

ECSU FOUNDATION, INC.

Independent Auditors' Report

Financial Statements

June 30, 2024



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of ECSU Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ECSU Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2025, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Hartford, Connecticut
January 28, 2025

ECSU FOUNDATION, INC.

Statement of Financial Position

June 30, 2024

Assets

Cash and cash equivalents	\$ 1,413,074
Promises to give, net	381,552
Other assets	3,148
Investments	20,989,998
Land, buildings, and equipment, net	1,577,271
Collections	<u>1,839,425</u>

Total assets	<u><u>\$ 26,204,468</u></u>
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Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 714,955
Charitable remainder unitrust	<u>441,154</u>

Total liabilities	<u>1,156,109</u>
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Net Assets

Without donor restrictions	
Undesignated	<u>1,551,256</u>

With donor restrictions

Time or purpose restricted	4,878,033
Restricted in perpetuity	<u>18,619,070</u>

Total with donor restrictions	<u>23,497,103</u>
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Total net assets	<u>25,048,359</u>
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Total liabilities and net assets	<u><u>\$ 26,204,468</u></u>
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The accompanying notes are an integral part of the financial statements.

ECSU FOUNDATION, INC.

Statement of Activities

For the year ended June 30, 2024

	Without donor restrictions			With donor restrictions	
	Undesignated	Board-designated	Total		Total
Revenues and Support					
Donations and grants	\$ 208,969	\$ -	\$ 208,969	\$ 1,031,730	\$ 1,240,699
Special events	33,122	-	33,122	19,964	53,086
University donated services	207,011	-	207,011	-	207,011
Contributions of nonfinancial assets	20,550	-	20,550	-	20,550
Investment return, net of fees	338	-	338	2,369,590	2,369,928
Net assets released from restrictions	1,048,917	-	1,048,917	(1,048,917)	-
Total revenues and support	1,518,907	-	1,518,907	2,372,367	3,891,274
Expenses					
Program services					
Scholarships and awards	169,025	-	169,025	-	169,025
Institutional support	397,387	-	397,387	-	397,387
Support services					
Administrative	306,945	-	306,945	-	306,945
Fundraising	124,199	-	124,199	-	124,199
Total expenses	997,556	-	997,556	-	997,556
Change in net assets before other changes	521,351	-	521,351	2,372,367	2,893,718
Other Changes					
Gain/(loss) on disposal of assets	(3,827)	-	(3,827)	113,781	109,954
Net assets transferred	280,278	(376,299)	(96,021)	96,021	-
Transfer of funds to University	-	-	-	(253,974)	(253,974)
Change in net assets	797,802	(376,299)	421,503	2,328,195	2,749,698
Net assets - beginning of year	753,454	376,299	1,129,753	21,168,908	22,298,661
Net assets - end of year	\$ 1,551,256	\$ -	\$ 1,551,256	\$ 23,497,103	\$ 25,048,359

The accompanying notes are an integral part of the financial statements.

ECSU FOUNDATION, INC.
Statement of Functional Expenses
For the year ended June 30, 2024

	Program Services			Support Services		
	Scholarships and awards	Institutional support	Total Program Services	Administrative	Fundraising	Total
Academic and program support	\$ -	\$ 220,751	\$ 220,751	\$ -	\$ -	\$ 220,751
Accounting and auditing	-	-	-	37,906	-	37,906
Bank charges and fees	-	-	-	1,472	-	1,472
Depreciation	-	42,520	42,520	-	-	42,520
Fundraising and alumni events	-	-	-	-	7,627	7,627
In-kind donations	17,600	2,950	20,550	-	-	20,550
In-kind services	-	101,609	101,609	17,594	87,808	207,011
Insurance	-	-	-	9,168	-	9,168
Office supplies	-	-	-	3,018	-	3,018
Operating expenses - owned properties	-	26,397	26,397	-	-	26,397
Other	-	450	450	4,329	-	4,779
Plaques and other recognition	-	-	-	-	7,192	7,192
Professional fees	-	-	-	43,600	-	43,600
Salaries and benefits	-	-	-	189,858	-	189,858
Scholarships and awards	151,425	-	151,425	-	-	151,425
Special events	-	-	-	-	21,572	21,572
University liaison discretionary	-	210	210	-	-	210
University President discretionary	-	2,500	2,500	-	-	2,500
Total	<u>\$ 169,025</u>	<u>\$ 397,387</u>	<u>\$ 566,412</u>	<u>\$ 306,945</u>	<u>\$ 124,199</u>	<u>\$ 997,556</u>

The accompanying notes are an integral part of the financial statements.

