

**CHILDREN'S EDUCATIONAL OPPORTUNITY
FOUNDATION OF CONNECTICUT, INC.**

Independent Auditors' Report
Financial Statements

June 30, 2023 and 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Educational Opportunity Foundation of Connecticut, Inc.

Opinion

We have audited the accompanying financial statements of Children's Educational Opportunity Foundation of Conn, Inc., (the "Foundation"), a nonprofit organization, 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, functional expenses, 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 the Foundation 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

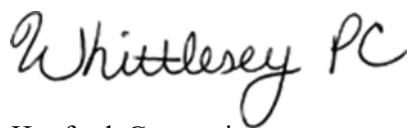
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Foundation'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 the Foundation'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.



Hartford, Connecticut
August 2, 2023

CHILDREN'S EDUCATIONAL OPPORTUNITY FOUNDATION OF CONNECTICUT, INC.

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 179,454	\$ 246,991
Contribution receivable	10,000	-
Marketable securities	12,158,234	11,757,166
Equipment, net	<u>-</u>	<u>734</u>
Total assets	<u>\$ 12,347,688</u>	<u>\$ 12,004,891</u>
Net Assets		
Without donor restrictions	\$ 8,858,819	\$ 8,685,278
With donor restrictions	3,488,869	3,319,613
Total net assets	<u>12,347,688</u>	<u>12,004,891</u>
Total net assets	<u>\$ 12,347,688</u>	<u>\$ 12,004,891</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S EDUCATIONAL OPPORTUNITY FOUNDATION OF CONNECTICUT, INC.

Statements of Activities and Changes in Net Assets

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions:		
Revenue and support:		
Contributions	\$ 70,530	\$ 175,437
Investment income/(loss), net	1,023,709	(1,342,253)
Net assets released from restrictions	23,400	227,023
Total revenue and support	<u>1,117,639</u>	<u>(939,793)</u>
Expenses:		
Program	833,404	859,129
General and administrative	110,694	103,815
Total expenses	<u>944,098</u>	<u>962,944</u>
Change in net assets without donor restrictions	<u>173,541</u>	<u>(1,902,737)</u>
Changes in Net Assets With Donor Restrictions:		
Contributions	23,400	102,783
Investment income/(loss), net	169,256	(339,377)
Net assets released from restrictions	<u>(23,400)</u>	<u>(227,023)</u>
Change in net assets with donor restrictions	<u>169,256</u>	<u>(463,617)</u>
Change in net assets	342,797	(2,366,354)
Net assets, beginning of year	<u>12,004,891</u>	<u>14,371,245</u>
Net assets, end of year	<u>\$ 12,347,688</u>	<u>\$ 12,004,891</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S EDUCATIONAL OPPORTUNITY FOUNDATION OF CONNECTICUT, INC.

Statements of Functional Expenses

For the years ended June 30, 2023 and 2022

	2023		
	Program	General and Administrative	Total
Scholarships	\$ 772,356	\$ -	\$ 772,356
Salaries, taxes, and related benefits	54,431	31,448	85,879
Professional services	-	36,256	36,256
Office	6,617	42,256	48,873
Depreciation	-	734	734
	<u>\$ 833,404</u>	<u>\$ 110,694</u>	<u>\$ 944,098</u>

	2022		
	Program	General and Administrative	Total
Scholarships	\$ 757,040	\$ -	\$ 757,040
Salaries, taxes, and related benefits	92,420	48,104	140,524
Professional services	-	17,786	17,786
Office	9,669	37,060	46,729
Depreciation	-	865	865
	<u>\$ 859,129</u>	<u>\$ 103,815</u>	<u>\$ 962,944</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S EDUCATIONAL OPPORTUNITY FOUNDATION OF CONNECTICUT, INC.

Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 342,797	\$ (2,366,354)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	734	865
Realized (gains)/losses	(45,695)	2,300
Unrealized (gains)/losses	(802,939)	2,027,827
(Increase)/decrease in assets:		
Contribution receivable	<u>(10,000)</u>	<u>-</u>
Net change in cash from operating activities	<u>(515,103)</u>	<u>(335,362)</u>
Cash flows from investing activities:		
Purchase of investments	(347,434)	(720,266)
Proceeds from sale of investments	<u>795,000</u>	<u>1,055,621</u>
Net change in cash from investing activities	<u>447,566</u>	<u>335,355</u>
Net change in cash	(67,537)	(7)
Cash, beginning of year	<u>246,991</u>	<u>246,998</u>
Cash, end of year	<u>\$ 179,454</u>	<u>\$ 246,991</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN’S EDUCATIONAL OPPORTUNITY FOUNDATION OF CONNECTICUT, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1 – ORGANIZATION

The Children’s Educational Opportunity Foundation of Connecticut, Inc. (the “Foundation”) was established in 1998 to provide tuition assistance to enable low income, inner city elementary school-age students to attend the private school of their choice. Scholarships are awarded to qualifying children on a first-come, first-serve basis and those qualifying children not selected are put on a waiting list. The Foundation serves the cities of Bridgeport, East Hartford, Hartford, New Haven and Waterbury. The Foundation is supported through donor contributions and endowment earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation – To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained according to the following net asset categories:

Without donor restrictions – net assets not subject to donor-imposed stipulations.

