

ECSU Foundation, Inc.

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

**June 30, 2021
(With Comparative Totals for 2020)**

ECSU Foundation, Inc.

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Independent Auditor's Report

To the Board of Directors
ECSU Foundation, Inc.

We have audited the accompanying financial statements of ECSU Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements and our report dated October 29, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
November 17, 2021

ECSU Foundation, Inc.
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 444,494	\$ 430,811
Promises to give, net	95,344	82,780
Prepaid expenses and other receivables	22,106	26,800
Investments	19,277,962	15,684,465
Land, buildings and equipment, net	1,859,151	1,902,837
Collections	1,828,255	1,828,255
	<u>23,527,312</u>	<u>19,955,948</u>
Total assets	<u>\$ 23,527,312</u>	<u>\$ 19,955,948</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 29,718	\$ 213,071
Accrued expenses	475,773	402,639
	<u>505,491</u>	<u>615,710</u>
Total liabilities	<u>505,491</u>	<u>615,710</u>
Net assets		
Without donor restrictions		
Undesignated	(80,715)	(760,277)
Board-designated	401,258	256,631
With restrictions	22,701,278	19,843,884
	<u>23,021,821</u>	<u>19,340,238</u>
Total net assets	<u>23,021,821</u>	<u>19,340,238</u>
Total liabilities and net assets	<u>\$ 23,527,312</u>	<u>\$ 19,955,948</u>

See Notes to Financial Statements.

ECSU Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	Without donor restrictions			With donor restrictions	2021 Total	2020 Total
	Undesignated	Board-designated	Total			
Support and revenue						
Donations and grants	\$ 137,470	\$ 112,428	\$ 249,898	\$ 939,355	\$ 1,189,253	\$ 990,137
Special events	30,540	-	30,540	94,796	125,336	50,726
In-kind	1,057,359	-	1,057,359	-	1,057,359	548,799
Investment return, net	-	59,705	59,705	3,555,427	3,615,132	620,205
Total support and revenue	1,225,369	172,133	1,397,502	4,589,578	5,987,080	2,209,867
Rental income	20,100	-	20,100	-	20,100	20,100
Less rental expenses	(23,273)	-	(23,273)	-	(23,273)	(24,101)
Net rental (loss) income	(3,173)	-	(3,173)	-	(3,173)	(4,001)
Net assets released from restrictions	1,732,184	-	1,732,184	(1,732,184)	-	-
Total revenue	2,954,380	172,133	3,126,513	2,857,394	5,983,907	2,205,866
Expenses						
Program services						
Scholarships and awards	521,166	10,000	531,166	-	531,166	441,225
Institutional support	839,119	17,506	856,625	-	856,625	1,100,531
Support services						
Administrative expenses	193,927	-	193,927	-	193,927	210,230
Fundraising expenses	720,606	-	720,606	-	720,606	408,037
Total expenses	2,274,818	27,506	2,302,324	-	2,302,324	2,160,023
Change in net assets	679,562	144,627	824,189	2,857,394	3,681,583	45,843
Net assets (deficit), beginning of year	(760,277)	256,631	(503,646)	19,843,884	19,340,238	19,294,395
Net assets (deficit), end of year	\$ (80,715)	\$ 401,258	\$ 320,543	\$ 22,701,278	\$ 23,021,821	\$ 19,340,238

See Notes to Financial Statements.

ECSU Foundation, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	Program services		Support services		2021 Total	2020 Total
	Scholarships and awards	Institutional support	Administrative expenses	Fundraising expenses		
Scholarships and awards	\$ 531,166	\$ -	\$ -	\$ -	\$ 531,166	\$ 441,225
Academic and program support expenses	-	282,042	-	-	282,042	662,150
Fundraising and alumni events	-	-	-	85,420	85,420	153,330
Salaries and benefits	-	-	79,420	-	79,420	88,657
Special events	-	-	-	40,965	40,965	20,465
Operating expenses - owned properties	-	56,378	14,590	-	70,968	64,282
Depreciation	-	44,529	8,683	-	53,212	58,040
Plaques and other recognition expenses	-	-	-	19,807	19,807	19,715
Inkind donations	-	452,996	29,949	574,414	1,057,359	534,799
Accounting and auditing	-	-	28,866	-	28,866	28,800
Office supplies and expenses	-	-	12,571	-	12,571	12,674
University President's expense	-	11,610	-	-	11,610	28,265
Other expenses	-	916	19,805	-	20,721	29,650
Professional fees	-	-	3,774	-	3,774	7,051
University liaison expense	-	8,154	-	-	8,154	13,060
Bank charges and fees	-	-	7,772	-	7,772	11,264
Insurance	-	-	11,770	-	11,770	10,697
Total expenses	531,166	856,625	217,200	720,606	2,325,597	2,184,124
Less expenses included with revenues on the statement of activities	-	-	(23,273)	-	(23,273)	(24,101)
	<u>\$ 531,166</u>	<u>\$ 856,625</u>	<u>\$ 193,927</u>	<u>\$ 720,606</u>	<u>\$ 2,302,324</u>	<u>\$ 2,160,023</u>

