

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
FINANCIAL STATEMENTS
December 31, 2014 and 2013

SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT

Board of Directors

Gateway Community College Foundation, Inc.

New Haven, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Community College Foundation, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 upon the auditors' judgment, including 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 the 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 Gateway Community College Foundation, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Seward and Monde

North Haven, Connecticut
May 5, 2015

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
 STATEMENTS of FINANCIAL POSITION
 December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 667,470	\$ 659,930
Contributions receivable	571,129	600,972
Investments	919,797	704,623
Software	5,505	5,505
Less, Accumulated amortization	(5,505)	(5,505)
Total assets	\$ 2,158,396	\$ 1,965,525
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,000	\$ 5,700
Total liabilities	1,000	5,700
Net Assets:		
Unrestricted	122,903	104,969
Temporarily restricted	1,146,005	1,218,620
Permanently restricted	888,488	636,236
Total net assets	2,157,396	1,959,825
Total liabilities and net assets	\$ 2,158,396	\$ 1,965,525

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS of ACTIVITIES
For the years ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Contributions	\$ 69,450	\$ 364,486	\$ 252,252	\$ 686,188	\$ 64,002	\$ 282,059	\$ 69,404	\$ 415,465
Investment income	6,272	5,075	-	11,347	13,734	11,748	-	25,482
Net realized and unrealized gains on investments	-	47,655	-	47,655	33,777	5,177	-	38,954
Hall of Fame reception	53,858	28,950	-	82,808	82,338	41,450	-	123,788
Chefs of Our Kitchen	21,315	-	-	21,315	24,960	-	-	24,960
Helping Hands fundraiser	-	-	-	-	-	12,725	-	12,725
Other income	2,516	-	-	2,516	750	-	-	750
Net assets released from restrictions:								
Restrictions satisfied by payments	518,781	(518,781)	-	-	674,193	(674,193)	-	-
Total revenue, gains and other support	672,192	(72,615)	252,252	851,829	893,754	(321,034)	69,404	642,124
Expenses:								
Support to the College:								
Scholarships and awards	100,243	-	-	100,243	111,975	-	-	111,975
Faculty development	12,832	-	-	12,832	15,369	-	-	15,369
Furniture, fixtures and equipment for new campus	215,000	-	-	215,000	350,000	-	-	350,000
Grants	74,654	-	-	74,654	140,736	-	-	140,736
Other support programs	24,277	-	-	24,277	22,768	-	-	22,768
Hall of Fame reception-Direct costs	36,221	-	-	36,221	47,336	-	-	47,336
Other fundraising programs-Direct costs	16,824	-	-	16,824	18,234	-	-	18,234
Capital campaign fundraising	85,746	-	-	85,746	47,039	-	-	47,039
General and administrative	88,461	-	-	88,461	69,196	-	-	69,196
Total expenses	654,258	-	-	654,258	822,653	-	-	822,653
Change in net assets	17,934	(72,615)	252,252	197,571	71,101	(321,034)	69,404	(180,529)
Net assets, beginning of year	104,969	1,218,620	636,236	1,959,825	33,868	1,539,654	566,832	2,140,354
Net assets, end of year	\$ 122,903	\$ 1,146,005	\$ 888,488	\$ 2,157,396	\$ 104,969	\$ 1,218,620	\$ 636,236	\$ 1,959,825

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS of CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ 197,571	(\$ 180,529)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(47,655)	(38,954)
Bad debts	8,925	-
Decrease in unconditional promises to give	20,918	245,672
Increase (decrease) in accounts payable	(4,700)	2,127
Net cash provided by operating activities	175,059	28,316
Cash Flows from Investing Activities:		
Proceeds from sale of investments	-	30,056
Purchase of investments	(167,519)	(177,887)
Net cash used by investing activities	(167,519)	(147,831)
Net increase (decrease) in cash and cash equivalents	7,540	(119,515)
Cash and cash equivalents, beginning of year	659,930	779,445
Cash and cash equivalents, end of year	\$ 667,470	\$ 659,930

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

1 - Nature of Activities

Gateway Community College Foundation, Inc. (the Foundation) is a not-for-profit, charitable organization described in Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to assist the Gateway Community College (the College) in expanding its services to students and enhancing academic instruction. The Foundation's activities consist of corporate and individual fundraising and disbursement of monies in the form of student scholarships and institutional program grants.

2 - Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets in accordance with the existence or absence of donor imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

Net assets that are not subject to explicit donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted

Net assets whose use by the Foundation is subject to explicit donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire because of the passage of time.

Permanently Restricted

Net assets subject to explicit donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of the investment return on these assets either for general expenses of the Foundation or for specified restricted purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

All of the Foundation's activities are conducted by either unpaid volunteers or employees of the College, whose time is contributed by the College. The value of this contributed time is not reflected in the accompanying financial statements since the contributed time does not meet the criteria for recognition under financial accounting standards.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at market value in the statement of financial position.

Gains and losses on dispositions of investments are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statement of activities.

