

**ECSU Foundation, Inc.**

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

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

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**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, 2019, 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, 2019, 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 2018 financial statements, and our report dated October 18, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Hartford, Connecticut  
October 18, 2019

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

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Assets		
Cash and cash equivalents	\$ 562,938	\$ 826,519
Promises to give, net	233,529	164,095
Prepaid expenses and other receivables	35,934	40,692
Investments	15,126,961	14,319,047
Land, buildings and equipment, net	1,925,520	1,966,659
Collections	1,828,255	1,828,255
Asset available-for-sale	-	300,000
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 19,713,137</u>	<u>\$ 19,445,267</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 21,386	\$ 19,556
Accrued expenses	397,356	388,386
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>418,742</u>	<u>407,942</u>
Net assets		
Without donor restrictions		
Undesignated	(872,610)	(897,130)
Board-designated	265,697	260,198
With restrictions	19,901,308	19,674,257
	<u>                    </u>	<u>                    </u>
Total net assets	<u>19,294,395</u>	<u>19,037,325</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 19,713,137</u>	<u>\$ 19,445,267</u>

See Notes to Financial Statements.

**ECSU Foundation, Inc.**

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

	Without donor restrictions			With donor restrictions	2019 Total	2018 Total
	Undesignated	Board-designated	Total			
Support and revenue						
Donations and grants	\$ 102,329	\$ 56,736	\$ 159,065	\$ 1,461,723	\$ 1,620,788	\$ 1,865,769
Special events	41,815	-	41,815	127,113	168,928	180,056
In-kind	387,784	-	387,784	-	387,784	389,317
Investment return, net	-	13,772	13,772	1,003,744	1,017,516	965,726
Miscellaneous income	100	-	100	-	100	19,187
<b>Total support and revenue</b>	<b>532,028</b>	<b>70,508</b>	<b>602,536</b>	<b>2,592,580</b>	<b>3,195,116</b>	<b>3,420,055</b>
Rental income	14,215	-	14,215	-	14,215	133,931
Less rental expenses	(19,027)	-	(19,027)	-	(19,027)	(131,560)
Net rental (loss) income	(4,812)	-	(4,812)	-	(4,812)	2,371
Net assets released from restrictions	2,365,529	-	2,365,529	(2,365,529)	-	-
<b>Total revenue</b>	<b>2,892,745</b>	<b>70,508</b>	<b>2,963,253</b>	<b>227,051</b>	<b>3,190,304</b>	<b>3,422,426</b>
Expenses						
Program services						
Scholarships and awards	638,606	14,750	653,356	-	653,356	452,861
Institutional support	1,439,091	50,259	1,489,350	-	1,489,350	1,277,580
Support services						
Administrative expenses	361,891	-	361,891	-	361,891	352,079
Fundraising expenses	278,637	-	278,637	-	278,637	272,520
<b>Total expenses</b>	<b>2,718,225</b>	<b>65,009</b>	<b>2,783,234</b>	<b>-</b>	<b>2,783,234</b>	<b>2,355,040</b>
Other changes						
Impairment loss	-	-	-	-	-	(200,000)
Loss on disposal of asset	(150,000)	-	(150,000)	-	(150,000)	-
Gain on sale of assets	-	-	-	-	-	-
Other changes between net asset categories	-	-	-	-	-	-
<b>Total other changes</b>	<b>(150,000)</b>	<b>-</b>	<b>(150,000)</b>	<b>-</b>	<b>(150,000)</b>	<b>(200,000)</b>
Change in net assets	24,520	5,499	30,019	227,051	257,070	867,386
Net assets (deficit), beginning of year	(897,130)	260,198	(636,932)	19,674,257	19,037,325	18,169,939
<b>Net assets (deficit), end of year</b>	<b>\$ (872,610)</b>	<b>\$ 265,697</b>	<b>\$ (606,913)</b>	<b>\$ 19,901,308</b>	<b>\$ 19,294,395</b>	<b>\$ 19,037,325</b>

See Notes to Financial Statements.

