

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.

Opinion

We have audited the accompanying financial statements of Southern Connecticut State University Foundation, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 Southern Connecticut State University Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Southern Connecticut State University 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 Southern Connecticut State University 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 Southern Connecticut State University 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.

CohnReznick LLP

Hartford, Connecticut
October 11, 2023

Southern Connecticut State University Foundation, Inc.

**Statements of Financial Position
June 30, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 205,684	\$ 355,103
Investment securities (Note 4)	45,112,509	40,953,806
Promises to give (Note 7)	4,375,799	3,831,078
Prepaid expense	-	62,525
Beneficial interest in trusts	117,044	109,807
	<u>117,044</u>	<u>109,807</u>
 Total assets	 <u>\$ 49,811,036</u>	 <u>\$ 45,312,319</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 126,696	\$ 323,007
Gift annuities payable (Note 8)	8,639	9,085
Custodial obligation payable (Note 9)	237,661	215,632
	<u>237,661</u>	<u>215,632</u>
 Total liabilities	 <u>372,996</u>	 <u>547,724</u>
 Net assets		
Without donor restrictions		
Undesignated	2,809,502	2,528,685
Board-designated (Note 11)	1,332,491	1,285,481
With donor restrictions (Note 12)	45,296,047	40,950,429
	<u>45,296,047</u>	<u>40,950,429</u>
 Total net assets	 <u>49,438,040</u>	 <u>44,764,595</u>
 Total liabilities and net assets	 <u>\$ 49,811,036</u>	 <u>\$ 45,312,319</u>

See Notes to Financial Statements.

Southern Connecticut State University Foundation, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022**

	2023			2022		
	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 of cash and other financial assets	\$ 103,368	\$ 4,123,731	\$ 4,227,099	\$ 74,457	\$ 5,643,523	\$ 5,717,980
University donated services (Note 14)	950,340	-	950,340	899,097	-	899,097
Contributions of nonfinancial assets (Note 14)	2,900	-	2,900	64,528	-	64,528
Other income	57	108,941	108,998	227	54,261	54,488
Net assets released from restrictions	3,158,103	(3,158,103)	-	2,499,198	(2,499,198)	-
Total support	4,214,768	1,074,569	5,289,337	3,537,507	3,198,586	6,736,093
Revenues						
Investment income (loss)	642,422	3,834,201	4,476,623	(1,033,881)	(4,629,009)	(5,662,890)
Administrative fee income (expense)	487,942	(484,690)	3,252	594,314	(590,336)	3,978
Gift fee income (expense)	85,699	(85,699)	-	71,262	(71,262)	-
Change in value of annuity agreements	(665)	-	(665)	(673)	-	(673)
Change in value of perpetual trust	-	7,237	7,237	-	(20,449)	(20,449)
Total revenues	1,215,398	3,271,049	4,486,447	(368,978)	(5,311,056)	(5,680,034)
Total support and revenues	5,430,166	4,345,618	9,775,784	3,168,529	(2,112,470)	1,056,059
Expenses						
Program services (Note 16)	3,875,682	-	3,875,682	3,256,683	-	3,256,683
General and administrative services (Note 16)	778,658	-	778,658	733,063	-	733,063
Fundraising services (Note 16)	447,999	-	447,999	445,711	-	445,711
Total expenses	5,102,339	-	5,102,339	4,435,457	-	4,435,457
Changes in net assets	327,827	4,345,618	4,673,445	(1,266,928)	(2,112,470)	(3,379,398)
Net assets, beginning	3,814,166	40,950,429	44,764,595	5,081,094	43,062,899	48,143,993
Net assets, end	\$ 4,141,993	\$ 45,296,047	\$ 49,438,040	\$ 3,814,166	\$ 40,950,429	\$ 44,764,595

See Notes to Financial Statements.

Southern Connecticut State University Foundation, Inc.

**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Changes in net assets	\$ 4,673,445	\$ (3,379,398)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Contributions restricted for long-term purposes	(1,082,103)	(3,052,593)
Realized/unrealized (gains) losses on investment securities	(4,567,448)	5,565,583
Beneficial interest in trusts	(7,237)	20,449
Payments on gift annuities	(1,111)	(1,111)
Changes in operating assets and liabilities		
Promises to give	(544,721)	(2,255,091)
Prepaid expense	62,525	5,750
Accounts payable and accrued expenses	(196,311)	(55,377)
Gift annuities payable	665	673
Custodial obligation payable	22,029	(34,860)
Refundable advances	-	(11,060)
Deferred revenue	-	(18,199)
	<u>(1,640,267)</u>	<u>(3,215,234)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investment securities	(2,441,634)	(3,476,816)
Proceeds from sale of investment securities	2,850,379	3,485,271
	<u>408,745</u>	<u>8,455</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Proceeds from contributions restricted for investment in permanent endowment	1,082,103	3,052,593
	<u>1,082,103</u>	<u>3,052,593</u>
Net decrease in cash and cash equivalents	(149,419)	(154,186)
Cash and cash equivalents, beginning	355,103	509,289
	<u>355,103</u>	<u>509,289</u>
Cash and cash equivalents, end	<u>\$ 205,684</u>	<u>\$ 355,103</u>

See Notes to Financial Statements.

