

ECSU Foundation, Inc.

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

**June 30, 2023
(With Comparative Totals for 2022)**

ECSU Foundation, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

To the Board of Directors
ECSU Foundation, Inc.

Opinion

We have audited the financial statements of ECSU Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of ECSU Foundation, Inc. as of June 30, 2023, and the changes in its 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ECSU Foundation, Inc. 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 ECSU Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ECSU Foundation, Inc.'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 ECSU Foundation, Inc.'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.

Report on Summarized Comparative Information

We have previously audited ECSU Foundation's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
November 13, 2023

ECSU Foundation, Inc.
Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Assets		
Cash and cash equivalents	\$ 398,176	\$ 290,580
Promises to give, net	213,164	72,169
Prepaid expenses and other receivables	17,769	19,140
Investments	19,305,863	17,070,131
Land, buildings and equipment, net	1,794,897	1,809,805
Collections	1,839,425	1,839,425
	<u>1,839,425</u>	<u>1,839,425</u>
Total assets	<u>\$ 23,569,294</u>	<u>\$ 21,101,250</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 186,408	\$ 36,585
Refundable advances	7,510	12,365
Accrued expenses	1,076,715	393,891
	<u>1,076,715</u>	<u>393,891</u>
Total liabilities	<u>1,270,633</u>	<u>442,841</u>
Net assets		
Without donor restrictions		
Undesignated	753,454	245,595
Board-designated	376,299	411,988
With donor restrictions		
Time or purpose restricted	3,064,168	2,827,317
Restricted in perpetuity	18,104,740	17,173,509
	<u>18,104,740</u>	<u>17,173,509</u>
With restrictions	<u>21,168,908</u>	<u>20,000,826</u>
Total net assets	<u>22,298,661</u>	<u>20,658,409</u>
Total liabilities and net assets	<u>\$ 23,569,294</u>	<u>\$ 21,101,250</u>

See Notes to Financial Statements.

ECSU Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	Without donor restrictions		With donor restrictions	2023 Total	2022 Total
	Undesignated	Board-designated			
Support and revenue					
Donations and grants	\$ 184,353	\$ 24,991	\$ 1,708,386	\$ 1,917,730	\$ 1,581,452
Special events	58,655	-	70,923	129,578	165,819
University donated services	258,505	-	-	258,505	750,469
Contributions of nonfinancial assets	44,505	-	-	44,505	15,645
Investment return, net	273	-	1,662,934	1,663,207	(2,186,086)
Gain on disposal of asset	-	-	-	-	2,500
Miscellaneous income	815	-	-	815	389
Total support and revenue	547,106	24,991	3,442,243	4,014,340	330,188
Rental income	12,242	-	-	12,242	20,100
Less rental expenses	(30,618)	-	-	(30,618)	(23,773)
Net rental loss	(18,376)	-	-	(18,376)	(3,673)
Net assets released from restrictions	2,274,161	-	(2,274,161)	-	-
Total revenue	2,802,891	24,991	1,168,082	3,995,964	326,515
Expenses					
Program services					
Scholarships and awards	620,050	49,500	-	669,550	799,712
Institutional support	1,042,758	11,180	-	1,053,938	1,070,156
Support services					
Administrative expenses	302,145	-	-	302,145	231,747
Fundraising expenses	330,079	-	-	330,079	588,312
Total expenses	2,295,032	60,680	-	2,355,712	2,689,927
Change in net assets	507,859	(35,689)	1,168,082	1,640,252	(2,363,412)
Net assets, beginning of year	245,595	411,988	20,000,826	20,658,409	23,021,821
Net assets, end of year	\$ 753,454	\$ 376,299	\$ 21,168,908	\$ 22,298,661	\$ 20,658,409

See Notes to Financial Statements.