**ECSU Foundation, Inc.**

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

	Program services		Support services		2019 Total	2018 Total
	Scholarships and awards	Institutional support	Administrative expenses	Fundraising expenses		
Scholarships and awards	\$ 653,356	\$ -	\$ -	\$ -	\$ 653,356	\$ 462,937
Academic and program support expenses	-	905,589	-	-	905,589	480,783
Institute of Sustainable Energy Studies	-	65,067	-	-	65,067	293,818
Receptions and banquets	-	-	-	164,243	164,243	172,816
Salaries and benefits	-	-	93,621	-	93,621	121,228
Special events	-	-	-	69,297	69,297	72,964
Operating expenses - owned properties	-	186,092	11,088	-	197,180	267,804
Depreciation	-	48,938	6,089	-	55,027	55,795
Plaques and other recognition expenses	-	-	-	33,097	33,097	26,740
Inkind donations	-	239,838	130,948	12,000	382,786	389,317
Accounting and auditing	-	-	27,100	-	27,100	23,800
Office supplies and expenses	-	-	14,793	-	14,793	13,622
University President's expense	-	24,577	-	-	24,577	25,177
Other expenses	-	7,394	35,530	-	42,924	29,530
Professional fees	-	-	44,118	-	44,118	20,323
University liaison expense	-	11,855	-	-	11,855	10,959
Bank charges and fees	-	-	10,406	-	10,406	12,227
Insurance	-	-	7,225	-	7,225	6,760
<b>Total expenses</b>	<b>653,356</b>	<b>1,489,350</b>	<b>380,918</b>	<b>278,637</b>	<b>2,802,261</b>	<b>2,486,600</b>
Less expenses included with revenues on the statement of activities	-	-	(19,027)	-	(19,027)	(131,560)
<b>Total expenses included in expense section on the statement of activities</b>	<b>653,356</b>	<b>1,489,350</b>	<b>361,891</b>	<b>278,637</b>	<b>2,783,234</b>	<b>2,355,040</b>
Loss on disposal of asset	-	-	150,000	-	150,000	-
	<u><u>\$ 653,356</u></u>	<u><u>\$ 1,489,350</u></u>	<u><u>\$ 511,891</u></u>	<u><u>\$ 278,637</u></u>	<u><u>\$ 2,933,234</u></u>	<u><u>\$ 2,355,040</u></u>

See Notes to Financial Statements.

**ECSU Foundation, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2019**  
**(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 257,070	\$ 867,386
Adjustments to reconcile change in net assets to net cash used in operating activities		
Gifts restricted for long-term investments	(483,403)	(932,437)
Depreciation	55,027	55,795
Amortization of present value discount on promises to give	(1,427)	(3,234)
Change in allowance on promises to give	(9,037)	(2,237)
Change in value of charitable remainder trust	14,298	22,080
Net realized and unrealized gain on investments	(731,411)	(746,256)
In-kind donations of fixed assets	(4,999)	-
Impairment loss	-	200,000
Loss on disposal of asset	150,000	-
Changes in operating assets and liabilities		
Promises to give, net	(58,970)	155,988
Prepaid expenses and other receivables	4,758	(11,181)
Accounts payable	1,830	(13,835)
Accrued expenses	(5,328)	3,721
	(811,592)	(404,210)
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investments	(763,668)	(6,135,118)
Proceeds received from sale of investments	687,165	5,478,988
Purchase of land, buildings and equipment	(8,889)	(2,441)
Proceeds from sale of assets held as available-for-sale	150,000	-
	64,608	(658,571)
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Gifts restricted for long-term investments	483,403	932,437
	(263,581)	(130,344)
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning	826,519	956,863
Cash and cash equivalents, end	\$ 562,938	\$ 826,519

See Notes to Financial Statements.



