

**Southern Connecticut State University Foundation,
Inc.**

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

June 30, 2021 and 2020

Southern Connecticut State University Foundation, Inc.

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Independent Auditor's Report

To the Board of Directors
Southern Connecticut State University Foundation, Inc.

We have audited the accompanying financial statements of Southern Connecticut State University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Connecticut State University Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Hartford, Connecticut
October 7, 2021

Southern Connecticut State University Foundation, Inc.

**Statements of Financial Position
June 30, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 509,289	\$ 637,164
Investment securities (Note 5)	46,527,844	37,046,984
Accounts receivable	-	14,861
Promises to give (Note 9)	1,575,987	1,338,788
Prepaid expense	68,275	65,275
Beneficial interest in trusts	130,256	108,348
Collections of works of art (Note 2)	-	-
	<u>\$ 48,811,651</u>	<u>\$ 39,211,420</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 378,384	\$ 365,863
Gift annuities payable (Note 10)	9,523	9,681
Custodial obligation payable (Note 11)	250,492	-
Refundable advances	11,060	11,060
Deferred revenue	18,199	20,514
	<u>667,658</u>	<u>407,118</u>
Net assets		
Without donor restrictions		
Undesignated	3,587,603	2,184,306
Board-designated (Note 13)	1,493,491	893,333
With donor restrictions (Note 14)	43,062,899	35,726,663
	<u>48,143,993</u>	<u>38,804,302</u>
Total net assets	<u>48,143,993</u>	<u>38,804,302</u>
Total liabilities and net assets	<u>\$ 48,811,651</u>	<u>\$ 39,211,420</u>

See Notes to Financial Statements.

Southern Connecticut State University Foundation, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2021 and 2020**

	2021			2020		
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Net assets without donor restrictions	Net assets with donor restrictions	Total
Support and revenues						
Support						
Contributions	\$ 63,473	\$ 3,075,451	\$ 3,138,924	\$ 123,273	\$ 2,223,294	\$ 2,346,567
University donated services (Note 16)	786,163	-	786,163	1,178,423	-	1,178,423
Gifts in kind	7,597	-	7,597	2,814	-	2,814
Other income	16	59,862	59,878	15,283	229,710	244,993
Net assets released from restrictions	3,128,109	(3,128,109)	-	2,056,641	(2,056,641)	-
Total support	<u>3,985,358</u>	<u>7,204</u>	<u>3,992,562</u>	<u>3,376,434</u>	<u>396,363</u>	<u>3,772,797</u>
Revenues						
Investment income	1,248,452	7,883,216	9,131,668	205,640	569,340	774,980
Administrative fee income (expense)	513,381	(509,902)	3,479	492,135	(492,135)	-
Gift fee income (expense)	66,190	(66,190)	-	88,551	(87,172)	1,379
Change in value of annuity agreements	(952)	-	(952)	(334)	17,330	16,996
Change in value of perpetual trust	-	21,908	21,908	-	(2,395)	(2,395)
Total revenues	<u>1,827,071</u>	<u>7,329,032</u>	<u>9,156,103</u>	<u>785,992</u>	<u>4,968</u>	<u>790,960</u>
Total support and revenues	<u>5,812,429</u>	<u>7,336,236</u>	<u>13,148,665</u>	<u>4,162,426</u>	<u>401,331</u>	<u>4,563,757</u>
Expenses						
Program services (Note 18)	2,804,460	-	2,804,460	2,884,366	-	2,884,366
General and administrative services (Note 18)	672,583	-	672,583	571,108	-	571,108
Fundraising services (Note 18)	331,931	-	331,931	441,791	-	441,791
Total expenses	<u>3,808,974</u>	<u>-</u>	<u>3,808,974</u>	<u>3,897,265</u>	<u>-</u>	<u>3,897,265</u>
Changes in net assets	2,003,455	7,336,236	9,339,691	265,161	401,331	666,492
Net assets, beginning	<u>3,077,639</u>	<u>35,726,663</u>	<u>38,804,302</u>	<u>2,812,478</u>	<u>35,325,332</u>	<u>38,137,810</u>
Net assets, end	<u>\$ 5,081,094</u>	<u>\$ 43,062,899</u>	<u>\$ 48,143,993</u>	<u>\$ 3,077,639</u>	<u>\$ 35,726,663</u>	<u>\$ 38,804,302</u>

See Notes to Financial Statements.