ECSU Foundation, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	Program services		Support services		2023 Total	2022 Total
	Scholarships and awards	Institutional support	Administrative expenses	Fundraising expenses		
Scholarships and awards	\$ 669,550	\$ -	\$ -	\$ -	\$ 669,550	\$ 799,712
Academic and program support expenses	-	733,731	-	-	733,731	607,840
Fundraising and alumni events	-	-	-	108,271	108,271	97,822
Salaries and benefits	-	-	211,664	-	211,664	91,881
Special events	-	-	-	95,763	95,763	67,973
Operating expenses - owned properties	-	90,888	22,152	-	113,040	68,323
Depreciation	-	41,442	8,466	-	49,908	49,346
Plaques and other recognition expenses	-	-	-	18,474	18,474	26,475
Inkind donations	-	138,991	22,698	107,571	269,260	754,944
Accounting and auditing	-	-	22,928	-	22,928	31,558
Office supplies and expenses	-	-	5,336	-	5,336	9,722
University President's expense	-	29,914	-	-	29,914	39,885
Other expenses	-	816	8,598	-	9,414	25,252
Professional fees	-	-	12,100	-	12,100	14,100
University liaison expense	-	18,156	-	-	18,156	9,719
Bank charges and fees	-	-	10,865	-	10,865	9,953
Insurance	-	-	7,956	-	7,956	9,195
Total expenses	669,550	1,053,938	332,763	330,079	2,386,330	2,713,700
Less expenses included with revenues on the statement of activities	-	-	(30,618)	-	(30,618)	(23,773)
	\$ 669,550	\$ 1,053,938	\$ 302,145	\$ 330,079	\$ 2,355,712	\$ 2,689,927

See Notes to Financial Statements.

ECSU Foundation, Inc.
Statement of Cash Flows
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,640,252	\$ (2,363,412)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Gifts restricted for long-term investments	(879,349)	(674,641)
Depreciation	49,908	49,346
Amortization of present value discount on promises to give	6,051	6,403
Change in allowance on promises to give	(2,823)	(3,844)
Change in value of charitable remainder trust	16,789	(82,632)
Net realized and unrealized (gain) loss on investments	(1,299,302)	2,452,681
Changes in operating assets and liabilities		
Promises to give, net	(144,223)	20,616
Prepaid expenses and other receivables	1,371	2,966
Accounts payable	149,823	6,867
Refundable advance	(4,855)	12,365
Accrued expenses	666,035	750
	199,677	(572,535)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of investments	(3,852,655)	(3,787,634)
Proceeds received from sale of investments	2,916,225	3,542,784
Purchase of land, buildings and equipment	(35,000)	-
Investments in artwork	-	(11,170)
	(971,430)	(256,020)
Net cash used in investing activities		
Cash flows from financing activities		
Gifts restricted for long-term investments	879,349	674,641
	107,596	(153,914)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning	290,580	444,494
Cash and cash equivalents, end	\$ 398,176	\$ 290,580

See Notes to Financial Statements.

ECSU Foundation, Inc.

Notes to Financial Statements June 30, 2023

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, 2022, 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, 2023 and 2022, cash equivalents were \$149,307 and \$149,000, respectively.

Investments

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

ECSU Foundation, Inc.

Notes to Financial Statements June 30, 2023

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.

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 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 years ended June 30, 2023 and 2022, there was no allowance for bad debt 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.

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

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

ECSU Foundation, Inc.

Notes to Financial Statements June 30, 2023

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, 2023 and 2022 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, 2023 and 2022, amounts allocated for support were \$611,974 and \$586,675, 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 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.

Management has analyzed the tax positions taken by the Foundation and has concluded that, as of June 30, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation's federal information returns prior to fiscal year 2020 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Foundation will recognize interest and penalties associated with uncertain tax positions as part of the income tax provision and includes accrued interest and penalties with the related tax liability in the statements of financial position.

Use of estimates

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

Endowment and spending policy

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

The Foundation's investment and spending policy over endowment assets attempts to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. All appropriations are approved by the Board of Directors. This is consistent with the Foundation's

ECSU Foundation, Inc.

Notes to Financial Statements

June 30, 2023

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 8). 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 has evaluated subsequent events through November 13, 2023, 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.

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.