## ECSU Foundation, Inc.

### Notes to the Financial Statements June 30, 2019

#### 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, 2018, 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, 2019 and 2018, \$171,677 and \$438,941, respectively, were cash equivalents.

##### **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 the Financial Statements June 30, 2019

Unrealized gains and losses that result from market fluctuations are recognized in the period in which the fluctuations occur. Investment management fees are netted against total investment return.

#### **Donations and grants**

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

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

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

#### **Promises to give**

Promises to give are comprised of contributions. 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 pledge due date. For the years ended June 30, 2019 and 2018, 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. It is the Foundation's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of buildings and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in net assets with donor restrictions. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions each year for the amount of depreciation expense relating to the donated buildings and equipment.

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

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

## **ECSU Foundation, Inc.**

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

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, 2019 and 2018 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, 2019 and 2018, amounts allocated for support were \$537,288 and \$499,355, 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 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Foundation has no unrecognized tax benefits at June 30, 2019.

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

#### **Use of estimates**

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

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

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

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

## **ECSU Foundation, Inc.**

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

#### **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. Artwork is protected, kept unencumbered, cared for and preserved.

#### **Donated services**

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

#### **Reclassifications**

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

#### **Subsequent events**

The Foundation has evaluated subsequent events through October 18, 2019, which is the date the financial statements were available to be issued.

### **Note 2 - Concentrations**

#### **Credit risk**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, receivables and investments. The Foundation maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. As of June 30, 2019, the Foundation had approximately \$181,796 of cash in excess of federally insured limits.

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

#### **Market risk**

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

### **Note 3 - New Accounting Pronouncement**

During the year ended June 30, 2019, the Foundation adopted the provisions of Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The accompanying information from 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. The adoption of ASU 2016-14 has had no effect on the Foundation's total net assets.

**ECSU Foundation, Inc.**

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

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

Cash and cash equivalents	\$	562,938
Promises to give, net		233,529
Investments		<u>15,126,961</u>
 Total financial assets		 15,923,428
 Less		
Promises to give after more than one year		29,212
Endowment funds to be used in perpetuity		14,849,573
Donor restricted funds for time or purpose		3,004,946
Board-designated funds		<u>265,697</u>
 Financial assets accessible by management in the next year		 <u><u>\$ (2,226,000)</u></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.

**Note 5 - Investments**

	2019 Fair value	2018 Fair value
Mutual funds	\$ 6,706,889	\$ 5,777,971
Common stocks	4,537,279	4,439,513
Money market funds	482,005	750,585
Corporate bonds	3,234,005	3,190,838
Treasuries	<u>166,783</u>	<u>160,140</u>
 Total	 <u><u>\$ 15,126,961</u></u>	 <u><u>\$ 14,319,047</u></u>

**ECSU Foundation, Inc.**

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

The following summarizes investment income for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income, net of fees	\$ 286,105	\$ 219,470
Net realized and unrealized gains	<u>731,411</u>	<u>746,256</u>
Total	<u>\$ 1,017,516</u>	<u>\$ 965,726</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 the Financial Statements  
June 30, 2019**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds			
Domestic equity funds	\$ 4,103,484	\$ -	\$ 4,103,484
International mutual funds	742,976	-	742,976
Fixed income funds	1,407,819	-	1,407,819
Other	-	452,610	452,610
	<u>6,254,279</u>	<u>452,610</u>	<u>6,706,889</u>
Domestic common stocks			
Health care	762,034	-	762,034
Technology	948,486	-	948,486
Consumer staples	325,948	-	325,948
Financials	655,327	-	655,327
Industrials	506,928	-	506,928
Consumer discretionary	487,281	-	487,281
Energy	244,813	-	244,813
Materials	35,826	-	35,826
Utilities	57,985	-	57,985
Communications	331,757	-	331,757
Real estate services	42,386	-	42,386
	<u>4,398,771</u>	<u>-</u>	<u>4,398,771</u>
Foreign common stocks	138,508	-	138,508
Money market funds	482,005	-	482,005
Domestic corporate bonds	-	2,998,991	2,998,991
Foreign corporate bonds	-	235,014	235,014
Treasuries	166,783	-	166,783
	<u>11,440,346</u>	<u>3,686,615</u>	<u>15,126,961</u>
Total investments	<u>\$ 11,440,346</u>	<u>\$ 3,686,615</u>	<u>\$ 15,126,961</u>