Southern Connecticut State University Foundation, Inc.

**Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ 9,339,691	\$ 666,492
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Contributions restricted for long-term purposes	(1,252,911)	(352,148)
Realized/unrealized (gains) losses on investment securities	(9,226,090)	(672,768)
Beneficial interest in trusts	(21,908)	2,396
Payments on gift annuities	(1,111)	(7,615)
Changes in operating assets and liabilities		
Accounts receivable	14,861	(14,861)
Promises to give	(237,199)	114,947
Prepaid expense	(3,000)	(62,525)
Accounts payable and accrued expenses	12,521	257,311
Deferred revenue	(2,315)	31,574
Gift annuities payable	953	(16,996)
Custodial obligation payable	250,492	-
	<u>(1,126,016)</u>	<u>(54,193)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investment securities	(3,080,669)	(1,466,749)
Proceeds from sale of investment securities	2,825,899	920,008
	<u>(254,770)</u>	<u>(546,741)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from contributions restricted for investment in permanent endowment	1,252,911	352,148
	<u>(127,875)</u>	<u>(248,786)</u>
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning	637,164	885,950
Cash and cash equivalents, end	<u>\$ 509,289</u>	<u>\$ 637,164</u>

See Notes to Financial Statements.

Southern Connecticut State University Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020

Note 1 - Organization

Southern Connecticut State University Foundation, Inc. (the "Foundation") exists to assist Southern Connecticut State University (the "University"), a not-for-profit organization, in fulfilling its mission and achieving its vision through the development, stewardship and delivery of private financial resources. The Foundation provides financial management of the private resources received through the investment of contributions for the educational and support activities that may be conducted by the University.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets that have similar characteristics have been combined into similar categories in the accompanying financial statements, as follows:

Net assets without donor restrictions - Net assets without donor restrictions represent available resources other than donor-restricted contributions. 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 donor- (or certain grantor-) imposed* restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Contributions

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

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

Southern Connecticut State University Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020

Concentrations

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less when acquired. The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such investments may exceed federally insured limits.

Fair values of financial instruments

Investments are recorded at fair value (see Notes 5 and 7). Net realized and unrealized gains and losses on investments are recorded in the statements of activities and changes in net assets.

Promises to give

Unconditional promises to give, which are restricted by the donor to a specific purpose which has not been met as of the statement of financial position date, are shown as increases in net assets with donor restriction. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are considered to be available without donor restriction unless specifically restricted by the donor.

Property and equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000 and having a useful life of greater than one year. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method using the estimated lives of the assets. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals are capitalized.

Collections of works of art

In accordance with accounting policies generally followed by organizations with collections of historical interest, the Foundation does not reflect its collection in the accompanying statement of financial position. 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 solely for acquisition of other collection items, the direct care of existing collections, or both. 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. Costs of purchasing collection items are recognized as an expense in the year of acquisition; proceeds from sale and insurance recoveries are recognized as revenue in the year of sale or loss.

Interest in perpetual trust

The Foundation is one of several income beneficiaries of one trust. The Foundation regularly receives income distributions from the trust, the amounts of which are recorded as investment income with donor restrictions from perpetual trust in the statements of activities and changes in net assets. Income received with respect to the trust was \$5,200 for the years ended June 30, 2021 and 2020. The principal for the Sage Trust is controlled by bank trustees independent of the Foundation.