See Notes to Financial Statements.

ECSU Foundation, Inc.
Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 3,681,583	\$ 45,843
Adjustments to reconcile change in net assets to net cash used in operating activities		
Gifts restricted for long-term investments	(415,737)	(365,174)
Depreciation	53,212	58,040
Amortization of present value discount on promises to give	5,466	3,346
Change in allowance on promises to give	(4,060)	204
Change in value of charitable remainder trust	75,559	5,640
Net realized and unrealized gain on investments	(3,344,094)	(337,192)
In-kind donations of fixed assets	-	(14,000)
Changes in operating assets and liabilities		
Promises to give, net	(13,970)	147,199
Prepaid expenses and other receivables	4,694	9,134
Accounts payable	(183,353)	191,685
Accrued expenses	(2,425)	(357)
	(143,125)	(255,632)
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investments	(11,225,615)	(4,884,976)
Proceeds received from sale of investments	10,976,212	4,664,664
Purchase of land, buildings and equipment	(9,526)	(21,357)
	(258,929)	(241,669)
Net cash used in investing activities		
Cash flows from financing activities		
Gifts restricted for long-term investments	415,737	365,174
	13,683	(132,127)
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning	430,811	562,938
Cash and cash equivalents, end	\$ 444,494	\$ 430,811

See Notes to Financial Statements.

ECSU Foundation, Inc.

Notes to Financial Statements

June 30, 2021

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 therefrom 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. They are described as follows:

Net assets without donor restrictions - Net assets that are not subject to explicit donor-imposed stipulations. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Board designated net assets - Net assets established by the Board of Directors, which represent net assets without donor restrictions set aside for future needs of the Foundation.

Net assets with donor restrictions - Net assets subject to either explicit donor-imposed (or certain grantor-imposed) stipulations. Some restrictions are temporary in nature, such as those that can be fulfilled by actions of the Foundation or that expire by the passage of time. Other donor-imposed (or certain grantor-imposed) restrictions are perpetual in nature, where the donor stipulates that the net assets must be maintained in perpetuity.

The statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, 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, 2021 and 2020, cash equivalents were \$50,201 and \$152,980, respectively.

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.

ECSU Foundation, Inc.

Notes to Financial Statements

June 30, 2021

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

Transactions where the resource provider does not receive commensurate value are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Foundation has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Foundation fails to overcome the barrier. The Foundation recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset or are restricted for time or purpose. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

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

Promises to give

Promises to give are comprised of contributions. Promises to give received for future periods are presented at the present value of estimated future cash flows. Management evaluates the need for an allowance for doubtful accounts based upon factors surrounding the creditworthiness of the donor, historical collection trends and current economic conditions. Promises to give are written off only when management believes amounts will not be collected. Promises to give are considered past due based on the promise due date. For the years ended June 30, 2021 and 2020, there was no bad debt expense related to promises to give.

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 net assets with donor restrictions.

ECSU Foundation, Inc.

Notes to Financial Statements June 30, 2021

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 gifts restricted in perpetuity (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 as of June 30, 2021 and 2020 was 3.75% of the prior year's ending value of endowment net assets restricted in perpetuity, excluding long-lived assets. As of June 30, 2021 and 2020, amounts allocated for support were \$571,085 and \$556,860, respectively.

Functional expense allocation

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

Tax-exempt status

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

The Foundation's federal and state income tax returns prior to fiscal year 2018 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, 2021.

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.

ECSU Foundation, Inc.

