resource allocation and maintaining affordability remains critical to navigating these challenges, while its status as Connecticut's only fully online public college positions it well to respond to the growing demand for flexible higher education options.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of COSC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to Michael Moriarty, Vice President for Administration & Chief Financial Officer (860-515-3760).

GRANT THORNTON LLP
53 State St., 16th Floor
Boston MA 02109

D +1 617 723 7900
F +1 617 723 6340

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents of
Connecticut State Colleges and Universities

Opinion

We have audited the financial statements of the business-type activities and discretely presented component unit of the Charter Oak State College, an enterprise fund of the State of Connecticut (the "College") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table on contents.

We did not audit the financial statements of the discretely presented component unit (the affiliated foundation (the "Foundation")), whose statements reflected total assets of $2.9 million and total net assets of $2.9 million as of June 30, 2025, and total revenues and support of $675 thousand for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Foundation, is based solely on the report of other auditors.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2025, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Presentation

As discussed in Note 1, the financial statements present only the College, an enterprise fund of the State of Connecticut and do not purport to, and do not present fairly, the financial position of the State of Connecticut as of June 30, 2025, the changes in its financial position or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in accounting method
As discussed in Note 1 to the financial statements, the College was required to change its method of accounting for certain fringe benefit expenses and the related state appropriation revenue associated with these expenses in the year ended June 30, 2025.

Our opinion is not modified with respect to these matters.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 4 through 11 and the Schedule of Net Pension Liability and Related Ratios, Schedule of Net Post-Employment Benefits and Related Ratios, and Schedule of Contributions on pages 33 through 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

Boston, Massachusetts
February 2, 2026

Charter Oak State College

STATEMENT OF NET POSITION

June 30, 2025

ASSETS	
Current assets	
Cash and cash equivalents	$ 18,239,410
Accounts receivable, net	738,291
Other current assets	490,169
Total current assets	19,467,870
Noncurrent assets	
Capital assets, net of depreciation and amortization	6,939,922
Total noncurrent assets	6,939,922
Total assets	$ 26,407,792
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	$ 180,558
Accrued payroll	905,729
Unearned tuition revenues	1,475,756
Subscription liabilities	91,969
Accrued employee compensated absences	1,173,614
Total current liabilities	3,827,626
Noncurrent liabilities	
Subscription liabilities	223,081
Accrued employee compensated absences	701,304
Total noncurrent liabilities	924,385
Total liabilities	4,752,011
NET POSITION	
Invested in capital assets	6,939,922
Restricted expendable	249,791
Unrestricted	14,466,068
Total net position	21,655,781
Total Liabilities and Net Position	$ 26,407,792

The accompanying notes are an integral part of this financial statement.

Charter Oak State College

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2025

Operating revenues	
Student tuition and fees	$ 16,070,693
Less: scholarships and fellowships	(7,531,674)
Net tuition and fees	8,539,019
Federal grants and contracts	216,885
State and local grants and contracts	698,043
Nongovernmental grants and contracts	388,356
Other operating revenue	70,388
Total operating revenues	9,912,691
Operating expenses	
Personnel services and fees	14,777,167
Professional services and fees	402,386
Travel expenses	182,882
Operation and maintenance of plant	258,062
Student aid	843,455
Technology expenses	1,292,553
Marketing costs	943,304
Other operating expenses	1,178,154
Amortization expense	138,967
Depreciation expense	637,225
Total operating expenses	20,654,155
Net operating income (loss)	(10,741,464)
Nonoperating revenues (expenses)	
State appropriations	6,277,506
Investment income	789,204
Interest expense on subscription liabilities	(9,517)
Other nonoperating revenues	10,095
Pell grants	5,166,952
Net nonoperating revenues	12,234,240
Increase (decrease) in net position before capital appropriations	1,492,776
Other changes in net position	
Special item: derecognition of pension liability	18,312,939
Special item: derecognition of OPEB liability	30,911,459
Total other changes in net position	49,224,398
INCREASE (DECREASE) IN NET POSITION	50,717,174
Net position	
Net assets - beginning of year	(29,061,393)
Net assets - end of year	$ 21,655,781

The accompanying notes are an integral part of this financial statement.