Endowment

The State of Connecticut adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs the investment and management of donor-restricted endowment funds by not-for-profit organizations. In addition, the Financial Accounting Standards Board ("FASB") provided guidance on the net asset classification of endowment funds that are subject to UPMIFA. This guidance, FASB Accounting Standards Codification ("ASC") 958-205, *Reporting Endowment Funds*, has been adopted by the Foundation.

Southern Connecticut State University Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020

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.

Statements of cash flows

For the purpose of the statements of cash flows, the Foundation considers cash equivalents as highly liquid investments with an initial maturity of three months or less when acquired.

Income taxes

The Foundation is exempt from federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made in the accompanying financial statements for federal or state income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation has no unrecognized tax benefits at June 30, 2021 and 2020. The Foundation's federal and state income tax returns prior to fiscal year 2018 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Foundation would recognize interest and penalties associated with tax matters as part of management and general expenses in the statements of activities and changes in net assets and include accrued interest and penalties in accrued expenses in the statements of financial position. The Foundation did not recognize any interest or penalties associated with tax matters for the years ended June 30, 2021 and 2020.

Functional expenses

The statements of activities and changes in net assets presents the natural classification detail of expenses by function. Donated services are allocated based on estimated time spent. The Foundation directly allocates its remaining costs among the programs and supporting services benefited.

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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Subsequent events

Management has reviewed subsequent events through October 7, 2021, which is the date the financial statements were approved and available for issuance.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2021 and 2020**

Note 3 - New accounting pronouncements

The Foundation adopted ASU 2018-13, Fair Value Measurement (Topic 820). This standard changes the disclosure requirements for fair value measurement. The Foundation adopted the provisions of ASU-2018-13 on July 1, 2020. There is no effect on net assets in connection with the implementation of ASU 2018-13.

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

Note 4 - Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2021 and 2020, the Foundation has financial assets available to meet annual operating needs for the 2022 and 2021 fiscal year as follows:

	2021	2020
Cash and cash equivalents	\$ 509,289	\$ 637,164
Investment securities	46,527,844	37,046,984
Accounts receivable	-	14,861
Promises to give and accounts receivable	1,575,987	1,338,788
 Financial assets accessible by management in the next year	 48,613,120	 39,037,797
 Less		
Promises to give after more than one year	914,254	613,722
Endowment funds to be used in perpetuity	20,841,902	20,178,106
Endowment earnings not available	13,448,382	7,740,660
Beneficial interest in trust	130,256	108,348
Student managed funds	334,233	229,379
Donor restricted funds for time or purpose to be used after one year	2,881,676	4,971,732
Board-designated funds	1,493,491	893,333
Reserve funds	1,851,228	1,436,815
 Financial assets accessible by management in the next year	 \$ 6,717,698	 \$ 2,865,702

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 and reserve 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.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2021 and 2020**

Note 5 - Investments

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

	2021	2020
Common stock	\$ 328,711	\$ 222,082
US Government money market fund	652,472	952,150
Multi-strategy equity fund	30,743,569	23,864,135
Multi-strategy bond fund	14,803,092	12,008,617
	\$ 46,527,844	\$ 37,046,984

Note 6 - Program related investment

The Foundation has placed \$100,000 in a student investment fund to provide students in business, finance and economics with an educational opportunity to gain valuable hands-on experience in fiduciary management of investment assets. This investment continues to be an asset of the Foundation and is reported and reviewed by the investment committee. The amount included in cash and cash equivalents at June 30, 2021 and 2020 was \$5,522 and \$7,297, respectively. The amount included in investments at June 30, 2021 and 2020 was \$328,711 and \$222,082, respectively.