**ECSU Foundation, Inc.**

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

Financial assets and liabilities carried at fair value at June 30, 2018 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	\$ 3,423,079	\$ -	\$ 3,423,079
International mutual funds	707,992	-	707,992
Fixed income funds	1,218,199	-	1,218,199
Other	-	428,701	428,701
	<u>5,349,270</u>	<u>428,701</u>	<u>5,777,971</u>
Domestic common stocks			
Health care	718,100	-	718,100
Technology	912,939	-	912,939
Consumer staples	270,868	-	270,868
Financials	699,913	-	699,913
Industrials	553,703	-	553,703
Consumer discretionary	592,284	-	592,284
Energy	328,248	-	328,248
Materials	58,561	-	58,561
Utilities	50,092	-	50,092
Telecommunications	71,152	-	71,152
Real estate services	36,482	-	36,482
	<u>4,292,342</u>	<u>-</u>	<u>4,292,342</u>
Foreign common stocks	147,171	-	147,171
Money market funds	750,585	-	750,585
Domestic corporate bonds	-	2,963,445	2,963,445
Foreign corporate bonds	-	227,393	227,393
Foreign preferred stock	160,140	-	160,140
	<u>10,699,508</u>	<u>3,619,539</u>	<u>14,319,047</u>
<b>Total investments</b>	<b><u>\$ 10,699,508</u></b>	<b><u>\$ 3,619,539</u></b>	<b><u>\$ 14,319,047</u></b>

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.



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

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

**Note 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 end of the year, unconditional promises to give consisted of the following:

	2019	2018
Receivable in		
Less than one year	\$ 205,477	\$ 140,507
One to five years	30,000	30,000
Five years or more	37,500	43,500
	272,977	214,007
Less promises to give discount (2.20% and 2.24% as of June 30, 2019 and 2018, respectively)	(9,075)	(9,824)
Less allowance for uncollectible promises to give	(30,373)	(40,088)
	\$ 233,529	\$ 164,095

**Note 8 - Land, buildings and equipment**

Land, buildings and equipment as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Buildings and improvements	\$ 1,350,586	\$ 1,341,697
Equipment and furniture	189,137	190,469
Vehicles	16,965	16,965
	1,556,688	1,549,131
Accumulated depreciation	(530,368)	(481,672)
	1,026,320	1,067,459
Land	899,200	899,200
	\$ 1,925,520	\$ 1,966,659

Certain land and buildings with a carrying amount of \$1,299,446 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

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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 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 has adopted the policy of capitalizing collections of artwork in its financial statements. 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 which is stored in the University Art Gallery in a controlled environment. From time to time, various pieces of the collection received in 2012 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 \$641,638 and \$636,713 (included in investments) as of June 30, 2019 and 2018, with a corresponding liability of \$393,645 and \$379,347, which is included in accrued expenses as of June 30, 2019 and 2018, respectively.