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

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

Cash – The Foundation places its cash deposits with high credit quality institutions that are insured by the Federal Deposit Insurance Corporation. At times throughout the year, the Foundation maintains cash balances over this limit. The Foundation has not experienced any losses in this area and management believes its cash deposits are not subject to significant credit risk.

Investment Policy – The investment policy of the Foundation diversifies the portfolio in order to reduce risk, achieves investment results long-term, maintains sufficient liquidity to meet obligations and aligns with any other objectives of the Foundation. Investments are composed of cash, sweeps, bond funds, and equity funds.

Fair Value Measurement – The Foundation follows the *Fair Value Measurements* topic of the FASB Codification. The *Fair Value Measurements* topic of the FASB Codification defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Foundation’s own credit risk.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to defining fair value, the topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes. The following is a description of the valuation methodology used for assets measured at fair value:

Bond and Equity Funds: Valued at the daily closing price as reported by the fund. Bond and equity funds held by the Foundation are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The bond and equity funds held by the Foundation are deemed to be actively traded.

There were no changes in valuation methodologies for the years ended June 30, 2023 and 2022.

Contributions – Contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support within the net asset class of those with 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 to net assets without donor restrictions assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Expense Allocation – The Foundation’s expenses have been summarized on a functional basis. Scholarships are allocated to program expense, salaries, taxes, and related benefits are allocated based on percentage of time, office expenses are allocated based on purpose and all other expenses are allocated to general and administrative expense.

Federal Income Taxes – The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a public charity in accordance with Section 509(a)(1).

Reclassifications – Certain amounts in the 2022 financial statements have been reclassified to conform to current year presentation.

Subsequent Events – The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for year ended June 30, 2023 through August 2, 2023, the date on which financial statements were available to be issued.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Foundation’s financial assets available for general expenditure within twelve months of June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash	\$ 179,454	\$ 246,991
Contribution receivable	10,000	-
Marketable securities	12,158,234	11,757,166
Total financial assets	<u>12,347,688</u>	<u>12,004,157</u>
Less: amounts not available to be used within twelve months		
Donor restricted endowment	<u>(3,488,869)</u>	<u>(3,319,613)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,858,819</u>	<u>\$ 8,684,544</u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

NOTE 4 – MARKETABLE SECURITIES

Marketable securities consist of the following as of June 30,:

	<u>2023</u>	<u>2022</u>
Cash	\$ 440,140	\$ 217,486
Bond funds	2,831,552	2,935,473
Equity funds	<u>8,886,542</u>	<u>8,604,207</u>
Total	<u>\$ 12,158,234</u>	<u>\$ 11,757,166</u>

All investments are valued using level 1 inputs.

NOTE 5 – ENDOWMENT

The Foundation complies with Endowments of *Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification. This topic provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) as enacted by the State of Connecticut. This topic also improves disclosures about an organization’s endowment funds.

The Foundation’s investment objective is the preservation of its endowed funds, while providing a continuing and stable funding source to support the Foundation’s mission and programs. To achieve this objective, the Foundation seeks to generate a total return that will exceed not only operating expenses but also the effects of inflation. Total return above and beyond the amount approved for expenditure or distribution will be reinvested.

NOTE 5 – ENDOWMENT (CONTINUED)

The spending policy for using the endowment funds is determined based on the needs of the Foundation. Annually, the Board of Directors approves a budget for the Foundation that determines the amount appropriated from investments.

The Foundation's endowment is held both without donor restrictions and with donor restrictions. The changes in the Foundation's endowment are as follows for the years ended June 30,:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment as of July 1, 2021	\$ 10,586,415	\$ 3,783,230	\$ 14,369,645
Realized and unrealized losses, net	(1,621,059)	(409,068)	(2,030,127)
Interest and dividends	326,988	81,755	408,743
Fees	<u>(48,182)</u>	<u>(12,064)</u>	<u>(60,246)</u>
	(1,342,253)	(339,377)	(1,681,630)
Contributions and grants	175,437	102,783	278,220
Appropriations for expenditures	<u>(735,921)</u>	<u>(227,023)</u>	<u>(962,944)</u>
Endowment as of June 30, 2022	8,683,678	3,319,613	12,003,291
Realized and unrealized gains, net	745,981	102,653	848,634
Interest and dividends	321,001	77,984	398,985
Fees	<u>(43,273)</u>	<u>(11,381)</u>	<u>(54,654)</u>
	1,023,709	169,256	1,192,965
Contributions and grants	70,530	23,400	93,930
Appropriations for expenditures	<u>(920,698)</u>	<u>(23,400)</u>	<u>(944,098)</u>
Endowment as of June 30, 2023	<u>\$ 8,857,219</u>	<u>\$ 3,488,869</u>	<u>\$ 12,346,088</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are to be used for scholarships relating to specific cities or general scholarships as indicated by the donor. Net assets with donor restrictions had a beginning balance of \$3,319,613 net additions of \$192,656, release of restrictions of \$23,400 and an ending balance of \$3,488,869.

NOTE 7 – COMMITMENTS

The Foundation had committed \$699,300 towards scholarships for the 2023-2024 school year.

NOTE 8 – CONCENTRATIONS

The Foundation had four major donors whose contributions accounted for approximately 64% of the total donations for the year ended June 30, 2023, and four major donors whose contributions accounted for approximately 47% of the total donations for the year ended June 30, 2022.

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