Note 7 - Fair value of financial instruments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2021 and 2020**

Investments measured at net asset value ("NAV"): These funds' investments are based on the NAV as a practical expedient. Funds may be redeemed at or near the measurement date. Funds in this category include domestic and international equity investments, domestic and international fixed income investments and commodities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020:

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Multi-strategy bond fund: Diversification within fixed income investments is based upon the allocation among maturities of different lengths according to interest rate prospects and the goals of the fund. Fixed income instruments reduce the overall volatility of the fund's assets and provide a deflation or inflation hedge, where appropriate. Domestic and international fixed income investments provide a diversified dependable source of current income. The fund seeks to outperform the US bond market. The Barclays Capital United States Aggregate Bond Index is the benchmark for the fund.

Multi-strategy equity fund: The purpose of equity investments, both domestic and international, in the fund is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals.

Beneficial interest in trusts: Valued using the fair values of the underlying assets of the trust. The trust is made up of individual stocks that are valued at the closing price reported on the active market on which the individual securities are traded and mutual funds that are valued at the daily closing prices as reported by the funds.

Gift annuities payable: Valued using assumptions about life expectancy and discounted cash flow.

There were no transfers, purchases or issuances in or out of Level 3 during the years ended June 30, 2021 and 2020.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2021 and 2020**

Fair values of assets and the liability measured on a recurring basis at June 30, 2021 and 2020 are as follows for the Foundation:

	Fair value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments valued at NAV
June 30, 2021					
Assets					
Common stock	\$ 328,711	\$ 328,711	\$ -	\$ -	\$ -
US Government money market fund	652,472	652,472	-	-	-
Multi-strategy equity fund	30,743,569	-	-	-	30,743,569
Multi-strategy bond fund	14,803,092	-	-	-	14,803,092
Beneficial interest in trusts	130,256	-	-	130,256	-
	<u>\$ 46,658,100</u>	<u>\$ 981,183</u>	<u>\$ -</u>	<u>\$ 130,256</u>	<u>\$ 45,546,661</u>
Liability					
Gift annuities payable	<u>\$ 9,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,523</u>	<u>\$ -</u>
June 30, 2020					
Assets					
Common stock	\$ 222,082	\$ 222,082	\$ -	\$ -	\$ -
US Government money market fund	952,150	952,150	-	-	-
Multi-strategy equity fund	23,864,135	-	-	-	23,864,135
Multi-strategy bond fund	12,008,617	-	-	-	12,008,617
Beneficial interest in trusts	108,348	-	-	108,348	-
	<u>\$ 37,155,332</u>	<u>\$ 1,174,232</u>	<u>\$ -</u>	<u>\$ 108,348</u>	<u>\$ 35,872,752</u>
Liability					
Gift annuities payable	<u>\$ 9,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,681</u>	<u>\$ -</u>

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2021 and 2020**

Quantitative information about significant unobservable inputs used in Level 3 fair value measurements

The following tables represent the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs as of June 30, 2021 and 2020:

Instrument	Fair value	Principal valuation technique	Unobservable values inputs	Range of significant input
<u>2021</u>				
Beneficial interest in trusts	\$ 130,256	The Foundation's fair value of the trust assets	N/A	20% beneficial interest
Gift annuities	9,523	Income approach	Life expectancy Discounted cash flow	9-12 years 2.48% - 3.98%
<u>2020</u>				
Beneficial interest in trusts	\$ 108,348	The Foundation's fair value of the trust assets	N/A	20% beneficial interest
Gift annuities	9,681	Income approach	Life expectancy Discounted cash flow	9-13 years 2.48% - 3.98%

Fair value of investments in entities that use NAV

The following tables summarize investments measured at fair value based on NAV per share as of June 30, 2021 and 2020:

June 30, 2021	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Multi-strategy equity fund	\$ 30,743,569	N/A	Monthly	5 business days prior to month-end
Multi-strategy bond fund	14,803,092	N/A	Monthly	5 business days prior to month-end
<u>June 30, 2020</u>				
Multi-strategy equity fund	\$ 23,864,135	N/A	Monthly	5 business days prior to month-end
Multi-strategy bond fund	12,008,617	N/A	Monthly	5 business days prior to month-end