ECSU FOUNDATION, INC.

Statement of Cash Flows

For the year ended June 30, 2024

Cash flows from operating activities:

Change in net assets	\$ 2,749,698
Adjustments to reconcile change in net assets to net change in cash from operating activities:	
Gifts restricted for long-term investments	(430,067)
Depreciation	42,520
Amortization of present value discount on promises to give	343
Change in allowance on promises to give	2,829
Change in value of charitable remainder unitrust	32,153
Net realized and unrealized gain on investments	(1,978,059)
Gain on sale of property	(109,954)
Changes in operating assets and liabilities	
Promises to give	(171,560)
Other assets	14,621
Accounts payable and accrued expenses	(146,677)
Net change in cash from operating activities	<u>5,847</u>

Cash flows from investing activities:

Purchases of investments	(4,136,098)
Proceeds from sales of investments	4,430,022
Proceeds from sale of land, buildings, and equipment	285,060
Net change in cash from investing activities	<u>578,984</u>

Cash flows from financing activities:

Gifts restricted for long-term investments	<u>430,067</u>
Net change in cash and cash equivalents	1,014,898
Cash and cash equivalents - beginning of year	<u>398,176</u>
Cash and cash equivalents - end of year	<u>\$ 1,413,074</u>

The accompanying notes are an integral part of the financial statements.

ECSU FOUNDATION, INC.

Notes to Financial Statements

June 30, 2024

NOTE 1 – ORGANIZATION 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"). 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.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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.

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.

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.

Investments - Assets established from donor-restricted contributions are pooled in an investment account on a fair value basis. Units of the pooled investment account are revalued at the end of each month based on the fair value of the underlying assets in the account. The initial unit value of each subsequent deposit or withdrawal is computed as of the last trading day of the period in which the deposit or withdrawal was made, except that the unit value of any deposit or withdrawal amounting to more than 10% of total investment funds is computed at fair value on the date of deposit or withdrawal.

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

Donations and Grants - 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.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional 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 or conditions 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 year ended June 30, 2024, an allowance of \$17,021 was recorded.

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.

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 as well as scholarships and other programmatic expenses. The annual assessment as of June 30, 2024 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, 2024, amounts allocated for support were \$646,895.

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.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status - The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

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

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

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

Collections - The Foundation capitalizes its collection of artwork (see Note 7). Accessions are capitalized at cost if purchased and at fair value at date of accession if received by donation. Gains and losses on deaccessions of donated artwork are reported as changes in net assets based on the presence or absence of donor restrictions. 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.

Noncash Donations - Donations other than cash (securities) are recorded at their estimated fair market value at the date of the gift. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

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

Subsequent Events - The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended June 30, 2024 through January 28, 2025, the date on which financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

Credit Risk - Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of cash and cash equivalents, receivables and investments. The Foundation maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

Concentrations of credit risk with respect to donations and grants 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 – LIQUIDITY AND AVAILABILITY

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 following represents the Foundation's financial assets as of June 30, 2024 which are available for general expenditure in the next twelve months:

Financial assets:

Cash and cash equivalents	\$ 1,413,074
Promises to give, net	381,552
Investments	<u>20,989,998</u>
Total financial assets	<u>22,784,624</u>

Less:

Promises to give after more than one year	(14,771)
Endowment funds to be held in perpetuity	(17,764,870)
Donor-restricted funds for time or purpose - endowed	(2,763,901)
Donor-restricted funds for time or purpose - unendowed	<u>(2,114,132)</u>
	<u>(22,657,674)</u>

Plus expected draw on endowment	<u>666,183</u>
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Financial assets available to meet general expenditures in the next twelve months	<u>\$ 793,133</u>
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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. 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 4 – INVESTMENTS

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.

