

**ECSU Foundation, Inc.**

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

**June 30, 2020  
(With Comparative Totals for 2019)**

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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, 2020, 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, 2020, 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 2019 financial statements and our report dated October 18, 2019 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, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Hartford, Connecticut  
October 29, 2020

**ECSU Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2020**  
**(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Assets		
Cash and cash equivalents	\$ 430,811	\$ 562,938
Promises to give, net	82,780	233,529
Prepaid expenses and other receivables	26,800	35,934
Investments	15,684,465	15,126,961
Land, buildings and equipment, net	1,902,837	1,925,520
Collections	1,828,255	1,828,255
	<u>19,955,948</u>	<u>19,713,137</u>
Total assets	<u>\$ 19,955,948</u>	<u>\$ 19,713,137</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 213,071	\$ 21,386
Accrued expenses	402,639	397,356
	<u>615,710</u>	<u>418,742</u>
Total liabilities	<u>615,710</u>	<u>418,742</u>
Net assets		
Without donor restrictions		
Undesignated	(760,277)	(872,610)
Board-designated	256,631	265,697
With restrictions	19,843,884	19,901,308
	<u>19,340,238</u>	<u>19,294,395</u>
Total net assets	<u>19,340,238</u>	<u>19,294,395</u>
Total liabilities and net assets	<u>\$ 19,955,948</u>	<u>\$ 19,713,137</u>

See Notes to Financial Statements.

**ECSU Foundation, Inc.**

**Statement of Activities  
Year Ended June 30, 2020  
(With Comparative Totals for 2019)**

	Without donor restrictions			With donor restrictions	2020 Total	2019 Total
	Undesignated	Board-designated	Total			
Support and revenue						
Donations and grants	\$ 68,131	\$ 24,742	\$ 92,873	\$ 897,264	\$ 990,137	\$ 1,620,788
Special events	-	-	-	50,726	50,726	168,928
In-kind	548,799	-	548,799	-	548,799	387,784
Investment return, net	55	7,724	7,779	612,426	620,205	1,017,516
Miscellaneous income	-	-	-	-	-	100
Total support and revenue	616,985	32,466	649,451	1,560,416	2,209,867	3,195,116
Rental income	20,100	-	20,100	-	20,100	14,215
Less rental expenses	(24,101)	-	(24,101)	-	(24,101)	(19,027)
Net rental (loss) income	(4,001)	-	(4,001)	-	(4,001)	(4,812)
Net assets released from restrictions	1,617,840	-	1,617,840	(1,617,840)	-	-
Total revenue	2,230,824	32,466	2,263,290	(57,424)	2,205,866	3,190,304
Expenses						
Program services						
Scholarships and awards	431,100	10,125	441,225	-	441,225	653,356
Institutional support	1,069,124	31,407	1,100,531	-	1,100,531	1,489,350
Support services						
Administrative expenses	210,230	-	210,230	-	210,230	242,943
Fundraising expenses	408,037	-	408,037	-	408,037	397,585
Total expenses	2,118,491	41,532	2,160,023	-	2,160,023	2,783,234
Other changes						
Loss on disposal of asset	-	-	-	-	-	(150,000)
Change in net assets	112,333	(9,066)	103,267	(57,424)	45,843	257,070
Net assets (deficit), beginning of year	(872,610)	265,697	(606,913)	19,901,308	19,294,395	19,037,325
Net assets (deficit), end of year	\$ (760,277)	\$ 256,631	\$ (503,646)	\$ 19,843,884	\$ 19,340,238	\$ 19,294,395

See Notes to Financial Statements.