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2021 and 2020**

Note 8 - Promises to give - state match

Public Act 97-293, and as amended by Public Acts 98-252 and 01-141, empowered the Board of Trustees of the Connecticut State University System ("CSUS") to establish an Endowment Fund. This fund was established for the benefit of the universities within the CSUS to encourage donations from the private sector through a match in the form of Endowment Fund state grants. Private funds restricted by donors in perpetuity and received by CSUS foundations, of which the Foundation is one, were eligible for 50% state-matching grants commencing on January 1, 1998, through June 30, 2005. On June 23, 2005, during a Special Assembly, the General Assembly adopted new legislation. Effective with calendar year 2005, the matching ratio was changed to 25% state-matching grants. Additionally, going forward, state-matching dollars will only be provided when the State's Rainy Day Fund equals 10% of the general fund appropriation for a given fiscal year. In addition, the legislation caps state payments for the match at \$25 million in any given fiscal year. Due to the uncertainty regarding the timing of state payments, revenue is recorded upon receipt.

The total state-matching grants were calculated based on eligible funds received by the Foundation during the calendar year subject to certifications and other statutory limitations. Payments were subject to fluctuating annual maximum state grant commitments. During the years ended June 30, 2021 and 2020, the Foundation did not receive any state match.

Note 9 - Promises to give

Promises to give consist of the following:

	<u>2021</u>	<u>2020</u>
With donor restrictions due to purpose or time	\$ 1,072,195	\$ 738,737
With donor restrictions in perpetuity	<u>534,501</u>	<u>627,441</u>
	1,606,696	1,366,178
Less unamortized discount	<u>30,709</u>	<u>27,390</u>
	<u>\$ 1,575,987</u>	<u>\$ 1,338,788</u>

Gross amounts expected to be collected in:

Less than one year	\$ 661,733
One to five years	<u>914,254</u>
	<u>\$ 1,575,987</u>

Discount rates used on long-term pledges were .87% and .29% for the years ended June 30, 2021 and 2020, respectively.

Note 10 - Charitable gift annuity

The Foundation has established a program under which donors may set up charitable gift annuities. Under this program, donors can contribute assets to the Foundation and in return receive a guaranteed fixed income for life. The Foundation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2021 and 2020**

Annuity liabilities are recorded for the required life of annuity payments at the present value of expected future cash payments discounted using discount rates for the 5-year U.S. Treasury rate at the time of the original gift and actuarial assumptions for the life expectancy of the beneficiary. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. The present value of future liability payments of charitable gift annuities was \$9,523 and \$9,681 at June 30, 2021 and 2020, respectively.

Note 11 - Custodial obligation payable

The Foundation is the custodian of grant funds belonging to the Southern Connecticut State University Alumni Association, Inc. (the "Association"). The investments of these grant funds are held in an investment pool with a corresponding custodial obligation payable. The amount payable as of June 30, 2021 was \$250,492.

Note 12 - Agreement with the Association

The agreement between the Association and the Foundation provides for payment of a programming grant from the Foundation to the Association in recognition of the value of the Association's programs for alumni in supporting the fundraising efforts of the Foundation. The amount of the annual grant provides a guaranteed annual base of \$35,000, annually adjusted for inflation with the CPI and a supplemental amount requested by the Association to be approved by the Foundation's Board. As of June 30, 2021 and 2020, this obligation was \$45,000, and is classified on the statements of financial position as a liability and as a general and administrative services expense on the statements of activities and changes in net assets.