The fair value of investments is as follows at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 8,843,709	\$ 2,016,396	\$ -	\$ 10,860,105
Common stocks	5,460,409	-	-	5,460,409
Money market funds	846,818	-	-	846,818
Corporate bonds	-	1,893,206	-	1,893,206
US government agencies	99,472	-	-	99,472
Treasuries	1,829,988	-	-	1,829,988
Total investments	<u>\$ 17,080,396</u>	<u>\$ 3,909,602</u>	<u>\$ -</u>	<u>\$ 20,989,998</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 during the year ended June 30, 2024.

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 5 – PROMISES TO GIVE

As of the June 30, 2024, unconditional promises to give consisted of the following:

Receivable in:

Less than one year	\$ 366,781
One to five years	30,000
Five years or more	<u>7,500</u>
	404,281

Less:

Promises to give discount (4.79% as of June 30, 2024)	(5,708)
Allowance for uncollectible promises to give	<u>(17,021)</u>

Promises to give, net	<u><u>\$ 381,552</u></u>
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NOTE 6 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings and equipment as of June 30, 2024 consist of the following:

Buildings and improvements	\$ 1,169,506
Equipment and furniture	221,143
Vehicles	<u>12,877</u>
	1,403,526
Less: accumulated depreciation	<u>(680,455)</u>
	723,071
Land	<u>854,200</u>
Land, buildings, and equipment, net	<u><u>\$ 1,577,271</u></u>

Certain land and buildings, with a carrying amount of \$1,200,318 at June 30, 2024, 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. Two donated properties located in Lebanon and Mansfield, Connecticut can be sold with the proceeds going to the endowment.

NOTE 7 – COLLECTIONS

The Foundation holds \$1,839,425 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 8 – CHARITABLE REMAINDER UNITRUST

The Foundation administers a charitable remainder unitrust, which 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 \$639,623 (included in investments) as of June 30, 2024 with a corresponding liability of \$441,154 as of June 30, 2024.

NOTE 9 – DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions are as follows as of June 30, 2024:

	Endowed	Unendowed	Total
Held in perpetuity:			
Scholarships and awards	\$ 12,320,645	\$ -	\$ 12,320,645
University support	5,444,225	-	5,444,225
	<u>17,764,870</u>	<u>-</u>	<u>17,764,870</u>
Land required to be permanently used for benefit of ECSU	-	854,200	854,200
Total restricted in perpetuity	<u>17,764,870</u>	<u>854,200</u>	<u>18,619,070</u>
Time or use restricted:			
Scholarships and awards	1,482,039	598,013	2,080,052
University support	1,281,862	1,317,652	2,599,514
Charitable remainder unitrust	-	198,467	198,467
	<u>2,763,901</u>	<u>2,114,132</u>	<u>4,878,033</u>
Total time or use restricted	<u>2,763,901</u>	<u>2,114,132</u>	<u>4,878,033</u>
Total net assets with donor restrictions	<u>\$ 20,528,771</u>	<u>\$ 2,968,332</u>	<u>\$ 23,497,103</u>

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

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 during the year ended June 30, 2024:

Purpose restrictions accomplished:	
Scholarships	\$ 115,175
Programs	<u>286,847</u>
Total purpose restrictions accomplished	402,022
Management fee	<u>646,895</u>
Net assets released from restrictions	<u>\$ 1,048,917</u>

NOTE 10 – TRANSACTIONS WITH EASTERN CONNECTICUT STATE UNIVERSITY

The Foundation expensed \$400 annually for rent of its facilities from the University for the year ended June 30, 2024. The value of the rental space has been estimated at \$6,000 per year. The University also provided donated services to the Foundation in the amount of \$207,011 for the year ended June 30, 2024.