Charter Oak State College

STATEMENT OF CASH FLOWS

Year ended June 30, 2025

Cash flows from operating activities	
Tuition and fees	$ 9,020,971
Grants and contracts	1,220,924
Payments to employees	(14,371,825)
Payments to suppliers and vendors	(3,990,862)
Payments to students	(843,455)
Other operating receipts	33,750
Net cash used in operating activities	(8,930,497)
Cash flows from non-capital financing activities	
State appropriations	6,277,506
Pell grants	5,166,952
Other	10,095
Net cash used in investing activities	11,454,553
Cash flows from capital financing activities	
Cash paid for right of use assets	(107,947)
Purchases of capital assets	(37,617)
Net cash provided by capital financing activities	(145,564)
Cash flows from investing activities	
Interest on cash held by the State	789,204
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	3,167,696
Cash and equivalents, beginning of year	15,071,714
Cash and equivalents, end of year	$ 18,239,410
Reconciliation of net operating loss to net cash used in operating activities	
Net operating loss	$ (10,741,464)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation and amortization	776,192
Changes in assets and liabilities:	
Accounts receivable	(222,697)
Other current assets	193,260
Accounts payable	72,183
Accrued payroll	419,288
Accrued employee compensation and benefits	(13,945)
Unearned tuition revenues	586,686
Net cash used in operating activities	$ (8,930,497)

The accompanying notes are an integral part of this financial statement.

Charter Oak State College

STATEMENT OF FINANCIAL POSITION AND ACTIVITIES - COMPONENT UNIT

June 30, 2025

ASSETS	
Cash and cash equivalents	$ 180,308
Investments	2,623,187
Pledges receivable	92,945
Total assets	2,896,440
NET ASSETS	
Without donor restrictions	480,859
With donor restrictions	2,415,581
Total liabilities and net assets	$ 2,896,440

For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	$ 64,746	$ 267,735	$ 332,481
Contributed wages	58,995	-	58,995
Investment return, net	58,318	224,920	283,238
Net assets released from restrictions	325,330	(325,330)	-
Total revenues and support	507,389	167,325	674,714
Expenses			
Program	427,483	-	427,483
Management and general	93,766	-	93,766
Fundraising	62,347	-	62,347
Total expenses	583,596	-	583,596
CHANGE IN NET ASSETS	(76,207)	167,325	91,118
Net assets			
Net assets - beginning of year	557,066	2,248,256	2,805,322
Net assets - end of year	$ 480,859	$ 2,415,581	$ 2,896,440

The accompanying notes are an integral part of this financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Connecticut State Colleges and Universities System (“CSCU”) was established by the State of Connecticut (the “State”) in 2011 via Public Act 11-48 as amended by Public Act 11-61. This brought together the governance structure for the Connecticut State University System (“CSUS”), the Connecticut Community Colleges (now known as CT State Community College) and Charter Oak State College (“COSC” or “College”) under the Board of Regents for Higher Education.

CSCU consists of six separate institutions including four state universities, CT State Community College and COSC. The CSCU system offers associate degrees, baccalaureate, graduate and certificate programs, applied doctoral degree programs in education as well as short-term certificates and individual coursework in both credit and noncredit programs.

The financial statements presented herein represent only the financial activities of COSC. Separate financial statements are issued for CSUS and Connecticut State Community College.

Basis of Presentation

The financial statements for COSC have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by Government Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. These financial statements include the statements of COSC and a discretely presented component unit, Charter Oak State College Foundation (the "Foundation").

COSC’s financial statements include three statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

- The statement of net position presents information on all COSC’s assets, liabilities, deferred outflows and inflows, and net position.

- The statement of revenues, expenses and changes in net position presents information showing how the COSC’s net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods.

- The statement of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to COSC in support of their programs. Although COSC does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds, and invests, is restricted to the activities of COSC by the donors. Since these restricted resources held by the Foundation can only be used by, or for the benefit of, COSC, the Foundation is considered a discretely presented component unit of COSC.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board ("FASB") standards, which includes guidelines for Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's separately audited financial information for purposes of inclusion in COSC's financial statements herein.

Net Position

Resources are classified for reporting purposes into the following three net position categories:

- Invested in Capital Assets

  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted Expendable

  Net position whose use by COSC is subject to externally imposed stipulations that can be fulfilled by actions of COSC pursuant to those stipulations or that expire by the passage of time.

- Unrestricted

  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the Board of Regents or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic initiatives and capital programs.

The statement of activities of the component unit presents net assets with and without donor restrictions consistent with the presentation required under Accounting Standards Update 2016-14 and the reporting framework applicable to the component unit.

