

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

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

**June 30, 2015 and 2014**

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

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## Independent Auditor's Report

To the Board of Directors of  
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, 2015 and 2014, 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, 2015 and 2014, 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.

*CohnReznick LLP*

Hartford, Connecticut  
October 16, 2015

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

**Statements of Financial Position  
June 30, 2015 and 2014**

	2015	2014
<u>Assets</u>		
Assets:		
Cash and cash equivalents	\$ 912,437	\$ 719,340
Investment securities (Note 3)	24,043,294	22,818,234
Pledges receivable (Note 8)	2,305,347	2,329,139
Prepaid expense	102,038	-
Beneficial interest in trusts	109,792	111,358
Collections of works of art (Note 2)	-	-
	<u>\$ 27,472,908</u>	<u>\$ 25,978,071</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,392	\$ 112,661
Gift annuities payable (Note 10)	80,860	86,570
Custodial obligation payable (Note 11)	38,525	33,350
	<u>162,777</u>	<u>232,581</u>
Net assets:		
Unrestricted net assets	1,767,565	1,681,835
Board designated - unrestricted net assets (Note 12)	833,908	658,908
Temporarily restricted net assets (Note 13)	10,173,671	9,698,286
Permanently restricted net assets (Note 14)	14,534,987	13,706,461
	<u>27,310,131</u>	<u>25,745,490</u>
	<u>\$ 27,472,908</u>	<u>\$ 25,978,071</u>

See Notes to Financial Statements.

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

**Statements of Activities and Changes in Net Assets  
Years Ended June 30, 2015 and 2014**

	2015				2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues:								
Support:								
Contributions	\$ 341,079	\$ 1,462,855	\$ 817,995	\$ 2,621,929	\$ 187,524	\$ 1,913,540	\$ 1,863,669	\$ 3,964,733
University donated services (Note 16)	1,014,075	-	-	1,014,075	822,151	-	-	822,151
Gifts in kind	69,989	-	-	69,989	-	-	-	-
Net assets released from restrictions	1,527,885	(1,527,885)	-	-	1,626,905	(1,626,905)	-	-
<b>Total support</b>	<b>2,953,028</b>	<b>(65,030)</b>	<b>817,995</b>	<b>3,705,993</b>	<b>2,636,580</b>	<b>286,635</b>	<b>1,863,669</b>	<b>4,786,884</b>
Revenues:								
Interest and dividend income	97,602	369,231	-	466,833	84,678	369,974	-	454,652
Administrative fee income (expense)	248,125	(248,125)	-	-	222,440	(222,440)	-	-
Gift fee income (expense)	63,368	(63,368)	-	-	42,503	(42,503)	-	-
Net realized and unrealized gains (losses) on investment securities	(7,910)	498,454	-	490,544	245,343	3,010,491	-	3,255,834
Change in value of annuity agreements	(4,072)	-	-	(4,072)	(11,169)	-	-	(11,169)
Change in value of perpetual trusts	-	-	(1,566)	(1,566)	-	-	(35,477)	(35,477)
<b>Total revenues</b>	<b>397,113</b>	<b>556,192</b>	<b>(1,566)</b>	<b>951,739</b>	<b>583,795</b>	<b>3,115,522</b>	<b>(35,477)</b>	<b>3,663,840</b>
<b>Total support and revenues</b>	<b>3,350,141</b>	<b>491,162</b>	<b>816,429</b>	<b>4,657,732</b>	<b>3,220,375</b>	<b>3,402,157</b>	<b>1,828,192</b>	<b>8,450,724</b>
Expenses:								
Program services (Note 17)	1,844,726	-	-	1,844,726	1,816,402	-	-	1,816,402
General and administrative services (Note 17)	544,671	-	-	544,671	562,267	-	-	562,267
Fundraising services (Note 17)	703,694	-	-	703,694	468,626	-	-	468,626
<b>Total expenses</b>	<b>3,093,091</b>	<b>-</b>	<b>-</b>	<b>3,093,091</b>	<b>2,847,295</b>	<b>-</b>	<b>-</b>	<b>2,847,295</b>
Changes in net assets	257,050	491,162	816,429	1,564,641	373,080	3,402,157	1,828,192	5,603,429
Net assets, beginning of year	2,340,743	9,698,286	13,706,461	25,745,490	1,967,663	6,323,129	11,851,269	20,142,061
Interfund transfers	3,680	(15,777)	12,097	-	-	(27,000)	27,000	-
<b>Net assets, end of year</b>	<b>\$ 2,601,473</b>	<b>\$ 10,173,671</b>	<b>\$ 14,534,987</b>	<b>\$ 27,310,131</b>	<b>\$ 2,340,743</b>	<b>\$ 9,698,286</b>	<b>\$ 13,706,461</b>	<b>\$ 25,745,490</b>

See Notes to Financial Statements.

