

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT HERITAGE FOUNDATION, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2013*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

October 25, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Connecticut Heritage Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Connecticut Heritage Foundation, Inc. (the Foundation) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United

States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Section 4-37f(8) of the General Statutes states:

“A foundation which has in any of its fiscal years receipts and earnings from investments totaling one hundred thousand dollars per year or more, ..., shall have completed on its behalf for such fiscal year a full audit of the books and accounts of the foundation. A foundation which has receipts and earnings from investments totaling less than one hundred thousand dollars in each fiscal year during any three of its consecutive fiscal years beginning October 1, 1986, shall have completed on its behalf for the third fiscal year in any such three-year period a full audit of the books and accounts of the foundation...”

Pursuant to Section 4-37f(8) of the General Statutes, the audit period was limited to the fiscal year ended June 30, 2013, as the Foundation had receipts and earnings from investments totaling less than one hundred thousand dollars for each of the three consecutive years since the prior audit report, which was for the fiscal year ended June 30, 2010.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts
9/29/2016

October 25, 2016
State Capitol
Hartford, Connecticut

CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(See accompanying notes to the financial statements)

ASSETS:

Cash and Cash Equivalents	\$	14,276
Investments – Certificate of Deposit (Note 1)		19,487
Prepaid Expense - Advertising		<u>1,375</u>

TOTAL ASSETS \$ 35,138

LIABILITIES AND NET ASSETS:

LIABILITIES: \$ -

NET ASSETS:

Unrestricted		24,144
Temporarily Restricted (Note 3)		<u>10,994</u>

TOTAL LIABILITIES AND NET ASSETS \$ 35,138

CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(See accompanying notes to the financial statements)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:				
Contributions	\$ 4,001	\$ -	\$ -	\$ 4,001
Investment Income	59	-	-	59
Gain/(Loss) on Investments, Net	-	-	-	-
Fundraiser Proceeds, Net	-	-	-	-
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	-	-	-	-
TOTAL REVENUES AND SUPPORT	<u>4,060</u>	<u>-</u>	<u>-</u>	<u>4,060</u>
EXPENSES:				
Program Services				
Presentations	256	-	-	256
Supporting Services				
General and Administrative	667	-	-	667
Fundraising	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>1,375</u>
TOTAL EXPENSES	<u>2,298</u>	<u>-</u>	<u>-</u>	<u>2,298</u>
CHANGE IN NET ASSETS	1,762	-	-	1,762
NET ASSETS, BEGINNING OF YEAR	<u>\$ 22,382</u>	<u>\$ 10,994</u>	<u>\$ -</u>	<u>\$ 33,376</u>
NET ASSETS, END OF YEAR	<u>\$ 24,144</u>	<u>\$ 10,994</u>	<u>\$ -</u>	<u>\$ 35,138</u>

CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(See accompanying notes to the financial statements)

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,762
Adjustments to Reconcile Change in Net Assets to Net	
Cash Provided by (used in) Operating Activities:	<u>-</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,762
CASH AND CASH EQUIVALENTS - JUNE 30, 2012	12,514
CASH AND CASH EQUIVALENTS - JUNE 30, 2013	<u>\$ 14,276</u>

CONNECTICUT HERITAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Historically, the Foundation has presented its financial statements in accordance with GASB Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. However, during the audited period, it was determined no longer presenting the Foundation’s financial statements in accordance with GASB No. 34 was preferable, as it would allow the Foundation to present its financial information in a manner that may be easier for its users to follow. The result of the change in presentation is financial statements that are more consistent and comparable to other not-for-profit foundations affiliated with the State of Connecticut.

Nature of Activities:

The Foundation operates exclusively for charitable, educational and scientific purposes, and as such, promotes the furtherance and support of the programs and purposes of the Connecticut State Library and the Raymond E. Baldwin Museum of Connecticut History and Heritage. The Foundation solicits and receives contributions of funds for the support of such activities.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Foundation or by the passage of time. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in a checking account.