Software

Software is stated at acquisition cost. Amortization is computed using the straight-line method over the estimated useful life of the related software.

Income Taxes

Gateway Community College Foundation, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. However, income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. As of December 31, 2014 and 2013, the Foundation believes it did not engage in any unrelated business activities and therefore does not have any uncertain tax positions.

The income tax returns for the Foundation for the years ending December 31, 2011, 2012, 2013 and 2014 are subject to examination by Federal and State tax jurisdictions, generally for three years after filing.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Endowment Investment and Spending Policies

The Foundation's endowment consists of several individual donor-restricted endowment funds established for a variety of purposes that the Foundation must hold in perpetuity.

The Board of Directors has interpreted the State of Connecticut's Uniform Prudent Management of Institutional Funds Act 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. 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 standard of prudence prescribed by the State of Connecticut's Uniform Prudent Management of Institutional Funds Act. In accordance with the State of Connecticut's Uniform Prudent Management of Institutional Funds Act, 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 organization 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 organization; and
7. The investment policies of the organization.

The Foundation follows a policy that attempts to provide a predictable stream of funding supported by its endowment while seeking to maintain the integrity of endowment assets. Endowment assets include donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. The endowment assets are invested in a manner that is intended to produce results that exceed disbursements while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

The Foundation has a policy of appropriating for distribution each year up to five percent of its endowment fund's trailing three year average market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income received (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Subsequent Events

The Foundation evaluated events occurring between the end of their most recent fiscal year and May 5, 2015, the date the financial statements were available to be issued.

Reclassifications

Certain 2013 amounts have been reclassified to conform with the 2014 presentation.

3 - Investments

Investments at December 31 consist of the following:

	<u>2014</u>	<u>2013</u>
	Market Value	Market Value
Cash and cash equivalents	\$ 4,067	\$ 76,843
Investments managed by the Community Foundation for Greater New Haven, Inc.	<u>915,730</u>	<u>627,780</u>
	<u>\$ 919,797</u>	<u>\$ 704,623</u>

In March of 2013, the Foundation established the Gateway Community College Foundation Fund (the Fund) at the Community Foundation for Greater New Haven, Inc. (the Community Foundation) with an initial contribution of \$564,280 from permanently restricted net assets. Earnings, net of administrative and management fees, are distributed to the Foundation based on endowment policies, and in accordance with the Community Foundation's policies on distribution of earnings. Amounts invested that are part of the overall investment pool of the Community Foundation consisted of the following investments:

Description	2014	2013
Cash	7%	2%
Bonds	15%	16%
Small Cap Equities	4%	6%
Large Cap Equities	19%	19%
International Equities	20%	23%
Real Assets	10%	12%
Alternatives:		
Global Opport. Energy	1%	0%
Absolute Return	0%	1%
Hedged Equity	19%	16%
Private Equity	1%	1%
Real Estate	2%	2%
Commodities	1%	1%
Oil/Gas	1%	1%
Total	100%	100%

As the financial markets experience volatility, the Foundation's investment portfolio will change in value. In light of the volatility in the markets, any decisions based upon these financial statements must take into consideration current information along with calendar year end information.

4 - Fair Value Measurements

Generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels. The following is derived from information provided by the Community Foundation:

Level 1 - Observable inputs from quoted market prices for identical assets or liabilities to which The Community Foundation has independent access at the measurement date.

Level 2 - Observable inputs other than from direct quoted market prices or indices for the asset or liability, either directly or indirectly, or can be corroborated by observable inputs and market data, and the Community Foundation has the ability to redeem the asset in the near term subsequent to the measurement date.

Level 3 - Prices, which may be based on an underlying quoted market prices, observable input and/or market data contained in Level 1 and Level 2, which also requires significant judgment on observable inputs by the investee as to the net asset value per share or unit of the Community Foundation's ownership interest in the partners' capital, and where redemption would be available in a period of more than 90 days from the measurement date. Valuation methodologies by the fund include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third-party appraisals, third-party pricing services and other applicable indices.

Where:

Observable inputs reflect the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and from independent sources that are actively involved in the relevant markets, and include assumptions made in pricing and valuations of the asset or liability that are developed from sources independent of the Community Foundation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis at December 31, 2014 are as follows:

Description	Total Fair Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 4,067	\$ 4,067	\$ -	\$ -
Investments managed by the Community Foundation for Greater New Haven, Inc.:				
Cash	70,040	70,040	-	-
Bonds	141,530	58,143	83,387	-
Small Cap Equities	35,274	25,050	10,224	-
Large Cap Equities	179,640	-	179,640	-
International Equities	186,074	125,215	19,416	41,443
Real Assets	90,304	-	-	90,304
Alternatives:				
Global Opport. Energy	569	-	-	569
Hedged Equity	175,418	-	-	175,418
Private Equity	8,573	-	-	8,573
Real Estate	16,712	-	-	16,712
Commodities	2,922	-	-	2,922
Oil/Gas	8,674	-	-	8,674
Investments	\$ 919,797	\$ 282,515	\$ 292,667	\$ 344,615