Approximately 21% of the Foundation's revenue was provided by a grant received from one donor for the year ended June 30, 2023.

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

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

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 2024 and 2023:

	2023	2022
Cash and cash equivalents	\$ 398,176	\$ 290,580
Promises to give, net	213,164	72,169
Investments	19,305,863	17,070,131
Total financial assets	19,917,203	17,432,880
Less		
Promises to give after more than one year	17,599	20,424
Endowment funds to be used in perpetuity	17,250,540	16,319,309
Donor-restricted funds for time or purpose	2,110,291	1,878,311
Board-designated funds	376,299	411,988
Financial assets accessible by management in the next year	\$ 162,474	\$ (1,197,152)

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

Note 4 - Investments

The fair value of investments as of June 30, 2023 and 2022 are as follows:

	2023 Fair value	2022 Fair value
Mutual funds	\$ 10,285,210	\$ 9,413,911
Common stocks	4,833,520	4,057,119
Money market funds	700,525	772,095
Corporate bonds	1,676,529	1,527,116
US government agencies	97,036	99,074
Treasuries	1,713,043	1,200,816
Total	\$ 19,305,863	\$ 17,070,131

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

The following summarizes investment (loss) income for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investment return (loss) without donor restrictions	\$ 273	\$ (38,573)
Investment return (loss) with donor restrictions	<u>1,662,934</u>	<u>(2,147,513)</u>
Total	<u>\$ 1,663,207</u>	<u>\$ (2,186,086)</u>

Note 5 - 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, 2023**

Financial assets carried at fair value as of June 30, 2023 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	\$ 3,622,431	\$ -	\$ 3,622,431
International mutual funds	2,700,514	-	2,700,514
Fixed income funds	2,049,754	-	2,049,754
Other	-	1,912,511	1,912,511
	<u>8,372,699</u>	<u>1,912,511</u>	<u>10,285,210</u>
Domestic common stocks			
Health care	645,730	-	645,730
Technology	1,297,169	-	1,297,169
Consumer staples	313,514	-	313,514
Financials	466,330	-	466,330
Industrials	401,340	-	401,340
Consumer discretionary	368,986	-	368,986
Energy	465,718	-	465,718
Materials	322,693	-	322,693
Utilities	115,354	-	115,354
Communications	317,656	-	317,656
Real estate services	119,030	-	119,030
	<u>4,833,520</u>	<u>-</u>	<u>4,833,520</u>
Money market funds	700,525	-	700,525
Domestic corporate bonds	-	1,676,529	1,676,529
US government agencies	97,036	-	97,036
Treasuries	1,713,043	-	1,713,043
	<u>15,716,823</u>	<u>3,589,040</u>	<u>19,305,863</u>
Total investments	<u>\$ 15,716,823</u>	<u>\$ 3,589,040</u>	<u>\$ 19,305,863</u>

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

Financial assets and liabilities carried at fair value at June 30, 2022 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	\$ 3,094,030	\$ -	\$ 3,094,030
International mutual funds	2,718,888	-	2,718,888
Fixed income funds	2,034,299	-	2,034,299
Other	-	1,566,694	1,566,694
	<u>7,847,217</u>	<u>1,566,694</u>	<u>9,413,911</u>
Domestic common stocks			
Health care	627,333	-	627,333
Technology	896,751	-	896,751
Consumer staples	285,878	-	285,878
Financials	364,030	-	364,030
Industrials	324,431	-	324,431
Consumer discretionary	371,550	-	371,550
Energy	211,880	-	211,880
Materials	130,207	-	130,207
Utilities	133,513	-	133,513
Communications	322,440	-	322,440
Real estate services	119,638	-	119,638
	<u>3,787,651</u>	<u>-</u>	<u>3,787,651</u>
Foreign common stocks	269,468	-	269,468
Money market funds	772,095	-	772,095
Domestic corporate bonds	-	1,527,116	1,527,116
US government agencies	99,074	-	99,074
Treasuries	1,200,816	-	1,200,816
	<u>13,976,321</u>	<u>3,093,810</u>	<u>17,070,131</u>
Total investments	<u>\$ 13,976,321</u>	<u>\$ 3,093,810</u>	<u>\$ 17,070,131</u>

Investments in securities (including mutual funds and money market funds) that are traded on an active market are valued at the closing price on the valuation date ("Level 1"). Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Other mutual funds, consisting of real estate investment trusts and alternative mutual funds, corporate bonds and obligations of municipalities ("Level 2") are estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer and credit default swap spreads adjusted for any basis difference between cash and derivative instruments.