**ECSU Foundation, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2020  
(With Comparative Totals for 2019)**

	Program services		Support services		2020 Total	2019 Total
	Scholarships and awards	Institutional support	Administrative expenses	Fundraising expenses		
Scholarships and awards	\$ 441,225	\$ -	\$ -	\$ -	\$ 441,225	\$ 653,356
Academic and program support expenses	-	662,150	-	-	662,150	905,589
Institute of Sustainable Energy Studies	-	-	-	-	-	65,067
Fundraising and alumni events	-	-	-	153,330	153,330	164,243
Salaries and benefits	-	-	88,657	-	88,657	93,621
Special events	-	-	-	20,465	20,465	69,297
Operating expenses - owned properties	-	49,560	14,722	-	64,282	197,180
Depreciation	-	48,661	9,379	-	58,040	55,027
Plaques and other recognition expenses	-	-	-	19,715	19,715	33,097
Inkind donations	-	295,339	24,933	214,527	534,799	382,786
Accounting and auditing	-	-	28,800	-	28,800	27,100
Office supplies and expenses	-	-	12,674	-	12,674	14,793
University President's expense	-	28,265	-	-	28,265	24,577
Other expenses	-	3,496	26,154	-	29,650	42,924
Professional fees	-	-	7,051	-	7,051	44,118
University liaison expense	-	13,060	-	-	13,060	11,855
Bank charges and fees	-	-	11,264	-	11,264	10,406
Insurance	-	-	10,697	-	10,697	7,225
<b>Total expenses</b>	<b>441,225</b>	<b>1,100,531</b>	<b>234,331</b>	<b>408,037</b>	<b>2,184,124</b>	<b>2,802,261</b>
Less expenses included with revenues on the statement of activities	-	-	(24,101)	-	(24,101)	(19,027)
<b>Total expenses included in expense section on the statement of activities</b>	<b>441,225</b>	<b>1,100,531</b>	<b>210,230</b>	<b>408,037</b>	<b>2,160,023</b>	<b>2,783,234</b>
Loss on disposal of asset	-	-	-	-	-	150,000
	<u>\$ 441,225</u>	<u>\$ 1,100,531</u>	<u>\$ 210,230</u>	<u>\$ 408,037</u>	<u>\$ 2,160,023</u>	<u>\$ 2,933,234</u>

See Notes to Financial Statements.

**ECSU Foundation, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 45,843	\$ 257,070
Adjustments to reconcile change in net assets to net cash used in operating activities		
Gifts restricted for long-term investments	(365,174)	(483,403)
Depreciation	58,040	55,027
Amortization of present value discount on promises to give	3,346	(1,427)
Change in allowance on promises to give	204	(9,037)
Change in value of charitable remainder trust	5,640	14,298
Net realized and unrealized gain on investments	(337,192)	(731,411)
In-kind donations of fixed assets	(14,000)	(4,999)
Loss on disposal of asset	-	150,000
Changes in operating assets and liabilities		
Promises to give, net	147,199	(58,970)
Prepaid expenses and other receivables	9,134	4,758
Accounts payable	191,685	1,830
Accrued expenses	(357)	(5,328)
	(255,632)	(811,592)
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investments	(4,884,976)	(763,668)
Proceeds received from sale of investments	4,664,664	687,165
Purchase of land, buildings and equipment	(21,357)	(8,889)
Proceeds from sale of assets held as available-for-sale	-	150,000
	(241,669)	64,608
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Gifts restricted for long-term investments	365,174	483,403
	(132,127)	(263,581)
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning	562,938	826,519
Cash and cash equivalents, end	\$ 430,811	\$ 562,938

See Notes to Financial Statements.



## ECSU Foundation, Inc.

### Notes to Financial Statements June 30, 2020

#### 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, 2019, 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, 2020 and 2019, \$152,980 and \$171,677, 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 Financial Statements June 30, 2020**

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, 2020 and 2019, 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. 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.

## ECSU Foundation, Inc.

### Notes to Financial Statements June 30, 2020

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, 2020 and 2019 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, 2020 and 2019, amounts allocated for support were \$556,860 and \$537,288, 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 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, 2020.

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, 2020**

#### **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. 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 29, 2020, 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, 2020, the Foundation had approximately \$11,026 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.

ECSU Foundation, Inc.

Notes to Financial Statements  
June 30, 2020

**Note 3 - New accounting pronouncements**

During 2020, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

In June 2020, the FASB issued ASU 2020-05 ("ASU 2020-05"), *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

The Foundation has elected to apply the deferral provided by ASU 2020-05 and, therefore, expects to adopt Topic 606 for annual reporting periods beginning after December 15, 2019 on a modified retrospective basis. The Foundation is currently evaluating the potential impact of adopting Topic 606 on its financial statements

**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 2021 and 2020:

	2020	2019
Cash and cash equivalents	\$ 430,811	\$ 562,938
Promises to give, net	82,780	233,529
Investments	15,684,465	15,126,961
 Total financial assets	 16,198,056	 15,923,428
 Less		
Promises to give after more than one year	27,577	29,212
Endowment funds to be used in perpetuity	15,228,931	14,849,573
Donor-restricted funds for time or purpose	2,557,245	3,004,946
Board-designated funds	256,631	265,697
 Financial assets accessible by management in the next year	 <u>\$ (1,872,328)</u>	 <u>\$ (2,226,000)</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, 2020**