Classification of Assets and Liabilities

COSC presents short-term ("current") and long-term ("noncurrent") assets and liabilities in the statement of net position. Current assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30. Noncurrent assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30. Cash, cash equivalents and investments presented as current in the statement of net position include balances with a maturity of one year or less from June 30.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund, capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of COSC by the State Treasurer and has original maturities of three months or less.

Allowance for Doubtful Accounts

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Fair Value of Financial Instruments

Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable and accounts payable.

Investment in Capital Assets

Capital assets are stated at historical cost. Depreciation of capital assets is calculated on a straight- line basis over the respective asset's estimated useful life, which range from five to 40 years. Land, capitalized collections, and construction in progress are not depreciated. Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

Right-of-Use ("ROU") assets are recognized at the lease commencement date and represent COSC's right to use an underlying asset for the lease term. ROU subscription assets are recognized at the agreement's commencement date and represent COSC's right to use an underlying asset for the agreement term. ROU assets are measured at the initial value of the liability plus any payments made at or before commencement and initial direct costs. Amortization for ROU assets are computed using the straight-line method over the shorter of the contract term or estimated useful lives of the assets; but if the underlying lease contains a purchase option determined to be reasonably certain of being exercised, the ROU asset is amortized over the estimated useful life of the asset.

Accrued Compensated Absences ("ACA")

Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statement of net position reflects the accrual for the amounts earned as of year-end.

State Funding for Employee Retirement and Other Post Employment Benefit ("OPEB") Plans

In June 2023, the Connecticut General Assembly passed a state budget for the 2024 and 2025 biennium that changed the way fringe is paid for institutions of higher education. Effective July 1, 2023, the State directly funds COSC employee benefit retirement costs, which are therefore no longer charged to COSC through a fringe benefit rate assessment. As a result, there is a reduction in appropriations to COSC since the State is directly covering retirement-related costs for all eligible COSC employees. The direct funding by the State is not considered to be a special funding situation which would require on behalf payments to be recorded by COSC. This is because COSC is an agency of the State, and not a separate legal entity. Beginning in Fiscal Year 2025, COSC no longer recognizes net pension and OPEB liabilities and deferrals due to the legislative change that shifts retirement cost funding entirely to the State. The derecognition of these amounts are presented as special items in Other Changes in Net Position on the Statement of Revenues, Expenses, and Changes in Net Position.

Unearned Tuition Revenues

Unearned tuition revenues consist primarily of tuition and fees that have been collected as of June 30, but are applicable to classes held thereafter. COSC recognizes revenue entirely for a class once 60% of the class has been completed, a threshold consistent with the earned period identified by the Department of Education for the return of Title IV funds.

Tuition and Fees Revenue

Student tuition and fees revenue is recognized in the period earned. Student tuition and fee revenue is presented net of scholarships, waivers and allowances in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* ("GASB Statement No. 35")Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees is reflected as a scholarship allowance.

Operating Activities

Operating activities as reported on the statement of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of COSC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, Pell grants and investment income.

Income Taxes

COSC is a component unit of the State of Connecticut and is exempt from federal and state income taxes under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. COSC qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes at June 30 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

Subscription Liabilities

Subscription liabilities represent COSC's obligation to make payments to the vendor, measured at the present value of subscription payments over the remaining term. Subscription liabilities are recognized at the Subscription-Based Information Technology Arrangements ("SBITA") commencement date based upon the present value of future subscription payments over the remaining SBITA term. Short term subscription liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.

GASB Pronouncements Effective in the Current Fiscal year

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. This standard was adopted in fiscal year 2025 and had no material impact as a result of the adoption.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints, if the government reports a liability for revenue debt. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The adoption of GASB 102 had no material impact as a result of the adoption.

GASB Pronouncements Effective in Future Years

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability and also addresses certain application issues. Management is currently assessing the impact of this Statement.

In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement requires intangible right-to-use capital assets to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. Management is currently assessing the impact of this Statement.

Subsequent Events

In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2025, through February 2, 2026, the date the financial statements were issued, noting no material events.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. COSC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet the participants daily cash flow requirements. The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2025 was 4.45%. Investments are pooled by the State and separate accounting is maintained as to the amounts allocable to the various funds and programs.

Credit Risk - Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. COSC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is low risk to these types of investments.