Notes to Financial Statements

June 30, 2021

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 9). 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. Proceeds from sale and insurance recoveries are recognized as revenue in the year of sale or loss. Each of the items is cataloged, protected, kept unencumbered, preserved and cared for. The Foundation's policy requires that proceeds from the sale of collection items or insurance proceeds be used for acquisition of other collection items, the direct care of existing collections, or for any other purpose consistent with the mission of the Foundation. Direct care includes the costs related to the security of the collection and of providing adequate protection from heat, light, sun, water and any other environmental issue that would be detrimental to the long-term safety of the collection. Therefore, the collection is stored in a University building in a controlled environment and an inventory is periodically conducted. From time to time, various pieces will go on display.

Donated services

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

Subsequent events

The Foundation has evaluated subsequent events through November 17, 2021, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Credit risks

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, receivables and investments. The Foundation maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. As of June 30, 2021, the Foundation had approximately \$117,357 of cash in excess of federally insured limits.

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

ECSU Foundation, Inc.

Notes to Financial Statements
June 30, 2021

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 - New accounting pronouncements

The Foundation adopted FASB ASU 2019-03, Updating the Definition of Collections (topic 958). This standard improves the definition of collections. The update requires additional disclosure on policies for use of proceeds from when collection items are removed from a collection. The Foundation adopted ASU 2014-09 on July 1, 2020 using the prospective method of transition.

Note 4 - Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Foundation has the following financial assets available to meet annual operating needs for the fiscal years ended 2022 and 2021:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 444,494	\$ 430,811
Promises to give, net	95,344	82,780
Investments	<u>19,277,962</u>	<u>15,684,465</u>
Total financial assets	19,817,800	16,198,056
Less		
Promises to give after more than one year	23,517	27,577
Endowment funds to be used in perpetuity	15,644,668	15,228,931
Donor-restricted funds for time or purpose	5,321,641	2,557,245
Board-designated funds	<u>401,258</u>	<u>256,631</u>
Financial assets accessible by management in the next year	<u>\$ (1,573,284)</u>	<u>\$ (1,872,328)</u>

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

ECSU Foundation, Inc.

Notes to Financial Statements
June 30, 2021

Note 5 - Investments

The fair value of investments as of June 30, 2021 and 2020 are as follows:

	2021 Fair value	2020 Fair value
Mutual funds	\$ 10,776,138	\$ 6,617,198
Common stocks	4,874,951	4,477,204
Money market funds	377,628	1,161,198
Corporate bonds	1,861,614	3,124,190
US government agencies	106,868	-
Treasuries	1,280,763	304,675
Total	<u>\$ 19,277,962</u>	<u>\$ 15,684,465</u>

The following summarizes investment income for the years ended June 30, 2021 and 2020:

	2021	2020
Investment return without donor restrictions	\$ 59,705	\$ 7,779
Investment return with donor restrictions	3,555,427	612,426
Total	<u>\$ 3,615,132</u>	<u>\$ 620,205</u>

Note 6 - 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.

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.

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2021**

Financial assets carried at fair value as of June 30, 2021 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds			
Domestic equity funds	\$ 3,713,172	\$ -	\$ 3,713,172
International mutual funds	3,626,955	-	3,626,955
Fixed income funds	2,083,714	-	2,083,714
Other	-	1,352,298	1,352,298
	<u>9,423,841</u>	<u>1,352,298</u>	<u>10,776,139</u>
Domestic common stocks			
Health care	573,134	-	573,134
Technology	1,197,538	-	1,197,538
Consumer staples	223,062	-	223,062
Financials	644,432	-	644,432
Industrials	477,972	-	477,972
Consumer discretionary	565,142	-	565,142
Materials	179,427	-	179,427
Utilities	115,594	-	115,594
Communications	529,300	-	529,300
Real estate services	98,601	-	98,601
	<u>4,604,202</u>	<u>-</u>	<u>4,604,202</u>
Foreign common stocks	270,749	-	270,749
Money market funds	377,628	-	377,628
Domestic corporate bonds	-	1,861,614	1,861,614
US government agencies	106,868	-	106,868
Treasuries	1,280,762	-	1,280,762
	<u>16,064,050</u>	<u>3,213,912</u>	<u>19,277,962</u>
Total investments	<u>\$ 16,064,050</u>	<u>\$ 3,213,912</u>	<u>\$ 19,277,962</u>