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

**Statements of Cash Flows  
Years Ended June 30, 2015 and 2014**

	2015	2014
Operating activities:		
Changes in net assets	\$ 1,564,641	\$ 5,603,429
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	1,514
Contributions restricted for long-term purposes	(817,995)	(1,863,669)
Unrealized gains on investment securities	(481,417)	(894,531)
Realized gain on investment securities	(9,127)	(2,361,303)
Changes in operating assets and liabilities:		
Pledges receivable	23,792	(1,984,270)
Accounts receivable - other	-	92,543
Prepaid expense	(102,038)	54,250
Beneficial interest in trusts	1,566	35,477
Accounts payable and accrued expenses	(69,269)	84,968
Gift annuities payable	(5,710)	1,387
Custodial obligation payable	5,175	(6,025)
Net cash provided by (used in) operating activities	109,618	(1,236,230)
Investing activities:		
Purchase of investment securities	(1,005,035)	(22,071,845)
Proceeds from sale of investment securities	270,519	21,497,045
Net cash used in investing activities	(734,516)	(574,800)
Financing activities:		
Proceeds from contributions restricted for investment in permanent endowment	817,995	1,863,669
Net increase in cash and cash equivalents	193,097	52,639
Cash and cash equivalents, beginning of year	719,340	666,701
Cash and cash equivalents, end of year	\$ 912,437	\$ 719,340
Supplemental disclosure of cash flow information:		
Donations of gifts in kind	\$ 69,989	\$ -

See Notes to Financial Statements.

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

### **Notes to Financial Statements June 30, 2015 and 2014**

#### **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 any or all of the educational and support activities that may be conducted by the University.

#### **Note 2 - Summary of significant accounting policies**

##### **Basis of presentation and revenue recognition**

The Foundation follows the provisions of accounting for contributions made and received, financial statements of not-for-profit organizations and accounting for certain investments held by not-for-profit organizations. The provisions for accounting for contributions made and received generally require that contributions received or made, including unconditional promises to give, are recognized as increases or decreases in net assets in the period received or made at their fair values. The provisions for financial statements of not-for-profit organizations require that the Foundation display its activities and net assets in three classes of net assets as follows: unrestricted, temporarily restricted and permanently restricted. The provisions for accounting for certain investments held by not-for-profit organizations require that investments with readily determinable fair values be reported at fair value with gains and losses included in the statements of activities and changes in net assets. Additionally, the Foundation is required to present a statement of cash flows as a result of the provisions for financial statements of not-for-profit organizations.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Board-designated net assets - Net assets established by the Board of Directors, which represent unrestricted funds set aside for future needs of the Foundation.



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

### **Notes to Financial Statements June 30, 2015 and 2014**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets (i.e., the donor restricted purpose has been fulfilled and/or the restricted time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

#### **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. At June 30, 2015 and 2014, the Foundation's uninsured cash balances totaled \$677,805 and \$452,885, respectively.

#### **Fair values of financial instruments**

Investments are recorded at fair value (see Notes 3 and 6). 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 temporarily restricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are considered to be available for unrestricted use 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**

Collections of works of art acquired through donations since the Foundation's inception are not recognized as assets in the accompanying statements of financial position. Each of these items is cared for and activities verifying their existence and assessing their condition are performed continuously.

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

### **Notes to Financial Statements June 30, 2015 and 2014**

#### **Interest in perpetual trust**

The Foundation is one of several income beneficiaries of one trust. The Foundation regularly receives income distributions from the trusts, the amounts of which are recorded as investment income from perpetual trusts in the statements of activities and changes in net assets. Income received during the years ended June 30, 2015 and 2014 with respect to the trusts was \$5,300 and \$14,099, respectively, and has been classified as temporarily restricted. The principal for the Sage Trust is controlled by bank trustees independent of the Foundation. The Pauline P. Schwartz trust was liquidated in March 2014, which resulted in a contribution of \$25,177. This contribution along with value of the beneficial interest in trust established the permanently restricted Pauline P. Schwartz Endowed Scholarship for \$63,461.

#### **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.

#### **Non-cash 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 unrestricted 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.