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

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

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 6 - 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, 2023 and 2022, unconditional promises to give consisted of the following:

	2023	2022
Receivable in		
Less than one year	\$ 195,565	\$ 51,745
One to five years	30,000	30,000
Five years or more	13,500	19,500
	239,065	101,245
Less promises to give discount (3.79% and 3.11% as of June 30, 2023 and 2022, respectively)	(6,051)	(6,403)
Less allowance for uncollectible promises to give	(19,850)	(22,673)
	\$ 213,164	\$ 72,169

Note 7 - Land, buildings and equipment

Land, buildings and equipment as of June 30, 2023 and 2022 consist of the following:

	2023	2022
Buildings and improvements	\$ 1,350,586	\$ 1,350,586
Equipment and furniture	221,143	221,143
Vehicles	47,877	12,877
	1,619,606	1,584,606
Accumulated depreciation	(723,909)	(674,001)
	895,697	910,605
Land	899,200	899,200
	\$ 1,794,897	\$ 1,809,805

Certain land and buildings with a carrying amount of \$1,194,979 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 housing of professors and their family members, kept vacant or for any other purposes serving the needs of the University. The remaining two properties located in Lebanon and Mansfield, Connecticut can be sold with the proceeds going to the endowment.

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 8 - 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 9 - 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 \$607,304 and \$597,138 (included in investments) as of June 30, 2023 and 2022, with a corresponding liability of \$409,001 and \$392,212, which is included in accrued expenses as of June 30, 2023 and 2022, respectively.

Note 10 - Board-designated net assets

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

	<u>2023</u>	<u>2022</u>
Scholarships	\$ 108,244	\$ 147,212
Other University programs	<u>268,055</u>	<u>264,776</u>
	<u>\$ 376,299</u>	<u>\$ 411,988</u>

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 11 - Restrictions on net assets

Restrictions on net assets are summarized as follows:

	2023	2022
Restricted in perpetuity		
Scholarships and awards	\$ 11,862,982	\$ 10,949,546
University support	5,387,558	5,369,763
	17,250,540	16,319,309
Land required to be permanently used for benefit of ECSU	854,200	854,200
Total restricted in perpetuity	18,104,740	17,173,509
Time or use restricted		
Scholarships and awards	836,602	382,412
University support	2,029,264	2,239,980
Time	198,302	204,925
Total time or use restricted	3,064,168	2,827,317
Total net assets with donor restrictions	\$ 21,168,908	\$ 20,000,826

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

Note 12 - 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:

	2023	2022
Purpose restrictions accomplished		
Scholarships and awards	\$ 613,550	\$ 754,212
General University support	1,048,637	670,478
Total	1,662,187	1,424,690
Implied time restriction	-	45,000
Management fee	611,974	586,675
Net assets released from restrictions	\$ 2,274,161	\$ 2,056,365

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 13 - 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, 2023 and 2022. 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 \$258,505 and \$750,469 for the years ended June 30, 2023 and 2022, respectively.

The Foundation has an outstanding balance for scholarships issued by the University on behalf of the Foundation. As of June 30, 2023, the Foundation has an outstanding balance of \$665,400 and is included as an accrued expense on the Statements of Financial Position. Other payables due to the University were approximately \$139,000 and are included in accounts payable on the Statements of Financial Position.

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 14 - 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 in Sustainable Energy 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 for addressing concerns about energy conservation and energy efficiency. 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.