Southern Connecticut State University Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022

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 4 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 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.

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, 2023 and 2022. 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.

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).

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2023 and 2022**

Management has analyzed the tax positions taken by the foundation and has concluded that as of June 30, 2023 and 2022, there were 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 and state income tax 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.

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, 2023 and 2022.

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.

Subsequent events

Management has reviewed subsequent events through October 11, 2023, 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, 2023 and 2022**

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. As of June 30, 2023 and 2022, the Foundation has financial assets available to meet annual operating needs for the 2024 and 2023 fiscal year as follows:

	2023	2022
Cash and cash equivalents	\$ 205,684	\$ 355,103
Investment securities	45,112,509	40,953,806
Promises to give and accounts receivable	4,375,799	3,831,078
 Financial assets accessible by management in the next year	 49,693,992	 45,139,987
Less		
Promises to give after more than one year	3,268,498	2,721,820
Endowment funds to be used in perpetuity	23,582,305	22,213,661
Endowment earnings not available	9,419,201	7,502,142
Student managed funds	318,328	275,140
Donor restricted funds for time or purpose to be used after one year	2,838,707	3,201,434
Board-designated funds	1,332,491	1,285,481
Reserve funds	1,477,475	1,435,945
 Financial assets accessible by management in the next year	 \$ 7,456,987	 \$ 6,504,364

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.

Note 4 - Investments

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

	2023	2022
Common stock	\$ 302,959	\$ 269,286
US Government money market fund	1,260,079	975,565
Multi-strategy equity fund	29,563,875	25,927,449
Multi-strategy bond fund	13,777,830	13,727,229
Private equity	207,766	54,277
	\$ 45,112,509	\$ 40,953,806

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2023 and 2022**

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, 2023 and 2022 was \$15,370 and \$5,854, respectively. The amount included in investments at June 30, 2023 and 2022 was \$302,959 and \$269,286, 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; 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.

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, 2023 and 2022:

Common stock and US Government money market fund: Valued at the closing price reported on the active market on which the individual securities are traded.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2023 and 2022**

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.

Information with respect to the strategies of those investment funds that are reported at estimated fair value based on NAV per share (or its equivalent) is as follows:

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.

Private equity: Valued using management assumptions and best estimates after considering internal and external factors. Securities with no readily available market are generally valued according to the market approach, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to the financial condition and operating results of the issuer, the amount that the investment partnerships can reasonably expect to realize upon the sale of securities and any other factors deemed relevant.

There were no purchases, transfers, or issuances in or out of Level 3 during the years ended June 30, 2023 and 2022.

Fair values of assets and the liability measured on a recurring basis at June 30, 2023 and 2022 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, 2023					
Assets					
Common stock	\$ 302,959	\$ 302,959	\$ -	\$ -	\$ -
US Government money market fund	1,260,079	1,260,079	-	-	-
Multi-strategy equity fund	29,563,875	-	-	-	29,563,875
Multi-strategy bond fund	13,777,830	-	-	-	13,777,830
Private equity	207,766	-	-	-	207,766
Beneficial interest in trusts	117,044	-	-	117,044	-
	<u>\$ 45,229,553</u>	<u>\$ 1,563,038</u>	<u>\$ -</u>	<u>\$ 117,044</u>	<u>\$ 43,549,471</u>
Liability					
Gift annuities payable	\$ 8,639	\$ -	\$ -	\$ 8,639	\$ -

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2023 and 2022**

	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets/liabilities (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Investments valued at NAV</u>
June 30, 2022					
Assets					
Common stock	\$ 269,286	\$ 269,286	\$ -	\$ -	\$ -
US Government money market fund	975,565	975,565	-	-	-
Multi-strategy equity fund	25,927,449	-	-	-	25,927,449
Multi-strategy bond fund	13,727,229	-	-	-	13,727,229
Private equity	54,277	-	-	-	54,277
Beneficial interest in trusts	109,807	-	-	109,807	-
	<u>\$ 41,063,613</u>	<u>\$ 1,244,851</u>	<u>\$ -</u>	<u>\$ 109,807</u>	<u>\$ 39,708,955</u>
Liability					
Gift annuities payable	<u>\$ 9,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,085</u>	<u>\$ -</u>

The Foundation has unfunded commitments to purchase of \$3,757,500 of private equity funds.