## Southern Connecticut State University Foundation, Inc.

### Notes to Financial Statements June 30, 2015 and 2014

#### 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, 2015 or 2014. The Foundation's Federal and state income tax returns prior to fiscal year 2011 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, 2015 and 2014.

#### 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, 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.

#### Subsequent events

Management has reviewed subsequent events through October 16, 2015, which is the date the financial statements were approved and available for issuance.

#### Note 3 - Investments

The cost and fair value of investments as of June 30, 2015 and 2014 are as follows

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investments:				
Common stock	\$ 129,537	\$ 131,701	\$ 109,075	\$ 115,172
Common stock - international	10,936	10,354	5,681	5,727
Publicly traded partnership	-	-	2,526	2,693
Multi-strategy bond fund	8,470,864	8,413,055	7,890,914	7,989,702
Multi-strategy equity fund	14,058,544	15,488,184	13,914,061	14,704,940
	<u>\$ 22,669,881</u>	<u>\$ 24,043,294</u>	<u>\$ 21,922,257</u>	<u>\$ 22,818,234</u>

## Southern Connecticut State University Foundation, Inc.

### Notes to Financial Statements June 30, 2015 and 2014

#### **Note 4 - Other investments**

The Foundation receives various contributions of interests in limited partnerships. Fairmont Heights Associates Limited Partnership property was sold during the June 30, 2014 fiscal year, and the Foundation received \$21,197, which was recorded as other income.

#### **Note 5 - 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, 2015 and 2014 was \$5,795 and \$16,455, respectively. The amount included in investments at June 30, 2015 and 2014 was \$142,055 and \$123,592, respectively.

#### **Note 6 - 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;
- 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.

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.

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

**Notes to Financial Statements  
June 30, 2015 and 2014**

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, 2015 and 2014.

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

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

Publicly traded partnerships: Valued at the closing price reported on the active market on which the partnership is traded.

Multi-strategy bond fund: The multi-strategy bond fund's valuation is based on the net asset value as a practical expedient. Funds may be redeemed at or near the measurement date and, therefore, are classified as level 2 investments. 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 multi-strategy equity fund's valuation is based on the net asset value as a practical expedient. Funds may be redeemed at or near the measurement date and, therefore, are classified as level 2 investments. 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: Individual stocks are valued at the closing price reported on the active market on which the individual securities are traded. Funds are valued at the daily closing prices as reported by the funds. 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 ("NAV") and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

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

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

**Notes to Financial Statements  
June 30, 2015 and 2014**

Fair values of assets and liabilities measured on a recurring basis at June 30, 2015 and 2014 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)
June 30, 2015				
Assets:				
Common stock	\$ 131,701	\$ 131,701	\$ -	\$ -
Common stock - international	10,354	10,354	-	-
Multi-strategy equity fund	15,488,184	-	15,488,184	-
Multi-strategy bond fund	8,413,055	-	8,413,055	-
Beneficial interest in trusts	109,792	109,792	-	-
	<u>\$ 24,153,086</u>	<u>\$ 251,847</u>	<u>\$ 23,901,239</u>	<u>\$ -</u>
Liability:				
Gift annuities payable	<u>\$ 80,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,860</u>

A reconciliation for liabilities using significant unobservable inputs is as follows:

Description	Beginning Balance	Total Gains or Losses Included in Revenues	Purchases	Payments to Beneficiaries	Ending Balance
Gift annuities payable	<u>\$ 86,570</u>	<u>\$ 4,072</u>	<u>\$ -</u>	<u>\$ 9,783</u>	<u>\$ 80,859</u>

Changes in unrealized gains and losses relating to assets and liabilities still held at year end reported in the change in the value of annuity agreements are \$4,072.

	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014				
Assets:				
Common stock	\$ 115,172	\$ 115,172	\$ -	\$ -
Common stock - international	5,727	5,727	-	-
Publicly traded partnership	2,693	2,693	-	-
Multi-strategy equity fund	14,704,940	-	14,704,940	-
Multi-strategy bond fund	7,989,702	-	7,989,702	-
Beneficial interest in trusts	111,358	111,358	-	-
	<u>\$ 22,929,592</u>	<u>\$ 234,950</u>	<u>\$ 22,694,642</u>	<u>\$ -</u>
Liability:				
Gift annuities payable	<u>\$ 86,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,570</u>

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

**Notes to Financial Statements  
June 30, 2015 and 2014**

A reconciliation for liabilities using significant unobservable inputs is as follows:

Description	Beginning Balance	Total Gains or Losses Included in Revenues	Purchases	Payments to Beneficiaries	Ending Balance
Gift annuities payable	\$ 85,183	\$ 11,170	\$ -	\$ 9,783	\$ 86,570

Changes in unrealized gains and losses relating to assets still held at year end reported in the change in the value of annuity agreements are \$11,169.