The Foundation has an outstanding balance for scholarships issued by the University on behalf of the Foundation. As of June 30, 2024, the Foundation has an outstanding balance of approximately \$674,000 and is included in accounts payable and accrued expenses on the statement of financial position.

In addition, during the year ended June 30, 2024, the Foundation transferred approximately \$254,000 to the University for donation and non-donation funds that were processed through the Foundation.

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 11 – ENDOWED CHAIR INVESTMENT FUNDS

The Foundation has funds restricted in perpetuity under the provisions of Section 10a-20a of the Connecticut General Statutes. The funds are the Endowed Chair, Center for Sustainable Studies at Eastern Connecticut State University (“Endowed Chair”) and the Endowed Chair in Early Childhood Education in the Center for Early Childhood Education (“Early Childhood”). The purpose of the Endowed Chair is to support the Center for Sustainability Studies (the “Center”), whose mission is to engage in research and to provide curriculum that actively engages students and sustainability issues including climate change and the disproportionate impact environmental crises have on marginalized communities and racial minority populations. The Center endeavors to prepare students to enter the workforce or graduate studies through training in the scientific, environmental, economic, political, and social aspects of sustainability science and policy. The purpose of the Early Childhood is to designate it as a Connecticut higher education center of excellence.

The Foundation received contributions of \$500,000 for both the Endowed Chair and Early Childhood. These contributions are held by the Foundation and the investment income on the contribution is restricted to support the Endowed Chair and Early Childhood.

The Foundation also received a matching fund of \$470,443 that was held by the State of Connecticut State Treasurer. The matching fund is 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 the Endowed Chair and the Foundation must restore the principal balance to its original amount. Interest earned will be used to support the Endowed Chair.

NOTE 12 – ENDOWMENT

Changes in the endowment by fund is as follows for the year ended June 30, 2024:

	Board- Designated	Time or Purpose Restriction	Held in Perpetuity	Total
Endowment, July 1, 2023	\$ 18,579	\$ 890,122	\$ 17,250,540	\$ 18,159,241
Reclassifications from prior year	-	340,249	-	340,249
Contributions	-	16,335	430,067	446,402
Investment income, net	-	407,630	-	407,630
Unrealized and realized gains	-	1,891,247	-	1,891,247
Amounts appropriated for expenditure	(18,579)	(697,419)	-	(715,998)
Transfers	-	(84,263)	84,263	-
Endowment, June 30, 2024	<u>\$ -</u>	<u>\$ 2,763,901</u>	<u>\$ 17,764,870</u>	<u>\$ 20,528,771</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 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

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2024, contributed nonfinancial assets recognized on the statement of activities included:

	<u>Amount</u>	<u>Utilization</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Donated services	\$ 101,609	Institutional Support	None	University employees' time and benefits for services performed for the Foundation
Donated services	17,594	Administrative	None	University employees' time and benefits for services performed for the Foundation
Donated services	87,808	Fundraising	None	University employees' time and benefits for services performed for the Foundation
Tickets	17,600	Scholarships and awards	None	Fair market value of the asset at the date of donation
Artwork	<u>2,950</u>	Institutional support	Yes	Fair market value of the asset at the date of donation
Total	<u>\$ 227,561</u>			

All donated services and contributed nonfinancial assets were utilized by the Foundation's programs and supporting services.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
ECSU Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ECSU Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
January 28, 2025

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
WITH THE PROVISIONS OF SECTIONS 4-37e TO 4-37k
OF THE CONNECTICUT GENERAL STATUTES

To the Board of Directors of
ECSU Foundation, Inc.

Report on Compliance with the Provisions of Sections 4-37e to 4-37k

Opinion

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of ECSU Foundation, Inc. (the “Foundation”), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements, and have issued our report thereon dated January 28, 2025.

In our opinion, the Foundation complied, in all material respects, with the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes for the fiscal year ended June 30, 2024.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit does not provide a legal determination of the Foundation’s compliance with the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with referenced statutory provisions on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with referenced statutory provisions will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with referenced statutory provisions that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing, based on the requirements of the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
January 28, 2025

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