Contributions:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Conditional pledges, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Investments:

In July of 2007, the Foundation purchased a six-month certificate of deposit from unobligated funds in its checking account. The certificate has been renewed every six months since its purchase, and the interest generated from the certificate of deposit is considered unrestricted and available to fund Foundation operations. Historically, the Foundation has presented the certificate of deposit as a cash equivalent, however, given the certificate has been continuously renewed since its purchase and has a six-month maturation period, during the audited period, it was determined classifying the certificate as an investment is more appropriate. The certificate of deposit balance, as of June 30, 2013, was \$19,487.

Income Taxes:

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3) and therefore has made no provision for federal income taxes in the accompanying financial statements.

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation's bank deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013, there were no uninsured deposits.

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Verizon – Airport Kiosk	\$	5,000
CT Humanities Council		1,960
Great Kids Website		3,934
Civil War Exhibit		100
Total Temporarily Restricted Net Assets	\$	<u>10,994</u>

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ROBERT M. WARD

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Connecticut Heritage Foundation, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Connecticut Heritage Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

Compliance with Sections 4-37e to 4-37k of the General Statutes, and any other laws, regulations, contracts, and grant agreements relevant to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with Sections 4-37e to 4-37k of the General Statutes and certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the board of directors and any applicable regulatory body. However, this report is a matter of public record, and its distribution is not limited.



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts
9/29/2016

October 25, 2016
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT



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JOHN C. GERAGOSIAN

ROBERT M. WARD

MANAGEMENT LETTER

The Board of Directors
Connecticut Heritage Foundation, Inc.:

In planning and performing our audit of the financial statements of the Connecticut Heritage Foundation, Inc. (the Foundation) for the fiscal year ended June 30, 2013, we considered the Foundation's internal control and compliance with certain provisions of laws, regulations, contracts, and grant agreements in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control or compliance. We noted no matters involving the internal accounting control structure and its operation or the Foundation's compliance with certain provisions of laws, regulations, contracts, and grant agreements that we consider to be material weaknesses according to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. However, during our audit, we became aware of certain matters that present an opportunity for improving internal controls.

Our comments and suggestions, which have already been discussed with various personnel affiliated with the Foundation, are summarized below.

1. Accounting Information System

Criteria: Section 4-37f(7) of the General Statutes requires a foundation to use generally accepted accounting principles in its financial record keeping and reporting.

Condition: The Foundation utilizes Excel spreadsheets to maintain its accounting records rather than using an accounting information system.

Effect: Guidance included in generally accepted accounting principles can be complex, and the utilization of spreadsheets, rather than an accounting information system, increases the risk that the Foundation's financial

reporting will not be in accordance with generally accepted accounting principles.

Cause: The Excel spreadsheets have been the process by which the Foundation has maintained its accounting records since inception.

Recommendation: The Connecticut Heritage Foundation, Inc. should consider utilizing an accounting information system.

Agency Response: “The Connecticut Heritage Foundation concurs with the recommendation and will explore such systems and welcomes any suggestions or recommendations for accounting information systems for a foundation of our small size.”

Our prior management letter contained two recommendations.

Status of Prior Audit Recommendations

- The Foundation should consider periodically reviewing the internal control procedures employed by the Connecticut State Library, whose staff administers the Foundation’s financial matters, and make recommendations when warranted to strengthen internal control processes for ensuring safe and accurate accounting of its assets.

This recommendation will not be repeated in the current audit. The Foundation periodically reviews the internal control procedures employed by the Connecticut State Library and has strengthened their internal control process.

- The Foundation should ensure that only financial transactions duly approved by the Board of Directors and sufficiently documented are the only transactions processed by the administrative arm of the Foundation, the Connecticut State Library.

This recommendation will not be repeated in the current audit. The Foundation has strengthened their internal control process and was able to provide adequate approval documentation and sufficient support for the financial transactions processed during the audited period.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies shown to our representatives during the course of our audit. The assistance and cooperation extended to them by members of the Connecticut Heritage Foundation, Inc. greatly facilitated the conduct of this examination.



John Harrison
Auditor II

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts
9/29/2016