

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS

296 STATE STREET

NORTH HAVEN, CONNECTICUT 06473

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, 2016 and 2015, 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, 2016 and 2015, 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
February 24, 2017

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
 STATEMENTS of FINANCIAL POSITION
 December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 657,641	\$ 573,071
Contributions receivable, net	234,071	465,424
Investments	1,035,545	942,574
Total assets	\$ 1,927,257	\$ 1,981,069
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 21,599	\$ 6,058
Total liabilities	21,599	6,058
Net Assets:		
Unrestricted	133,168	104,001
Temporarily restricted	733,464	843,023
Permanently restricted	1,039,026	1,027,987
Total net assets	1,905,658	1,975,011
Total liabilities and net assets	\$ 1,927,257	\$ 1,981,069

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS of ACTIVITIES
For the years ended December 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Contributions	\$ 87,359	\$ 208,235	\$ 11,039	\$ 306,633	\$ 77,873	\$ 174,166	\$ 139,499	\$ 391,538
Investment income	(1,460)	(882)	-	(2,342)	954	948	-	1,902
Net realized and unrealized gains on investments	-	38,252	-	38,252	-	22,119	-	22,119
Hall of Fame reception	94,055	39,400	-	133,455	88,050	25,400	-	113,450
Other fundraising programs	13,185	-	-	13,185	12,315	-	-	12,315
Other income	3,126	-	-	3,126	3,183	-	-	3,183
Net assets released from restrictions:								
Restrictions satisfied by payments	394,564	(394,564)	-	-	525,615	(525,615)	-	-
Total revenue, gains and other support	590,829	(109,559)	11,039	492,309	707,990	(302,982)	139,499	544,507
Expenses:								
Support to the College:								
Scholarships and awards	96,336	-	-	96,336	97,128	-	-	97,128
Faculty development	24,929	-	-	24,929	5,858	-	-	5,858
Furniture, fixtures and equipment for new campus	92,500	-	-	92,500	200,000	-	-	200,000
Grants	70,165	-	-	70,165	109,323	-	-	109,323
Other support programs	70,398	-	-	70,398	99,657	-	-	99,657
Hall of Fame reception-Direct costs	37,893	-	-	37,893	42,849	-	-	42,849
Other fundraising programs-Direct costs	12,836	-	-	12,836	15,987	-	-	15,987
Capital campaign fundraising	78,441	-	-	78,441	72,966	-	-	72,966
General and administrative	78,164	-	-	78,164	83,124	-	-	83,124
Total expenses	561,662	-	-	561,662	726,892	-	-	726,892
Change in net assets	29,167	(109,559)	11,039	(69,353)	(18,902)	(302,982)	139,499	(182,385)
Net assets, beginning of year	104,001	843,023	1,027,987	1,975,011	122,903	1,146,005	888,488	2,157,396
Net assets, end of year	\$ 133,168	\$ 733,464	\$ 1,039,026	\$ 1,905,658	\$ 104,001	\$ 843,023	\$ 1,027,987	\$ 1,975,011

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS of CASH FLOWS
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	(\$ 69,353)	(\$ 182,385)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized gains on investments	(38,252)	(22,119)
Decrease in contributions receivable	231,353	105,705
Increase in accounts payable	<u>15,541</u>	<u>5,058</u>
Net cash provided (used) by operating activities	<u>139,289</u>	<u>(93,741)</u>
Cash Flows from Investing Activities:		
Purchase of investments	<u>(54,719)</u>	<u>(658)</u>
Net cash used by investing activities	<u>(54,719)</u>	<u>(658)</u>
Net increase (decrease) in cash and cash equivalents	84,570	(94,399)
Cash and cash equivalents, beginning of year	<u>573,071</u>	<u>667,470</u>
Cash and cash equivalents, end of year	<u><u>\$ 657,641</u></u>	<u><u>\$ 573,071</u></u>

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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.

Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statement of Financial Position and the Statement of Activities.

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, 2016 and 2015, 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, 2013, 2014, 2015 and 2016 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. 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 February 24, 2017, the date the financial statements were available to be issued.

Change in Accounting Principle

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), which removes the requirement to categorize investments measured at net asset value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016 and early adoption is permitted. The Foundation has elected to early adopt ASU 2015-07 for the year ended December 31, 2016.

3 - Contributions Receivable

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

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 145,571	\$ 308,424
One year to five years	<u>100,000</u>	<u>180,000</u>
	245,571	488,424
Less: Discounts to net present value at 5.0%	<u>(11,500)</u>	<u>(23,000)</u>
Net contributions receivable	<u>\$ 234,071</u>	<u>\$ 465,424</u>

Contributions receivable as of December 31, 2016 and 2015 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, 2016 and 2015.

4 - Investments

Investments at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
	<u>Market</u>	<u>Market</u>
	<u>Value</u>	<u>Value</u>
Cash and cash equivalents	\$ 7,337	\$ 19,780
Investments managed by the Community Foundation for Greater New Haven, Inc.	<u>1,028,208</u>	<u>922,794</u>
	<u>\$ 1,035,545</u>	<u>\$ 942,574</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 in the amount of \$9,851 and \$11,839 for the years ended December 31, 2016 and 2015, respectively, are distributed to the Foundation

based on endowment policies, and in accordance with the Community Foundation's policies on distribution of earnings. The Fund's investments represented 0.25% and 0.23% of the Community Foundation's investment pool at December 31, 2016 and 2015, respectively. Amounts invested that are part of the overall investment pool of the Community Foundation consisted of the following investments:

Description	2016	2015
Cash	2%	3%
Bonds	19%	20%
Large Cap Equities	19%	18%
All Cap Equities	19%	13%
International Equities	14%	15%
Real Assets	6%	7%
Alternatives:		
Hedged Equity	17%	20%
Private Equity	1%	1%
Real Estate	1%	2%
Commodities	1%	0%
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.