Note 13 - Board-designated net assets

The balance in board-designated net assets as of June 30, 2021 and 2020 are from contributions. Board-designated net assets are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Scholarships and other financial aid	\$ 648,923	\$ 387,660
Other University programs	844,568	505,673
	<u>\$ 1,493,491</u>	<u>\$ 893,333</u>

Note 14 - Net assets with donor restrictions

The balance in net assets with donor restrictions as of June 30, 2021 and 2020 are from the following sources:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions - purpose and time	\$ 21,573,027	\$ 15,440,209
Net assets with donor restrictions - in perpetuity	21,489,872	20,286,454
	<u>\$ 43,062,899</u>	<u>\$ 35,726,663</u>

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Net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Scholarships and other financial aid	\$ 11,572,886	\$ 6,846,562
Athletic activities	955,262	652,006
Other University programs	<u>9,044,879</u>	<u>7,941,641</u>
	<u>\$ 21,573,027</u>	<u>\$ 15,440,209</u>

Endowment funds consist of donations that were restricted by the donor in perpetuity, the income from which is available to support the activities specified by the donor.

At June 30, 2021 and 2020, net assets with donor restrictions in perpetuity consist of the following:

	<u>2021</u>	<u>2020</u>
Endowment fund	\$ 20,841,902	\$ 19,721,225
Promises to give	517,714	456,881
Beneficial interest in trust	<u>130,256</u>	<u>108,348</u>
	<u>\$ 21,489,872</u>	<u>\$ 20,286,454</u>

Southern Connecticut State University Foundation, Inc.

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Note 15 - Endowment

The required disclosures are as follows:

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net asset composition			
Donor-restricted endowment funds	\$ -	\$ 35,683,793	\$ 35,683,793
Board-designated endowment funds	1,393,308	-	1,393,308
	<u>\$ 1,393,308</u>	<u>\$ 35,683,793</u>	<u>\$ 37,077,101</u>
Change in endowment net assets			
Endowment net assets, July 1, 2020	\$ 839,125	\$ 29,077,344	\$ 29,916,469
Investment return			
Investment income	-	-	-
Net appreciation	298,086	7,669,748	7,967,834
Contributions	312,787	1,257,301	1,570,088
Transfers from nonendowed funds	(5,740)	-	(5,740)
Appropriation of endowment assets for expenditure	<u>(50,950)</u>	<u>(2,320,600)</u>	<u>(2,371,550)</u>
Endowment net assets, June 30, 2021	<u>\$ 1,393,308</u>	<u>\$ 35,683,793</u>	<u>\$ 37,077,101</u>
	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net asset composition			
Donor-restricted endowment funds	\$ 839,125	\$ 29,077,344	\$ 29,916,469
Board-designated endowment funds	-	-	839,125
	<u>\$ 839,125</u>	<u>\$ 29,077,344</u>	<u>\$ 29,916,469</u>
Change in endowment net assets			
Endowment net assets, July 1, 2019	\$ 863,581	\$ 29,438,766	\$ 30,302,347
Investment return			
Investment income	-	145,640	145,640
Net appreciation	-	468,114	468,114
Contributions	-	365,932	365,932
Transfers from nonendowed funds	(24,456)	2,515	(21,941)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,343,623)</u>	<u>(1,343,623)</u>
Endowment net assets, June 30, 2020	<u>\$ 839,125</u>	<u>\$ 29,077,344</u>	<u>\$ 29,916,469</u>

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The Foundation's endowment includes funds designated by the Board of Directors to function as endowments. As required by FASB ASC 958-205, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation have interpreted the UPMIFA 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 restrictions in perpetuity: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 as net assets with restrictions in perpetuity is classified as net assets with donor restrictions due to purpose or time until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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

Investment return objectives, risk parameters and strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, and a 1.5% annual endowment advancement fee, while growing the funds if possible. Therefore, the Foundation sets a target for its endowment assets, over time, to produce an average rate of return of approximately 6.50% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending formula

The Foundation has adopted an endowment spending policy to help assure that there is a stable stream of dollars available for scholarships, awards, research or other program support over the long-term.