Concentration of Credit Risk - Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. The majority of COSC's total cash, cash equivalents and investments were invested in the STIF and the State's pooled, interest credit program accounts as of June 30.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. There is no significant exposure to interest rate risk as cash and cash equivalents are held in STIF which is comprised of short-term money market instruments.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2025
Student accounts receivable	$ 885,195
Grants receivable	118,998
Gross accounts receivable	1,004,193
Less: allowance for doubtful accounts	(265,902)
Accounts receivable, net	$ 738,291

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 is as follows:

	Estimated Life (in years)	Beginning Balance	Additions	Retirements	Ending Balance
Capitals assets, not depreciated:					
Land		$ 93,296	$ -	$ -	$ 93,296
Total non-depreciable		93,296	-	-	93,296
Capital assets, depreciable					
Buildings and improvements	10-40	6,930,705	21,405	-	6,952,110
Furnishings and equipment	5	1,820,853	16,212	-	1,837,065
Subscription assets	Life of contract	657,202	-	-	657,202
Total depreciable assets		9,408,760	37,617	-	9,446,377
Total capital assets		9,502,056	37,617	-	9,539,673
Less: accumulated depreciation and amortization:					
Buildings and improvements		(1,301,234)	(325,992)	-	(1,627,226)
Furnishings and equipment		(345,273)	(311,233)	-	(656,506)
Subscription assets		(177,052)	(138,967)	-	(316,019)
Total accumulated depreciation and amortization		(1,823,559)	(776,192)	-	(2,599,751)
Capital assets, net		$ 7,678,497	$ (738,575)	$ -	$ 6,939,922

NOTE 5 - BONDS AND NOTE PAYABLE

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities of COSC. The State obtains its funds for these construction projects from general obligation bonds which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures. Debt service on bonds issued by the State to finance educational and general facilities is funded by the General fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by COSC and, accordingly, the State's debt obligation attributable to COSC educational and general facilities is not reported as COSC debt.

NOTE 6 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

COSC entered into various SBITAs that convey COSC's control of the right to use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. Of these SBITAs, some agreements call for payments that are partially or completely variable and therefore were not included in ROU subscription assets or subscription liabilities. These variable payments are derived from a number of licenses that changes from time to time, use of the IT asset, or changes in index rates. COSC recognized a total of $147,448 as expenses from these variable payments for the year ended June 30, 2025.

Liability activity for the year ended June 30, 2025, is summarized as follows:

Balance 7/1/24	Additions	Deletions	Balance 6/30/25	Amounts Due Within One Year
$ 413,480	$ -	$ 98,430	$ 315,050	$ 91,969

The principal and interest expense for the next five years and beyond are projected below for the subscription obligations:

Fiscal Year	Principal	Interest	Total
2026	$ 91,969	$ 7,410	$ 99,379
2027	83,539	6,281	89,820
2028	33,441	5,171	38,612
2029	34,551	3,972	38,523
2030	22,575	2,720	25,295
Thereafter	48,975	1,402	50,377
Total requirements	315,050		
Less: current	(91,969)		
Non-current	$ 223,081		

NOTE 7 - ACCRUED COMPENSATED ABSENCES

Accrued compensated absences at June 30, 2025 consist of:

	Current	Non Current	Total
Vacation	$ 1,010,090	$ 491,865	$ 1,501,955
Sick	163,524	209,439	372,963
	$ 1,173,614	$ 701,304	$ 1,874,918

Activity for accrued compensated absences for the year ended June 30, includes:

Balance as of June 30, 2024	$ 1,888,863
Additions during the fiscal year	1,050,457
Benefits paid to employees during the fiscal year	(1,064,402)
Balance as of June 30, 2025	$ 1,874,918

These accruals represent estimated amounts earned by all eligible employees through June 30, 2025. The ACA will be settled over several years and are not expected to have a significant impact on the future annual cash flows of COSC. The current portion of compensated absences is estimated based on recent past history and employee retirement eligibility.

NOTE 8 - UNEARNED REVENUE

Unearned revenues for the year ended June 30, 2025 amounted to $1,475,756 and represent tuition and fees that have been collected as of June 30 but are applicable to classes held thereafter.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

COSC makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. COSC is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of COSC.

CSCU is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on COSC's financial position.

COSC may have outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2025. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2025 were not material.

NOTE 10 - RELATED PARTIES

The State supports COSC's mission by providing appropriations from the General Fund. For the year ended June 30, 2025, COSC received $6.3 million in general fund appropriation.