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

The following table represents 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, 2015 and 2014:

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
<u>2015</u>				
Gift annuity	\$ 80,860	Income approach	Life expectancy Discounted cash flow	5-17 years 2.48% - 4.51%
<u>2014</u>				
Gift annuity	\$ 86,570	Income approach	Life expectancy Discounted cash flow	5-17 years 2.48% - 4.51%

**Fair value of investments in entities that use NAV**

The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2015 and 2014:

<u>June 30, 2015</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Multi-strategy equity fund	\$15,488,184	N/A	Monthly	5 business days prior to month end
Multi-strategy bond fund	8,413,055	N/A	Monthly	5 business days prior to month end

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

**Notes to Financial Statements  
June 30, 2015 and 2014**

<u>June 30, 2014</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Multi-strategy equity fund	\$14,704,940	N/A	Monthly	5 business days prior to month end
Multi-strategy bond fund	7,989,702	N/A	Monthly	5 business days prior to month end

**Note 7 - Pledges receivable - 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 a permanent 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 permanently restricted by donors 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, 2015. 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, 2015 and 2014, the Foundation did not receive any state match.

**Note 8 - Pledges receivable**

Pledges receivable - other consists of the following:

	<u>2015</u>	<u>2014</u>
Temporarily restricted	\$ 1,228,150	\$1,254,350
Permanently restricted	<u>1,384,125</u>	<u>1,396,750</u>
	2,612,275	2,651,100
Less unamortized discount	<u>306,928</u>	<u>321,961</u>
	<u>\$ 2,305,347</u>	<u>\$2,329,139</u>



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

**Notes to Financial Statements  
June 30, 2015 and 2014**

Gross amounts expected to be collected in:

Less than one year	\$ 381,150
One to five years	1,631,125
Five to nine years	<u>600,000</u>
	<u>\$ 2,612,275</u>

Discount rates used on long-term pledges were 2.35% and 2.53% for the years ended June 30, 2015 and 2014, respectively.

**Note 9 - Property and equipment**

Property and equipment are summarized by major classifications as follows:

	<u>2015</u>	<u>2014</u>
Software	\$ 169,259	\$ 169,259
Less accumulated depreciation	<u>(169,259)</u>	<u>(169,259)</u>
Net book value of property and equipment	<u>\$ -</u>	<u>\$ -</u>

**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.

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 10-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 \$80,860 and \$86,570 at June 30, 2015 and 2014, respectively.

**Note 11 - Custodial obligation payable**

The Foundation is 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. The agreement between the Association and the Foundation provide 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.

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The amount of the annual grant is equal to the first \$25 of each unrestricted gift of \$25 or above received from alumni in the current year. As of June 30, 2015 and 2014, this obligation was \$38,525 and \$33,350, respectively, and is classified on the statements of financial position as a liability. The programming grant expense for the years ended June 30, 2015 and 2014 was \$38,525 and \$33,350, respectively.

**Note 12 - Board-designated net assets**

The balance in board-designated net assets as of June 30, 2015 and 2014 are from contributions. Board-designated net assets are available for the following purposes:

	2015	2014
Scholarships and other financial aid	\$ 348,494	\$ 348,494
Other University programs	485,414	310,414
	\$ 833,908	\$ 658,908

**Note 13 - Temporarily restricted net assets**

The balance in temporarily restricted net assets as of June 30, 2015 and 2014 are from the following sources:

	2015	2014
Unspent temporarily restricted endowment funds	\$ 5,740,880	\$ 5,630,510
Unspent temporarily non-endowed restricted gifts	4,432,898	4,067,776
	\$ 10,173,778	\$ 9,698,286

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Scholarships and other financial aid	\$ 3,788,273	\$ 3,761,337
Athletic activities	641,226	677,533
Other University programs	5,744,279	5,259,416
	\$ 10,173,778	\$ 9,698,286

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

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**Note 14 - Permanently restricted net assets**

At June 30, 2015 and 2014, permanently restricted net assets consist of the following:

	2015	2014
Endowment fund	\$ 14,425,520	\$ 13,595,103
Beneficial interest in trusts	109,792	111,358
	\$ 14,535,312	\$ 13,706,461