**Note 5 - Investments**

	2020 Fair value	2019 Fair value
Mutual funds	\$ 6,617,198	\$ 6,706,889
Common stocks	4,477,204	4,537,279
Money market funds	1,161,198	482,005
Corporate bonds	3,124,190	3,234,005
Treasuries	304,675	166,783
 Total	 \$ 15,684,465	 \$ 15,126,961

The following summarizes investment income for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividend income, net of fees	\$ 283,013	\$ 286,105
Net realized and unrealized gains	337,192	731,411
 Total	 \$ 620,205	 \$ 1,017,516

**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, 2020**

Financial assets carried at fair value as of 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
Communications	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
Treasuries	304,675	-	304,675
	<u>12,096,886</u>	<u>3,587,579</u>	<u>15,684,465</u>
Total investments	<u>\$ 12,096,886</u>	<u>\$ 3,587,579</u>	<u>\$ 15,684,465</u>

**ECSU Foundation, Inc.**

**Notes to Financial Statements  
June 30, 2020**

Financial assets and liabilities carried at fair value at 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
Telecommunications	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
Foreign preferred stock	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>

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.



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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, 2020, unconditional promises to give consisted of the following:

	2020	0
Receivable in		
Less than one year	\$ 55,203	\$ 205,477
One to five years	30,000	30,000
Five years or more	31,500	37,500
	116,703	272,977
Less promises to give discount (1.01% and 2.20% as of June 30, 2020 and 2019, respectively)	(3,346)	(9,075)
Less allowance for uncollectible promises to give	(30,577)	(30,373)
	\$ 82,780	\$ 233,529

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

Land, buildings and equipment as of June 30, 2020 and 2019 consist of the following:

	2020	0
Buildings and improvements	\$ 1,350,586	\$ 1,350,586
Equipment and furniture	211,617	189,137
Vehicles	29,842	16,965
	1,592,045	1,556,688
Accumulated depreciation	(588,408)	(530,368)
	1,003,637	1,026,320
Land	899,200	899,200
	\$ 1,902,837	\$ 1,925,520

Certain land and buildings with a carrying amount of \$1,284,579 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 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 \$632,822 and \$641,638 (included in investments) as of June 30, 2020 and 2019, with a corresponding liability of \$399,285 and \$393,645, which is included in accrued expenses as of June 30, 2020 and 2019, respectively.

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

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

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 13,202	\$ 22,630
Other University programs	<u>243,429</u>	<u>243,067</u>
	<u>\$ 256,631</u>	<u>\$ 265,697</u>

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**Note 12 - Restrictions on net assets**

Restrictions on net assets are summarized as follows:

	2020	0
Restricted in perpetuity		
Scholarships and awards	\$ 10,137,573	\$ 9,786,501
University support	5,091,358	5,063,072
	15,228,931	14,849,573
Land required to be permanently used for benefit of ECSU	899,200	899,200
Total restricted in perpetuity	16,128,131	15,748,773
Time or use restricted		
Scholarships and awards	1,097,808	1,384,933
University support	1,999,029	2,119,363
Time	233,537	247,993
	3,330,374	3,752,289
Buildings and improvements	385,379	400,246
Total time or use restricted	3,715,753	4,152,535
Total net assets with donor restrictions	\$ 19,843,884	\$ 19,901,308

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:

	2020	2019
Purpose restrictions accomplished		
Scholarships and awards	\$ 416,850	\$ 623,606
General University support	629,263	1,015,641
Total	1,046,113	1,639,247
Implied time restriction	14,867	38,994
Management fee	556,860	537,288
Loss on disposal of asset	-	150,000
Net assets released from restrictions	\$ 1,617,840	\$ 2,365,529

**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, 2020 and 2019. 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 \$522,592 and \$355,823 for the years ended June 30, 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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Note 16 - Endowment

Endowment net asset composition and changes in net assets by type of fund as of June 30, 2020 and 2019 are as follows:

	2020			Total
	Without donor restrictions	With donor restriction		
		Time or purpose restricted	Restricted in perpetuity	
Endowment net asset composition				
Donor-restricted endowment funds	\$ 10,401	\$ 1,083,183	\$ 15,228,931	\$ 16,322,515
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	\$ 10,401	\$ 1,083,183	\$ 15,228,931	\$ 16,322,515
	2019			Total
	Without donor restrictions	With donor restrictions		
		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

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 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

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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.

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, 2020 is as follows:

	<u>Number of funds underwater</u>	<u>Fair value</u>	<u>Original gift</u>	<u>Amount of deficiencies</u>
2020	1	\$ 3,843,355	\$ 4,044,881	\$ 201,526

**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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