In June 2023, the Connecticut General Assembly enacted, and the Governor signed, Public Act 23-204, which includes the State budget for the fiscal years 2024 and 2025 biennium and amends the State's funding structure for constituent units of the State system of higher education. Effective July 1, 2023, the State began directly funding all of COSC's employee retirement costs related to the State's retirement systems and the Alternate Retirement Plan. For the year ending June 30, 2025, $3.6 million was paid by the State for retirement costs for COSC employees. COSC remains responsible for funding all employee non-retirement fringe benefit costs.

NOTE 11 - NATURAL CLASSIFICATION WITH FUNCTIONAL CLASSIFICATION

The operating expenses by functional classification were as follows:

	Salary	Fringe	Supplies and Services	Scholarship Aid	Depreciation and Amortization	Total
Physical plant	$ -	$ -	$ -	$ -	$ 776,192	$ 776,192
Depreciation/amortization	-	-	258,063	-	-	258,063
Scholarship aid, net	-	-	-	843,455	-	843,455
Academic support	1,425,777	450,820	167,749	-	-	2,044,346
Student services	2,155,328	673,508	324,954	-	-	3,153,790
Instruction	4,295,907	660,061	77,508	-	-	5,033,476
Institutional support	4,042,856	1,072,910	3,429,069	-	-	8,544,835
Total operating expenses	$ 11,919,868	$ 2,857,299	$ 4,257,343	$ 843,455	$ 776,192	$ 20,654,157

NOTE 12 - RETIREMENT PLANS

Pension Plans

All regular full-time employees of CSCU are eligible to participate in one of two defined benefit plans administered through the State: the State Employees Retirement System ("SERS") and the Connecticut Teachers' Retirement System ("TRS"). SERS and TRS do not issue stand-alone financial reports, but are reported as fiduciary funds within the State's Annual Comprehensive Financial Report.

The State of Connecticut is statutorily responsible for the pension benefits of CSCU employees who participate in the SERS. SERS is the administrator of a single employer defined benefit public employee retirement system. SERS provides retirement, disability, death benefits and cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in agreements between the State and the State Employee Bargaining Agent Coalition ("SEBAC") as authorized by the General Statutes.

TRS is a cost-sharing multiple-employer defined benefit plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with CSCU and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State legislature and is administered by the Teachers' Retirement Board.

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or TRS depending on several factors.

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the two primary SERS plan options available (some employees are eligible to elect the TRS. The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and SEBAC, provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a 5% match by the State and 4% interest in lieu of a defined benefit.

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third-party administrator of the State Alternate Retirement Program (“ARP”).

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Employee contribution rates for the year ended June 30, 2025 are as follows:

- Tier I Plan B - 2% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level
- Tier I Plan B Hazardous Duty - 4% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level
- Tier I Plan C - 5% of earnings
- Tier II Regular - 2% of earnings
- Tier II Hazardous Duty - 6% of earnings
- Tier IIA and III Regular - 4% of earnings
- Tier IIA and III Hazardous - 7% of earnings
- Tier IV - 5% of earnings

Effective July 1, 2023, State legislation altered the funding structure for public higher education for employer contributions to the SERS and TRS (See Note 15). Beginning in fiscal year 2024, the State assumed responsibility for these contributions, and COSC did not make any payments to SERS or TRS. As a result, no deferred outflows of resources were reported starting with the June 30, 2024 reporting date for contributions made after the measurement date (June 30, 2023).

Prior to the legislative change effective July 1, 2023, the total collective pension liability used to calculate the net pension liability (“NPL”) was based on actuarial valuation reports for both SERS and TRS, and

COSC's proportionate share of the NPL was determined by its share of total contributions to each plan. Due to the legislative changes effective after June 30, 2023, COSC's proportionate share was reduced to zero for both plans as of the June 30, 2024 measurement date, reflecting the State's full funding of contributions.

With a zero percent proportionate share, COSC no longer met the criteria under GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* to report pension liabilities or pension-related deferred inflows and deferred outflows in its financial statements, and recorded no pension expense for the year ended June 30, 2025. This change in accounting for pension is recorded as a special item in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025 rather than being amortized as a change in proportionate share through pension expense. Additional details are provided in Note 14.