**Note 15 - Endowment**

The required disclosures are as follows:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Asset Composition:				
Donor-restricted endowment funds	\$ -	\$ 5,740,879	\$ 14,425,195	\$ 20,166,074
Board-designated endowment funds	833,908	-	-	833,908
	\$ 833,908	\$ 5,740,879	\$ 14,425,195	\$ 20,999,982
Change in Endowment Net Assets:				
Endowment net assets, July 1, 2014	\$ 658,908	\$ 5,660,510	\$ 13,595,103	\$ 19,914,521
Investment return:				
Investment income	-	354,427	-	354,427
Net appreciation	-	479,806	-	479,806
Contributions	175,000	119,683	817,995	1,112,678
Interfund transfers	-	-	12,097	12,097
Appropriation of endowment assets for expenditure	-	(873,547)	-	(873,547)
Endowment net assets, June 30, 2015	\$ 833,908	\$ 5,740,879	\$ 14,425,195	\$ 20,999,982

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	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment Net Asset Composition:</b>				
Donor-restricted endowment funds	\$ -	\$ 5,660,510	\$ 13,595,103	\$ 19,255,613
Board-designated endowment funds	658,908	-	-	658,908
	<u>\$ 658,908</u>	<u>\$ 5,660,510</u>	<u>\$ 13,595,103</u>	<u>\$ 19,914,521</u>
<b>Change in Endowment Net Assets:</b>				
Endowment net assets, July 1, 2013	\$ 658,908	\$ 3,047,668	\$ 11,704,434	\$ 15,411,010
Investment return:				
Investment income	-	355,382	-	355,382
Net appreciation	-	2,897,604	-	2,897,604
Contributions	-	32,972	1,863,669	1,896,641
Interfund transfers	-	-	27,000	27,000
Appropriation of endowment assets for expenditure	-	(673,116)	-	(673,116)
Endowment net assets, June 30, 2014	<u>\$ 658,908</u>	<u>\$ 5,660,510</u>	<u>\$ 13,595,103</u>	<u>\$ 19,914,521</u>

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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets 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:

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- (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 1.25% annual endowment administration fee, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% 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 year ended June 30, 2015 was based on a percentage of the 12 quarters (3 year) average of the market value of the portfolio for the year ended December 31, 2013, prior to the start of the fiscal year. The standard policy percentage is 4% with a resulting effective rate, based on the December 31, 2013, market value of 3.27%.

Due to a decline in investment earnings combined with newly established funds, the fair values of some of the endowments have dropped below their historic gift value. As of June 30, 2015 and 2014, the overall difference between fair value and historic gift value was approximately \$13,697 and \$2,000, respectively. Management believes the economic conditions will improve over the next few years and has decided not to permanently reduce the historic gift value of the endowments.

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**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 year ended June 30, 2015. The value of these services for the years ended June 30, 2015 and 2014 is \$1,014,075 and \$822,151, respectively, and is reflected as income and itemized as donated services (see Note 17). The increase represents a full year salary for the Vice President of Institutional Advancement, other staff member salary increases, and additional duties performed by staff.

**Note 17 - Functional expense classifications**

The Foundation's functional expense classifications for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Program services:		
Athletic and University activities	\$ 816,476	\$ 993,289
Donated services	196,695	180,873
Scholarships	711,326	598,548
Uncollected program receipts	1,400	-
Equipment	46,378	-
Other support	72,451	43,692
	\$ 1,844,726	\$ 1,816,402
	2015	2014
General and administrative services:		
Donated services	\$ 113,686	\$ 172,652
Salaries	105,801	91,025
Rent and overhead	74,766	43,900
Investment fees	69,498	67,824
Partnership agreement - Alumni Association	38,525	33,350
Consultants	37,953	43,200
Audit fees	30,500	29,500
Office expenses	21,743	36,082
Advertising	18,000	-
Administration	17,441	18,488
Board and Director's activities	7,519	8,576
Insurance	5,497	6,381
Dues, memberships and subscriptions	2,736	4,570
Travel	1,006	5,205
Depreciation	-	1,514
	\$ 544,671	\$ 562,267

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	<u>2015</u>	<u>2014</u>
Fundraising services:		
Donated services	<u>\$ 703,694</u>	<u>\$ 468,626</u>

**Note 18 - Commitment and contingencies**

The Foundation maintains a renewable letter of agreement between the Foundation and the University dated July 1, 2015 and terminating June 30, 2017. 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.

**Note 19 - Operating lease**

The Organization entered into an operating lease for space which expires in January 2016. Lease expense for the years ended June 30, 2015 and 2014 is \$73,566 and 42,700, respectively. Minimum future rental payments in total for the next 7 months is \$37,454.