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 15 - Endowment

Endowment net asset composition and changes in net assets by type of fund as of June 30, 2023 and 2022 are as follows:

	2023			
	Without donor restrictions	With donor restriction		Total
		Time or purpose restricted	Restricted in perpetuity	
Endowment net asset composition				
Donor-restricted endowment funds	\$ -	\$ 890,122	\$ 17,250,540	\$ 18,140,662
Board-designated endowment funds	18,579	-	-	18,579
	<u>\$ 18,579</u>	<u>\$ 890,122</u>	<u>\$ 17,250,540</u>	<u>\$ 18,159,241</u>
Change in endowment net assets				
Endowment net assets, beginning of year	\$ 19,254	\$ 170,837	\$ 16,319,309	\$ 16,509,400
Investment return				
Investment income, net	-	349,821	-	349,821
Net realized and unrealized depreciation	-	1,264,393	-	1,264,393
Contributions	75	-	879,349	879,424
Amounts appropriated for expenditure or satisfaction of restriction	(750)	(843,047)	-	(843,797)
Transfers	-	(51,882)	51,882	-
Endowment net assets, end of year	<u>\$ 18,579</u>	<u>\$ 890,122</u>	<u>\$ 17,250,540</u>	<u>\$ 18,159,241</u>
	2022			
	Without donor restrictions	With donor restrictions		Total
	Time or purpose restricted	Restricted in perpetuity		
Endowment net asset composition				
Donor-restricted endowment funds	\$ -	\$ 170,837	\$ 16,319,309	\$ 16,490,146
Board-designated endowment funds	19,254	-	-	19,254
	<u>\$ 19,254</u>	<u>\$ 170,837</u>	<u>\$ 16,319,309</u>	<u>\$ 16,509,400</u>
Change in endowment net assets				
Endowment net assets, beginning of year	\$ 18,222	\$ 3,265,067	\$ 15,644,668	\$ 18,927,957
Investment return				
Investment income, net	217	228,144	-	228,361
Net realized and unrealized appreciation	(2,034)	(2,097,218)	-	(2,099,252)
Contributions	2,849	-	674,641	677,490
Amounts appropriated for expenditure or satisfaction of restriction	-	(1,225,156)	-	(1,225,156)
Endowment net assets, end of year	<u>\$ 19,254</u>	<u>\$ 170,837</u>	<u>\$ 16,319,309</u>	<u>\$ 16,509,400</u>

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

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

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, 2023 is as follows:

	<u>Number of funds underwater</u>	<u>Fair value</u>	<u>Original gift</u>	<u>Amount of deficiencies</u>
2023	28	\$ 1,797,013	\$ 1,818,009	\$ 20,996
2022	62	16,117,328	16,319,309	201,981

Management believed the economic conditions would improve over the next few years and decided not to permanently reduce the historic gift value of the endowments.

ECSU Foundation, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 16 - Contributed nonfinancial assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities included:

2023				
	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donated services	\$ 128,236	Institutional support	None	University employees' time and benefits for services performed for the Foundation
Donated services	22,698	Administrative	None	University employees' time and benefits for services performed for the Foundation
Donated services	107,571	Fundraising	None	University employees' time and benefits for services performed for the Foundation
Tickets	8,755	Institutional support	None	Fair market value of the asset at the date of donation
Artwork	750	Institutional support	Yes	Fair market value of the asset at the date of donation
Truck	35,000	Vehicles	None	Fair market value of the asset at the date of donation
	<u>\$ 303,010</u>			
2022				
	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donated services	\$ 311,820	Institutional support	None	University employees' time and benefits for services performed for the Foundation
Donated services	42,607	Administrative	None	University employees' time and benefits for services performed for the Foundation
Donated services	396,042	Fundraising	None	University employees' time and benefits for services performed for the Foundation
Sports equipment	4,475	Institutional support	Yes	Fair market value of the asset at the date of donation
Artwork	11,170	Artwork	None	Fair market value of the asset at the date of donation
	<u>\$ 766,114</u>			

All donated services and assets were utilized by the Organization's programs and supporting services.



Independent Member of Nexia International

cohnreznick.com