Alternate Retirement Plan

Alternatively, employees may choose to participate in the ARP, which is a defined contribution plan managed by Empower. Eligible employees who became ARP participants prior to September 1, 2017 contribute 5.0% of their pay and the State contributes 7.0% to participants' investment accounts. Employees becoming ARP participants on or after September 1, 2017 contribute 6.5% and the State contributes 7.0% to individual participants' investment accounts managed by Empower. Employees that became ARP employees on or after September 1, 2017 may opt out of the 6.5% contribution and elect a 5.0% participant contribution.

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS

The State provides post-retirement health care and life insurance benefits to eligible CSCU employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the SERS and participants in the ARP who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement. The State finances the cost of post-retirement health care and life insurance benefits.

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan ("SEOPEBP"). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the SEOPEBP. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees, who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of CSCU who are receiving benefits from any State-sponsored retirement system. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan

participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Funding Policy

SEOPEBP is primarily funded on a pay-as-you-go basis for non-contributory members and 100 percent for contributory members through an annual appropriation in the General Fund. The contribution requirements of the plan members and the State are established and may be amended by the State legislature or by agreement between the State and employee's unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary to the Retiree Health Care Trust Fund for pre-funding of OPEB benefits for a period of time. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3% of their salary for 15 years. Contributions are refundable to employees who leave State employment prior to completing the required years of service.

Similar to pension, effective July 1, 2023, legislation altered the funding structure for public higher education's employer contributions to the SEOPEBP (see Note 15). Beginning in fiscal year 2024, the State assumed responsibility for these contributions, and COSC did not make any payments to SEOPEBP. As a result, no deferred outflows of resources were reported starting with the June 30, 2024 reporting date for contributions made after the measurement date (June 30, 2023).

Prior to the legislative change effective July 1, 2023, the total collective OPEB liability used to calculate the net OPEB liability was based on actuarial valuation reports for SEOPEBP, and COSC's proportionate share of the net OPEB liability was determined by its share of total contributions. Due to the legislative changes effective after June 30, 2023, COSC's proportionate share was reduced to zero as of the June 30, 2024 measurement date, reflecting the State's full funding of contributions.

With a zero percent proportionate share, COSC no longer met the criteria under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions* to report OPEB liabilities or OPEB-related deferred inflows and outflows in its financial statements, and recorded no OPEB expense for the year ended June 30, 2025. This change in accounting for OPEB is recorded as a special item in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025 rather than being amortized as a change in proportionate share through OPEB expense. Additional details are provided in Note 14.

NOTE 14 - SPECIAL ITEMS: DERECOGNITION OF PENSION AND OPEB BALANCES

As described in Note 1, in fiscal year 2025 COSC recorded special items for the derecognition of pension and OPEB balances. These derecognitions are classified as special items under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and *GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* because they are infrequent in occurrence and involved management participation and influence.

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* do not require allocation of pension and OPEB liabilities to individual funds within the reporting entity unless those liabilities are directly related to and expected to be paid from those funds. Based on this guidance and legislative changes, COSC no longer recognizes these liabilities. The derecognitions were recorded separately in other changes in net position in the accompanying statement of revenues, expenses, and changes in net position for the year ended June 30, 2025.

The total impact of the derecognitions for COSC was approximately $49.2 million. The following table shows the increase (decrease) to net position by plan and balance type as of July 1, 2024:

	SERS	TRS	Total Pension	SEOPEBP	Total Derecognition
Liabilities	$15,786,792	$ -	$15,786,792	$ 25,444,694	$ 41,231,486
Deferred inflows of resources	6,165,321	-	6,165,321	9,833,657	15,998,978
Deferred outflows of resources	(3,526,125)	(113,050)	(3,639,175)	(4,366,891)	(8,006,066)
	$18,425,988	$ (113,050)	$18,312,938	$ 30,911,460	$ 49,224,398

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Charter Oak State College

SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS

SCHEDULE OF PENSION CONTRIBUTIONS

Last 10 Fiscal Years
(in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ -	$ 2,482	$ 2,519	$ 2,166	$ 1,728	$ 1,661	$ 1,441	$ 1,519	$ 1,021	$ 834
Contributions in relation to the contractually required contribution	-	(2,482)	(2,519)	(2,166)	(1,728)	(1,661)	(1,441)	(1,519)	(1,021)	(834)
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
COSC's covered payroll	$ -	$ 3,173	$ 3,349	$ 4,664	$ 3,926	$ 3,880	$ 3,351	$ 3,793	$ 2,529	$ 2,199
Contributions as a percentage of covered payroll	0.00%	78.22%	75.23%	46.44%	44.01%	42.81%	43.00%	40.05%	40.37%	37.93%