Assets measured at fair value on a recurring basis at December 31, 2013 are as follows:

Description	Total Fair Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 76,843	\$ 76,843	\$ -	\$ -
Investments managed by the Community Foundation for Greater New Haven, Inc.:				
Cash	14,849	14,849	-	-
Bonds	101,975	36,295	65,680	-
Small Cap Equities	38,185	24,049	14,136	-
Large Cap Equities	122,325	-	122,325	-
International Equities	148,769	88,152	28,738	31,879
Real Assets	74,740	-	-	74,740
Alternatives:				
Absolute Return	3,478	-	-	3,478
Hedged Equity	99,755	-	-	99,755
Private Equity	5,144	-	-	5,144
Real Estate	14,690	-	-	14,690
Commodities	1,237	-	-	1,237
Oil/Gas	2,633	-	-	2,633
Investments	<u>\$ 704,623</u>	<u>\$ 240,188</u>	<u>\$ 230,879</u>	<u>\$ 233,556</u>

The following is a summary of the changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Fair Value as of December 31, 2012	\$ -
Purchases, sales, realized and unrealized gains and losses during 2013	<u>233,556</u>
Fair Value as of December 31, 2013	233,556
Purchases, sales, realized and unrealized gains and losses during 2014	<u>111,059</u>
Fair Value as of December 31, 2014	<u><u>\$ 344,615</u></u>

The Foundation's policy is to recognize transfers in and transfers out of each level as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between each level during the years ended December 31, 2014 and 2013.

5 - Contributions Receivable

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 326,129	\$ 385,472
One year to five years	<u>285,000</u>	<u>242,500</u>
	611,129	627,972
Less: Discounts to net present value at 5.0%	<u>(40,000)</u>	<u>(27,000)</u>
Net contributions receivable	<u>\$ 571,129</u>	<u>\$ 600,972</u>

Contributions receivable as of December 31, 2014 and 2013 includes \$105,687 which is due from the State of Connecticut pursuant to the State of Connecticut Public Act 98-252, Section 48, which establishes a Higher Education State Matching Grant Fund to be administered by the Board of Trustees of Community Technical Colleges. Under this Act, the State, upon receipt of appropriate certification, will match a portion of the total permanently restricted endowment fund gifts actually received by the Foundation during the calendar year (endowment fund eligible gifts). The Foundation must use the earnings of such matching endowment funds for professorships, scholarships, or programmatic enhancements. An allowance for bad debts has been established against this receivable amounting to \$105,687 at December 31, 2014 and 2013, respectively

6 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Capital Campaign	\$ 549,963	\$ 861,286
Professorships, Scholarships or Programmatic Enhancements	<u>596,042</u>	<u>357,334</u>
	<u>\$ 1,146,005</u>	<u>\$ 1,218,620</u>

7 - Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2014</u>	<u>2013</u>
Current Operations	\$ 543,589	\$ 303,338
Professorships, Scholarships or Programmatic Enhancements	<u>344,899</u>	<u>332,898</u>
	<u>\$ 888,488</u>	<u>\$ 636,236</u>

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 25,013</u>	<u>\$ 888,488</u>	<u>\$ 913,501</u>

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 21,445	\$ 5,177	\$ 636,236	\$ 662,858
Board-designated endowment funds	<u>31,280</u>	<u>-</u>	<u>-</u>	<u>31,280</u>
Total endowment funds	<u>\$ 52,725</u>	<u>\$ 5,177</u>	<u>\$ 636,236</u>	<u>\$ 694,138</u>

Changes in endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2013	(\$ 2,497)	\$ -	\$ 566,832	\$ 564,335
Investment return:				
Investment income	13,734	11,711	-	25,445
Net realized and unrealized gains	<u>33,777</u>	<u>5,177</u>	-	<u>38,954</u>
Total investment return	47,511	16,888	-	64,399
Contributions	-	-	69,404	69,404
Appropriation of endowment assets for expenditure	<u>7,711</u>	<u>(11,711)</u>	-	<u>(4,000)</u>
Endowment net assets, December 31, 2013	52,725	5,177	636,236	694,138
Reclassification based on change in board designation	(31,280)	-	-	(31,280)
Investment return:				
Investment income	6,269	4,833	-	11,102
Net realized and unrealized gains	<u>-</u>	<u>47,655</u>	-	<u>47,655</u>
Total investment return	6,269	52,488	-	58,757
Contributions	-	-	252,252	252,252
Appropriation of endowment assets for expenditure	<u>(27,714)</u>	<u>(32,652)</u>	-	<u>(60,366)</u>
Endowment net assets, December 31, 2014	<u>\$ -</u>	<u>\$ 25,013</u>	<u>\$ 888,488</u>	<u>\$ 913,501</u>

8 - Concentration of Credit Risk

The Foundation maintains cash deposits in bank deposit accounts which at times may exceed FDIC limits. The Foundation has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.