**Note 11 - Board-designated net assets**

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

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 22,630	\$ 33,979
Other University programs	<u>243,067</u>	<u>226,219</u>
	<u>\$ 265,697</u>	<u>\$ 260,198</u>

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**Note 12 - Restrictions on net assets**

Restrictions on net assets are summarized as follows:

	2019	2018
Restricted in perpetuity		
Scholarships and awards	\$ 9,786,501	\$ 9,316,303
University support	5,063,072	5,011,367
	14,849,573	14,327,670
Land required to be permanently used for benefit of ECSU	899,200	899,200
Total restricted in perpetuity	15,748,773	15,226,870
Time or use restricted		
Scholarships and awards	1,384,933	1,577,930
University support	2,119,363	1,872,851
Time	247,993	257,366
	3,752,289	3,708,147
Buildings and improvements on which a time restriction is implied	400,246	739,240
Total time or use restricted	4,152,535	4,447,387
Total net assets with donor restrictions	\$ 19,901,308	\$ 19,674,257

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 related to the following:

	2019	2018
Purpose restrictions accomplished		
Scholarships and awards	\$ 623,606	\$ 420,861
General University support	1,015,641	422,046
Total	1,639,247	842,907
Implied time restriction	38,994	14,867
Management fee	537,288	499,355
Impairment of asset	-	200,000
Loss on disposal of asset	150,000	-
Net assets released from restrictions	\$ 2,365,529	\$ 1,557,129

**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, 2019 and 2018. 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 \$355,823 and \$338,346.

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. During 2018, the Foundation 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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**Note 16 - Endowment**

Endowment net asset composition and changes in net assets by type of fund as of June 30, 2019 and 2018 are as follows:

	2019			
	Without donor restrictions	With donor restriction		Total
		Time or purpose restricted	Restricted in perpetuity	
Endowment net asset composition				
Donor-restricted endowment funds	\$ 5,250	\$ 1,340,480	\$ 14,849,573	\$ 16,195,303
Change in endowment net assets				
Endowment net assets, beginning of year	\$ -	\$ 1,429,368	\$ 14,327,670	\$ 15,757,038
Investment return				
Investment income, net	73	238,231	-	238,304
Net realized and unrealized appreciation	199	650,447	-	650,646
Contributions	4,978	-	483,403	488,381
Amounts appropriated for expenditure or satisfaction of restriction	-	(939,066)	-	(939,066)
Other changes	-	(38,500)	38,500	-
Endowment net assets, end of year	\$ 5,250	\$ 1,340,480	\$ 14,849,573	\$ 16,195,303
	2018			
	Without donor restrictions	With donor restrictions		Total
		Time or purpose restricted	Restricted in perpetuity	
Endowment net asset composition				
Donor-restricted endowment funds	\$ -	\$ 1,429,368	\$ 14,327,670	\$ 15,757,038
Change in endowment net assets				
Endowment net assets, beginning of year	\$ -	\$ 1,074,863	\$ 13,316,136	\$ 14,390,999
Investment return				
Investment income, net	-	187,461	-	187,461
Net realized and unrealized appreciation	-	854,460	-	854,460
Contributions	-	-	940,895	940,895
Amounts appropriated for expenditure or satisfaction of restriction	-	(616,777)	-	(616,777)
Other changes	-	(70,639)	70,639	-
Endowment net assets, end of year	\$ -	\$ 1,429,368	\$ 14,327,670	\$ 15,757,038

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

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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 State of Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") requires the Organization to retain as a fund of perpetual duration. While CTUPMIFA allows for endowed funds to fall below the required level, it is the Organization's intention to maintain its endowed funds at their required levels when possible.

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

	<u>Number of funds underwater</u>	<u>Fair value</u>	<u>Original gift</u>	<u>Amount of deficiencies</u>
2019	1	\$ 3,805,212	\$ 4,044,881	\$ 239,669

**Note 17 - Impairment of asset**

The Foundation recognized an impairment loss on a building located in Willimantic, Connecticut. The building was used for rental income and was originally donated to the Foundation. An independent appraisal of the building indicated the net realizable value was less than its carrying amount. Therefore, the Foundation recognized an impairment loss as of June 30, 2018 of \$200,000. The asset was sold during the year ended June 30, 2019 to provide additional funding without donor restrictions for the Foundation.

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