5 - Fair Value Measurements

U.S. 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. In addition, the Foundation has decided to adopt for the year ended December 31, 2016, on an early basis, ASU Topic 820, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), as issued by the Financial Accounting Standards Board. In summary, ASU Topic 820 is a practical expedient to measure the fair value of certain investments that utilize a net asset value rather than categorized under the fair value hierarchy. For those investments that do not utilize a net asset value methodology (or its equivalent), the Foundation will continue to measure the fair value under the three-level hierarchy as follows:

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 underlying quoted market prices, observable inputs 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, 2016 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)	Investments Valued at NAV
Cash	\$ 7,337	\$ 7,337	\$ -	\$ -	\$ -
Investments managed by the Community Foundation for Greater New Haven, Inc.:					
Cash	17,897	17,897	-	-	-
Bonds	200,357	95,451	-	-	104,906
Large Cap Equities	190,173	22,167	-	-	168,006
All Cap Equities	198,385	-	-	-	198,385
International Equities	145,216	95,972	-	-	49,244
Real Assets	65,858	-	-	-	65,858
Alternatives:					
Hedged Equity	172,893	-	-	-	172,893
Private Equity	8,951	-	-	-	8,951
Real Estate	14,027	-	-	-	14,027
Commodities	3,100	-	-	-	3,100
Oil/Gas	11,351	-	-	-	11,351
Investments	\$ 1,035,545	\$ 238,824	\$ -	\$ -	\$ 796,721

Assets measured at fair value on a recurring basis at December 31, 2015 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)	Investments Valued at NAV
Cash	\$ 19,780	\$ 19,780	\$ -	\$ -	\$ -
Investments managed by the Community Foundation for Greater New Haven, Inc.:					
Cash	26,355	26,355	-	-	
Bonds	183,259	93,983	-	-	89,276
Small Cap Equities	4,351	4,351	-	-	
Large Cap Equities	172,490	28,658	-	-	143,832
All Cap Equities	119,861	-	-	-	119,861
International Equities	136,753	98,179	-	-	38,574
Real Assets	67,322	-	-	-	67,322
Alternatives:					
Hedged Equity	182,355	-	-	-	182,355
Private Equity	6,287	-	-	-	6,287
Real Estate	14,481	-	-	-	14,481
Commodities	1,454	-	-	-	1,454
Oil/Gas	7,826	-	-	-	7,826
Investments	<u>\$ 942,574</u>	<u>\$ 271,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,268</u>

Although the underlying investments held by the Community Foundation that report fair value based on net asset value per share have varying redemption terms and restrictions, these terms and restrictions are not applicable to the Foundation. The Foundation may redeem their Fund at the Community Foundation within 60 to 90 days by providing written notice. Although the underlying investments may have unfunded commitments at December 31, 2016 to various investment managers, there were no unfunded commitments between the Foundation and the Community Foundation.

6 - Temporarily Restricted Net Assets

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

	2016	2015
Capital Campaign	\$ 139,853	\$ 296,796
Professorships, Scholarships or Programmatic Enhancements	588,500	538,148
Net realized and unrealized gains on permanently restricted net assets	5,111	8,079
	<u>\$ 733,464</u>	<u>\$ 843,023</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>2016</u>	<u>2015</u>
Current Operations	\$ 523,959	\$ 523,959
Professorships, Scholarships or Programmatic Enhancements	<u>515,067</u>	<u>504,028</u>
	<u>\$ 1,039,026</u>	<u>\$ 1,027,987</u>

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 5,111</u>	<u>\$ 1,039,026</u>	<u>\$ 1,044,137</u>

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 8,079</u>	<u>\$ 1,027,987</u>	<u>\$ 1,036,066</u>

Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ -	\$ 25,013	\$ 888,488	\$ 913,501
Investment return:				
Investment income	947	635	-	1,582
Net realized and unrealized gains	-	22,119	-	22,119
Total investment return	<u>947</u>	<u>22,754</u>	<u>-</u>	<u>23,701</u>
Contributions	-	-	139,499	139,499
Appropriation of endowment assets for expenditure	<u>(947)</u>	<u>(39,688)</u>	<u>-</u>	<u>(40,635)</u>
Endowment net assets, December 31, 2015	-	8,079	1,027,987	1,036,066
Investment return:				
Investment income	(1,474)	(1,172)	-	(2,646)
Net realized and unrealized gains	-	38,252	-	38,252
Total investment return	<u>(1,474)</u>	<u>37,080</u>	<u>-</u>	<u>35,606</u>
Contributions	-	-	11,039	11,039
Appropriation of endowment assets for expenditure	<u>1,474</u>	<u>(40,048)</u>	<u>-</u>	<u>(38,574)</u>
Endowment net assets, December 31, 2016	<u>\$ -</u>	<u>\$ 5,111</u>	<u>\$ 1,039,026</u>	<u>\$ 1,044,137</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.