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, 2023 and 2022:

<u>Instrument</u>	<u>Fair value</u>	<u>Principal valuation technique</u>	<u>Unobservable values inputs</u>	<u>Range of significant input</u>
<u>2023</u>				
Beneficial interest in trusts	\$ 117,044	The Foundation's fair value of the trust assets	N/A	20% beneficial interest
Gift annuities	8,639	Income approach	Life expectancy Discounted cash flow	7-10 years 2.48% - 3.98%
<u>2022</u>				
Beneficial interest in trusts	\$ 109,807	The Foundation's fair value of the trust assets	N/A	20% beneficial interest
Gift annuities	9,085	Income approach	Life expectancy Discounted cash flow	8-11 years 2.48% - 3.98%

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2023 and 2022**

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, 2023 and 2022:

June 30, 2023	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Multi-strategy equity fund	\$ 29,563,875	N/A	Monthly	5 business days prior to month-end
Multi-strategy bond fund	13,777,830	N/A	Monthly	5 business days prior to month-end

June 30, 2022	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Multi-strategy equity fund	\$ 25,927,449	N/A	Monthly	5 business days prior to month-end
Multi-strategy bond fund	13,727,229	N/A	Monthly	5 business days prior to month-end

Note 7 - Promises to give

Promises to give consist of the following:

	2023	2022
Less than one year	\$ 1,161,333	\$ 1,134,415
One to five years	3,688,852	2,593,900
More than five years	50,000	499,250
	4,900,185	4,227,565
Less unamortized discount	524,386	396,487
	<u>\$ 4,375,799</u>	<u>\$ 3,831,078</u>

Promises to give are restricted as follows:

With donor restrictions due to purpose or time	\$ 2,663,185	\$ 1,731,315
With donor restrictions in perpetuity	2,237,000	2,496,250
	<u>\$ 4,900,185</u>	<u>\$ 4,227,565</u>

Discount rates used on long-term pledges were 4.13% and 3.01% for the years ended June 30, 2023 and 2022, respectively.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2023 and 2022**

Note 8 - 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 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 \$8,639 and \$9,085 at June 30, 2023 and 2022, respectively.

Note 9 - 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, 2023 and 2022 was \$237,661 and \$215,632, respectively.

Note 10 - 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, 2023 and 2022, this obligation was \$47,000 which was paid and is classified on the statements of activities as a general and administrative services expense.

Note 11 - Board-designated net assets

The balance in board-designated net assets as of June 30, 2023 and 2022 is available for the following purposes:

	<u>2023</u>	<u>2022</u>
Scholarships and other financial aid	\$ 983,061	\$ 538,204
Other University programs	349,430	747,277
	<u>\$ 1,332,491</u>	<u>\$ 1,285,481</u>

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
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Note 12 - Net assets with donor restrictions

The balance in net assets with donor restrictions as of June 30, 2023 and 2022 are from the following sources:

	2023	2022
Net assets with donor restrictions - purpose and time	\$ 19,630,284	\$ 16,389,225
Net assets with donor restrictions - in perpetuity	25,665,763	24,561,204
	\$ 45,296,047	\$ 40,950,429

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

	2023	2022
Scholarships and other financial aid	\$ 8,460,072	\$ 7,049,633
Athletic activities	1,218,810	1,120,984
Other University programs	9,951,402	8,218,608
	\$ 19,630,284	\$ 16,389,225

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, 2023 and 2022, net assets with donor restrictions in perpetuity consist of the following:

	2023	2022
Scholarships and other financial aid	\$ 17,111,300	\$ 16,386,932
Athletic activities	26,698	26,698
Other University programs	6,444,307	5,800,031
Endowment fund	23,582,305	22,213,661
Scholarships and other financial aid	58,193	87,674
Other University programs	1,908,221	2,150,062
Promises to give	1,966,414	2,237,736
Beneficial interest in trust	117,044	109,807
	\$ 25,665,763	\$ 24,561,204

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
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Note 13 - Endowment

The required disclosures are as follows:

	2023		
	Without donor restrictions	With donor restrictions	Total
Endowment net asset composition			
Donor-restricted endowment funds	\$ -	\$ 34,394,294	\$ 34,394,294
Board-designated endowment funds	1,236,158	-	1,236,158
	<u>\$ 1,236,158</u>	<u>\$ 34,394,294</u>	<u>\$ 35,630,452</u>
Change in endowment net assets			
Endowment net assets, July 1, 2022	\$ 1,185,298	\$ 31,034,630	\$ 32,219,928
Investment return			
Net depreciation	134,476	3,815,522	3,949,998
Contributions	-	1,382,277	1,382,277
Transfers from nonendowed funds	-	(131,681)	(131,681)
Appropriation of endowment assets for expenditure	(83,616)	(1,706,454)	(1,790,070)
Endowment net assets, June 30, 2023	<u>\$ 1,236,158</u>	<u>\$ 34,394,294</u>	<u>\$ 35,630,452</u>
	2022		
	Without donor restrictions	With donor restrictions	Total
Endowment net asset composition			
Donor-restricted endowment funds	\$ -	\$ 31,034,630	\$ 31,034,630
Board-designated endowment funds	1,185,298	-	1,185,298
	<u>\$ 1,185,298</u>	<u>\$ 31,034,630</u>	<u>\$ 32,219,928</u>
Change in endowment net assets			
Endowment net assets, July 1, 2021	\$ 1,393,308	\$ 35,683,793	\$ 37,077,101
Investment return			
Investment income	330	-	330
Net depreciation	(163,501)	(4,392,407)	(4,555,908)
Contributions	-	1,469,748	1,469,748
Transfers from nonendowed funds	-	39,189	39,189
Appropriation of endowment assets for expenditure	(44,839)	(1,765,693)	(1,810,532)
Endowment net assets, June 30, 2022	<u>\$ 1,185,298</u>	<u>\$ 31,034,630</u>	<u>\$ 32,219,928</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.

Southern Connecticut State University Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022

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. 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, 2023 and 2022 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, 2021 and 2020, respectively, prior to the start of the fiscal year. The 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, 2021 market value of 4.84% (including the 1.5% annual endowment advancement fee) for the year ended June 30, 2023 and 5.50% (including the 1.5% annual endowment advancement fee) based on the December 31, 2020 market value for the year ended June 30, 2022.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
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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, 2023 and 2022 are as follows:

	Number of funds underwater	Fair value	Original gift	Amount of deficiencies
2023	14	\$ 813,120	\$ 854,476	\$ (41,726)
2022	28	1,926,158	2,130,636	(204,478)

Note 14 - 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	\$ 406,244	Program services	None	University employees' time and benefits for services performed for the Foundation
Donated Services	229,842	General and administration	None	University employees' time and benefits for services performed for the Foundation
Donated Services	314,254	Fundraising	None	University employees' time and benefits for services performed for the Foundation
Canoes	2,000	University programs	None	Fair market value of the asset at the date of donation
Elliptical	900	University programs	None	Fair market value of the asset at the date of donation
2022				
	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donated Services	\$ 393,200	Program services	None	University employees' time and benefits for services performed for the Foundation
Donated Services	209,921	General and administration	None	University employees' time and benefits for services performed for the Foundation
Donated Services	295,676	Fundraising	None	University employees' time and benefits for services performed for the Foundation
Bus	59,500	University programs	None	Fair market value of the asset at the date of donation
Books	4,528	University programs	None	Fair market value of the asset at the date of donation
Recreation table	800	University programs	None	Fair market value of the asset at the date of donation

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

Note 15 - 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, 2023, this condition has not been met.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
June 30, 2023 and 2022**

Note 16 - Functional expense classifications

The Foundation's functional expense classifications for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Program services		
Athletic and University activities	\$ 1,729,089	\$ 1,193,591
Donated services	406,244	393,200
Scholarships	1,524,872	1,373,746
Equipment	2,900	59,200
Other support	212,577	236,946
Total program services	\$ 3,875,682	\$ 3,256,683
General and administrative services		
Salaries and benefits	\$ 351,473	\$ 335,667
Rent and overhead	3,904	3,560
Donated services	229,842	209,921
Consultants	12,199	10,900
Partnership agreement - Alumni Association	47,000	47,000
Audit fees	34,965	31,099
Office expenses	32,050	38,144
Legal	31,556	14,025
Administration	14,581	12,747
Board and Director's activities	6,683	9,276
Insurance	6,944	9,536
Travel	4,601	-
Dues, memberships and subscriptions	2,860	11,188
Total general and administrative services	\$ 778,658	\$ 733,063
Fundraising services		
Donated services	\$ 314,254	\$ 295,976
Salary	133,745	149,735
Total fundraising services	\$ 447,999	\$ 445,711

Note 17 - 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, 2023, the Foundation had no uninsured balances. The Foundation limits its credit risk by selecting financial institutions considered to be highly creditworthy.

The Foundation received approximately 22% and 45% of contribution from one donor for the years ended June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, respectively, promises to give consist of 73% and 83% of receivables from two donors.

Southern Connecticut State University Foundation, Inc.

**Notes to Financial Statements
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Note 18 - Commitment and contingencies

The Foundation maintains a renewable letter of agreement between the Foundation and the University. There current agreement expires June 30, 2024. 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.