Charter Oak State College

SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS

STATE EMPLOYEE RETIREMENT SYSTEM PLAN

Last 10 Fiscal Years
(in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
COSC's proportion of the net pension liability	0.00%	0.08%	0.09%	0.12%	0.11%	0.11%	0.10%	0.10%	0.07%	0.06%
COSC's proportionate share of the net pension liability	$ -	$ 15,787	$ 19,501	$ 25,776	$ 25,358	$ 24,013	$ 21,201	$ 20,753	$ 15,610	$ 10,043
COSC's covered payroll	$ -	$ 3,173	$ 3,349	$ 4,664	$ 3,926	$ 3,880	$ 3,351	$ 3,793	$ 2,529	$ 2,199
COSC's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	497.54%	582.29%	552.66%	645.90%	618.89%	632.68%	574.14%	617.24%	456.71%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	50.59%	45.76%	44.55%	35.84%	36.79%	36.25%	36.25%	31.69%	39.23%

Charter Oak State College

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION

June 30, 2025 Valuation Period

NOTE 1 - CHANGES IN BENEFIT TERMS FOR STATE EMPLOYEE RETIREMENT SYSTEM PLAN

Beginning in Fiscal Year 2025, COSC no longer recognizes net pension and OPEB liabilities and deferrals due to the legislative change that shifts retirement cost funding entirely to the State. The pension and OPEB balances and contributions are reduced to zero for 2025 in the supplementary schedules. The derecognition of these amounts are presented as special items in Other Changes in Net Position on the Statement of Revenues, Expenses, and Changes in Net Position.

Charter Oak State College

SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS

OTHER POST EMPLOYMENT BENEFITS

Last 10 Fiscal Years[1]

	2025	2024	2023	2022	2021	2020	2019	2018	2017
COSC's proportion of the net OPEB liability	0.00%	0.16%	0.15%	0.15%	0.15%	0.16%	0.15%	0.12%	0.13%
COSC's proportionate share of the OPEB liability	$ -	$ 25,444,694	$ 23,793,932	$ 29,824,661	$ 36,142,123	$ 32,666,738	$ 25,570,473	$ 25,846,053	$ 27,927,904
COSC's covered-employee payroll	$ -	$ 7,937,432	$ 5,770,603	$ 5,573,514	$ 5,750,894	$ 5,716,228	$ 5,739,353	$ 6,053,317	$ 6,171,250
COSC's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	320.57%	412.33%	535.11%	628.46%	571.47%	445.53%	426.97%	452.55%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	14.60%	12.63%	10.12%	6.13%	5.40%	4.69%	3.03%	1.94%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years which information is available.

Charter Oak State College

SCHEDULE OF OPEB CONTRIBUTIONS

OTHER POST EMPLOYMENT BENEFITS

Last 10 Fiscal Years[1]

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ -	$ 1,387,369	$ 1,301,799	$ 1,325,821	$ 1,331,438	$ 1,189,231	$ 1,187,694	$ 1,000,421	$ 985,748
Contributions in relation to the contractually required contribution	-	(1,387,369)	(1,301,799)	(1,325,821)	(1,331,438)	(1,189,231)	(1,187,694)	(1,000,421)	(985,748)
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ -	$ 7,937,432	$ 5,770,603	$ 5,573,514	$ 5,750,894	$ 5,716,228	$ 5,739,353	$ 6,053,317	$ 6,171,250
Contributions as a percentage of covered employee payroll	0.00%	17.48%	22.56%	23.79%	23.15%	20.80%	20.69%	16.53%	15.97%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years which information is available.

Charter Oak State College

NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION

June 30, 2025

NOTE 1 - CHANGES IN ASSUMPTIONS FOR STATE EMPLOYEE OPEB PLAN

Beginning in Fiscal Year 2025, COSC no longer recognizes net pension and OPEB liabilities and deferrals due to the legislative change that shifts retirement cost funding entirely to the State. The pension and OPEB balances and contributions are reduced to zero for 2025 in the supplementary schedules. The derecognition of these amounts are presented as special items in Other Changes in Net Position on the Statement of Revenues, Expenses, and Changes in Net Position.