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2021**

Financial assets and liabilities carried at fair value at June 30, 2020 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds			
Domestic equity funds	\$ 3,405,793	\$ -	\$ 3,405,793
International mutual funds	939,616	-	939,616
Fixed income funds	1,808,400	-	1,808,400
Other	-	463,389	463,389
	<u>6,153,809</u>	<u>463,389</u>	<u>6,617,198</u>
Domestic common stocks			
Health care	684,454	-	684,454
Technology	814,263	-	814,263
Consumer staples	398,015	-	398,015
Financials	597,189	-	597,189
Industrials	391,375	-	391,375
Consumer discretionary	426,420	-	426,420
Energy	100,938	-	100,938
Materials	96,985	-	96,985
Utilities	208,124	-	208,124
Telecommunications	402,506	-	402,506
Real estate services	178,253	-	178,253
	<u>4,298,522</u>	<u>-</u>	<u>4,298,522</u>
Foreign common stocks	178,682	-	178,682
Money market funds	1,161,198	-	1,161,198
Domestic corporate bonds	-	2,885,074	2,885,074
Foreign corporate bonds	-	239,116	239,116
Foreign preferred stock	304,675	-	304,675
	<u>304,675</u>	<u>-</u>	<u>304,675</u>
Total investments	<u>\$ 12,096,886</u>	<u>\$ 3,587,579</u>	<u>\$ 15,684,465</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). Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Other mutual funds, consisting of real estate investment trusts and alternative mutual funds, corporate bonds and obligations of municipalities (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.

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2021**

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

Note 7 - Promises to give

Unconditional promises to give are classified as with or without donor restrictions depending on the existence and/or nature of any donor restriction. As of the June 30, 2021 and 2020, unconditional promises to give consisted of the following:

	2021	2020
Receivable in		
Less than one year	\$ 71,827	\$ 55,203
One to five years	30,000	30,000
Five years or more	25,500	31,500
	127,327	116,703
Less promises to give discount (2.08% and 1.01% as of June 30, 2021 and 2020, respectively)	(5,466)	(3,346)
Less allowance for uncollectible promises to give	(26,517)	(30,577)
	\$ 95,344	\$ 82,780

Note 8 - Land, buildings and equipment

Land, buildings and equipment as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Buildings and improvements	\$ 1,350,586	\$ 1,350,586
Equipment and furniture	221,143	211,617
Vehicles	29,842	29,842
	1,601,571	1,592,045
Accumulated depreciation	(641,620)	(588,408)
	959,951	1,003,637
Land	899,200	899,200
	\$ 1,859,151	\$ 1,902,837

Certain land and buildings with a carrying amount of \$1,269,713 were donated to the Foundation. One property must be used as an educational center for the benefit of Eastern Connecticut State University's students and the community at large as defined in the agreement. A portion of this property may be sold. The proceeds from the sale are to be used for the preservation of the remainder of the farm and for the ongoing support of its educational programs. Three properties were donated by one donor. The property located in Willimantic, Connecticut is to be used for

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housing of professors and their family members, kept vacant or for any other purposes serving the needs of the University. This property cannot be sold. The remaining two properties located in Lebanon and Mansfield, Connecticut can be sold with the proceeds going to the endowment.

Note 9 - Collections

The Foundation holds \$1,828,255 of collections in artwork. This collection includes three donations of artwork received in 2012 appraised at \$1,706,850. From time to time, various pieces of the collection will go on display. The Foundation may, in its sole discretion, sell any or all of the 2012 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 10 - 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.

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 \$732,626 and \$632,822 (included in investments) as of June 30, 2021 and 2020, with a corresponding liability of \$474,844 and \$399,285, which is included in accrued expenses as of June 30, 2021 and 2020, respectively.

Note 11 - Board-designated net assets

Board-designated net assets are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 115,604	\$ 13,202
Other University programs	<u>285,654</u>	<u>243,429</u>
	<u>\$ 401,258</u>	<u>\$ 256,631</u>

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Note 12 - Restrictions on net assets

Restrictions on net assets are summarized as follows:

	2021	2020
Restricted in perpetuity		
Scholarships and awards	\$ 10,514,336	\$ 10,137,573
University support	5,130,332	5,091,358
	15,644,668	15,228,931
Land required to be permanently used for benefit of ECSU	899,200	899,200
Total restricted in perpetuity	16,543,868	16,128,131
Time or use restricted		
Scholarships and awards	2,587,561	1,097,808
University support	3,312,067	1,999,029
Time	257,782	233,537
	6,157,410	3,330,374
Buildings and improvements	-	385,379
Total time or use restricted	6,157,410	3,715,753
Total net assets with donor restrictions	\$ 22,701,278	\$ 19,843,884