The Foundation's spending policy calculation for fiscal years ended June 30, 2021 and 2020 was based on a percentage of the 12 quarters (3 year) average of the market value of the portfolio for the years ended December 31, 2019 and 2018, respectively, prior to the start of the fiscal year. The

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spending policy may be between a floor of 4% and a ceiling of 6%, including a 1.5% endowment advancement fee. The standard policy percentage is 4% with a resulting effective rate, based on the December 31, 2019 market value of 4.57% (including the 1.5% annual endowment advancement fee) for the year ended June 30, 2021 and 4.88% (including the 1.5% annual endowment advancement fee) based on the December 31, 2018 market value for the year ended June 30, 2020.

Underwater endowments

In the event any of the endowment accounts are underwater, then the Finance Committee shall meet and specifically approve any distribution. If the endowment agreement specifically prohibits distributions for any reason, including underwater situations, the endowment agreement shall prevail and the distributions will be eliminated or reduced in accordance with the donor intent.

Due to a decline in investment earnings combined with newly established funds, the fair values of some of the endowments dropped below their historic gift value. The aggregate underwater funds as of June 30, 2021 and 2020 are as follows:

	<u>Number of funds underwater</u>	<u>Fair value</u>	<u>Original gift</u>	<u>Amount of deficiencies</u>
2021	0	N/A	N/A	N/A
2020	2	\$ 33,551	\$ 35,000	\$ 1,449

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.

Note 16 - University donated services

The Foundation received support from the University through the donation of the University's employees' time in effect for the years ended June 30, 2021 and 2020. The value of these services for the years ended June 30, 2021 and 2020 is \$786,163 and \$1,178,423, respectively, and is reflected as income and itemized as donated services (see Note 18).

Note 17 - Conditional grant

The Foundation has made a conditional grant of \$500,000 to the University. The grant is conditional upon the University raising matching funds. As of June 30, 2021, this condition has not been met.

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Note 18 - Functional expense classifications

The Foundation's functional expense classifications for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Program services		
Athletic and University activities	\$ 836,100	\$ 1,097,881
Donated services	320,154	586,383
Scholarships	1,335,381	1,063,785
Equipment	592	1,999
Other support	312,233	134,318
Total program services	\$ 2,804,460	\$ 2,884,366
General and administrative services		
Salaries and benefits	\$ 313,608	\$ 274,594
Rent and overhead	3,198	2,988
Donated services	198,284	150,249
Consultants	5,000	11,188
Partnership agreement - Alumni Association	45,000	45,000
Audit fees	29,580	33,295
Office expenses	12,664	13,965
Legal	22,072	-
Administration	13,426	13,170
Board and Director's activities	14,555	12,110
Insurance	7,158	3,742
Travel	2,281	1,032
Dues, memberships and subscriptions	5,757	9,775
Total general and administrative services	\$ 672,583	\$ 571,108
Fundraising services		
Donated services	\$ 267,725	\$ 441,791
Salary	64,206	-
Total fundraising services	\$ 331,931	\$ 441,791

Note 19 - Concentrations

The Foundation maintains cash in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. From time-to-time, the Foundation's balances may exceed these limits. At June 30, 2021, the Foundation's uninsured balances totaled \$247,331. The Foundation limits its credit risk by selecting financial institutions considered to be highly creditworthy.

For the years ended June 30, 2021 and 2020, respectively, promises to give consist of 83% of receivables from two donors and 65% of receivables from one donor.

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Note 20 - Commitment and contingencies

The Foundation maintains a renewable letter of agreement between the Foundation and the University dated July 1, 2019 and terminating June 30, 2021. This agreement specifies that the Foundation shall maintain an identity separate from that of the University, while working only to serve the interests of the University. The Foundation is currently working with the University on the 2022 letter of agreement.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As of June 30, 2021, there was no significant impact to the Foundation's operations. However, the Foundation is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Foundation's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Foundation's financial position, results of operations, and cash flows.

The Foundation is a defendant in a lawsuit. Our insurance carrier has been engaged and is covering the cost of the outside legal counsel to defend the Foundation. The outcome of the claim is unknown at this time.



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