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

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Note 13 - Net assets released from restrictions

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

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished		
Scholarships and awards	\$ 511,166	\$ 416,850
General University support	<u>264,554</u>	<u>629,263</u>
Total	775,720	1,046,113
Implied time restriction	385,379	14,867
Management fee	<u>571,085</u>	<u>556,860</u>
Net assets released from restrictions	<u>\$ 1,732,184</u>	<u>\$ 1,617,840</u>

Note 14 - 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, 2021 and 2020. 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 in the statement of activities. The University also provided donated services to the Foundation in the amount of \$1,057,359 and \$522,592 for the years ended June 30, 2021 and 2020, respectively.

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

Note 15 - Endowed Chair Investment Fund

The Foundation has a fund restricted in perpetuity 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 contribution is restricted to support the Endowed Chair. The Foundation also received the matching funds of \$470,443 that were held by the State of Connecticut State Treasurer. The matching funds are accounted for separately from the private matching contributions as required by the State. If the market value is less than the principal value at the end of the fiscal year, interest income earned may not be used to support an endowed chair and the Foundation must restore the principal balance to its original amount. Interest earned on the endowed chair funds will be used to support the Endowed Chair.

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**Notes to Financial Statements
June 30, 2021**

Note 16 - Endowment

Endowment net asset composition and changes in net assets by type of fund as of June 30, 2021 and 2020 are as follows:

	2021			Total
	Without donor restrictions	With donor restriction		
		Time or purpose restricted	Restricted in perpetuity	
Endowment net asset composition				
Donor-restricted endowment funds	\$ -	\$ 3,265,067	\$ 15,644,668	\$ 18,909,735
Board-designated endowment funds	18,222	-	-	18,222
	<u>\$ 18,222</u>	<u>\$ 3,265,067</u>	<u>\$ 15,644,668</u>	<u>\$ 18,927,957</u>
Change in endowment net assets				
Endowment net assets, beginning of year	\$ 10,401	\$ 1,083,183	\$ 15,228,931	\$ 16,322,515
Investment return				
Investment income, net	143	161,265	-	161,408
Net realized and unrealized appreciation	2,568	2,895,271	-	2,897,839
Contributions	5,110	-	415,737	420,847
Amounts appropriated for expenditure or satisfaction of restriction	-	(874,652)	-	(874,652)
Endowment net assets, end of year	<u>\$ 18,222</u>	<u>\$ 3,265,067</u>	<u>\$ 15,644,668</u>	<u>\$ 18,927,957</u>
	2020			
	Without donor restrictions	With donor restrictions		Total
		Time or purpose restricted	Restricted in perpetuity	
Endowment net asset composition				
Donor-restricted endowment funds	\$ -	\$ 1,083,183	\$ 15,228,931	\$ 16,322,515
Board-designated endowment funds	10,401	-	-	10,401
	<u>\$ 10,401</u>	<u>\$ 1,083,183</u>	<u>\$ 15,228,931</u>	<u>\$ 16,332,916</u>
Change in endowment net assets				
Endowment net assets, beginning of year	\$ 5,250	\$ 1,340,480	\$ 14,849,573	\$ 16,195,303
Investment return				
Investment income, net	140	246,874	-	247,014
Net realized and unrealized appreciation	173	305,700	-	305,873
Contributions	4,838	-	365,174	370,012
Amounts appropriated for expenditure or satisfaction of restriction	-	(795,687)	-	(795,687)
Other changes	-	(14,184)	14,184	-
Endowment net assets, end of year	<u>\$ 10,401</u>	<u>\$ 1,083,183</u>	<u>\$ 15,228,931</u>	<u>\$ 16,322,515</u>

The Foundation's endowment includes various donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State of Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment

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and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions restricted in perpetuity is classified as net assets with donor restrictions restricted by time or purpose until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

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

Underwater endowment funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the CTUPMIFA requires the Foundation to retain as a fund of perpetual duration. While CTUPMIFA allows for endowed funds to fall below the required level, it is the Foundation's intention to maintain its endowed funds at their required levels when possible. No funds were underwater at June 30, 2021.

Note 17 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the Foundation's financial position, results of activities, and cash flows. The Foundation is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Foundation's operations continue for an extended period of time, the Foundation may have to seek alternative measures to finance its operations.



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