

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2014  
AND DECEMBER 31, 2015*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

August 30, 2019

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Connecticut Mental Health Center Foundation:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Connecticut Mental Health Center Foundation (Foundation) which comprise the statements of financial position as of December 31, 2014 and 2015, and the related statements of activities, functional expenses, 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 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 December 31, 2014 and 2015, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018, 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, 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 to provide an opinion on the Foundation's compliance with Sections 4-37e to 4-37k of the Connecticut General Statutes. 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  
State Auditor



Robert J. Kane  
State Auditor

August 30, 2018  
State Capitol  
Hartford, Connecticut

**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
STATEMENT OF FINANCIAL POSITION – 2014 AND 2015  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015**

	<u>2014</u>	<u>2015</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 122,428	\$ 73,196
Investments (Note 3)	420,621	400,690
Fixed Assets (Note 4)	48,376	48,376
Accumulated Amortization and Depreciation	(15,780)	(18,944)
Other Assets	<u>508</u>	<u>508</u>
TOTAL ASSETS	<u>\$ 576,153</u>	<u>\$ 503,826</u>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>LIABILITIES:</b>		
Sales Tax Payable	\$ 106	\$ -
<b>NET ASSETS:</b>		
Unrestricted	\$ 515,320	\$ 484,521
Temporarily Restricted (Note 5)	60,727	19,305
Permanently Restricted (Note 6)	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 576,153</u>	<u>\$ 503,826</u>

See accompanying notes to financial statements.

**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
STATEMENT OF ACTIVITIES – 2014  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Contributions	\$ 37,191	\$ 120,665	\$ -	\$ 157,856
Investments Activity	40,421	-	-	40,421
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	<u>71,646</u>	<u>(71,646)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>\$ 149,258</u>	<u>\$ 49,019</u>	<u>\$ -</u>	<u>\$ 198,277</u>
EXPENSES:				
Program Services				
Wellness Programs	53,209	-	-	53,209
Art & Music	6,113	-	-	6,113
Other	58,719	-	-	58,719
Supporting Services				
General and Administrative	34,084	-	-	34,084
Fundraising	<u>3,760</u>	<u>-</u>	<u>-</u>	<u>3,760</u>
TOTAL EXPENSES	<u>\$ 155,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,885</u>
CHANGE IN NET ASSETS	\$ (6,627)	\$ 49,019	\$ -	\$ 42,392
NET ASSETS, BEGINNING OF YEAR	<u>\$ 521,947</u>	<u>\$ 11,708</u>	<u>\$ -</u>	<u>\$ 533,655</u>
NET ASSETS, END OF YEAR	<u>\$ 515,320</u>	<u>\$ 60,727</u>	<u>\$ -</u>	<u>\$ 576,047</u>

See accompanying notes to financial statements.

**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
STATEMENT OF ACTIVITIES - 2015  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Contributions	\$ 42,263	\$ 27,831	\$ -	\$ 70,094
Investments Activity	17,592	-	-	17,592
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	<u>69,253</u>	<u>(69,253)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>\$ 129,108</u>	<u>\$ (41,422)</u>	<u>\$ -</u>	<u>\$ 87,686</u>
EXPENSES:				
Program Services				
Wellness Programs	58,556	-	-	58,556
Art & Music	5,403	-	-	5,403
Other	45,670			45,670
Supporting Services				
General and Administrative	26,109	-	-	26,109
Fundraising	<u>24,169</u>	<u>-</u>	<u>-</u>	<u>24,169</u>
TOTAL EXPENSES	<u>\$ 159,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,907</u>
CHANGE IN NET ASSETS	\$ (30,799)	\$ (41,422)	\$ -	\$ (72,221)
NET ASSETS, BEGINNING OF YEAR	<u>\$ 515,320</u>	<u>\$ 60,727</u>	<u>\$ -</u>	<u>\$ 576,047</u>
NET ASSETS, END OF YEAR	<u>\$ 484,521</u>	<u>\$ 19,305</u>	<u>\$ -</u>	<u>\$ 503,826</u>

See accompanying notes to financial statements.

**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES - 2014  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Wellness</u>	<u>Art &amp; Music</u>	<u>Other</u>	<u>General and</u>	<u>Fund</u>	
	<u>Programs</u>			<u>Administrative</u>	<u>Raising</u>	
Community Mediation	\$ -	\$ -	\$15,000	\$ -	\$ -	\$ 15,000
Contra Tiempo	-	-	12,286	-	-	12,286
Farmers Market	38,135	-	-	-	-	38,135
Public Allies	-	-	8,580	-	-	8,580
Assistance Funds	-	-	7,858	-	-	7,858
Financial Health	10,409	-	-	-	-	10,409
Merchandise Cost	4,665	-	-	-	-	4,665
Art & Music	-	6,113	-	-	-	6,113
Other Program Services	-	-	14,995	-	-	14,995
Community Relations	-	-	-	2,740	-	2,740
Meeting Expenses	-	-	-	1,062	-	1,062
Fees	-	-	-	2,299	-	2,299
Personnel	-	-	-	12,817	-	12,817
Amortization and Depreciation	-	-	-	3,250	-	3,250
Investments Fees	-	-	-	3,664	-	3,664
Other G&A	-	-	-	8,252	-	8,252
Fundraising	-	-	-	-	3,760	3,760
<b>TOTAL EXPENSES</b>	<u>\$53,209</u>	<u>\$ 6,113</u>	<u>\$58,719</u>	<u>\$ 34,084</u>	<u>\$3,760</u>	<u>\$155,885</u>

See accompanying notes to financial statements.



**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES – 2015  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Wellness</u>			<u>General and</u>	<u>Fund</u>	
	<u>Programs</u>	<u>Art &amp; Music</u>	<u>Other</u>	<u>Administrative</u>	<u>Raising</u>	
Food Transformation	\$35,000	\$ -	\$ -	\$ -	\$ -	\$ 35,000
Recovery Speaks	-	-	3,394	-	-	3,394
Farmers Market	19,205	-	-	-	-	19,205
Public Allies	-	-	15,730	-	-	15,730
Assistance Funds	-	-	8,240	-	-	8,240
Financial Health	2,445	-	-	-	-	2,445
Merchandise Cost	1,906	-	-	-	-	1,906
Art & Music	-	5,403	-	-	-	5,403
Other Program Services	-	-	18,306	-	-	18,306
Community Relations	-	-	-	3,130	-	3,130
Meeting Expenses	-	-	-	881	-	881
Fees	-	-	-	2,133	-	2,133
Personnel	-	-	-	9,542	-	9,542
Amortization and Depreciation	-	-	-	3,164	-	3,164
Investments Fees	-	-	-	5,553	-	5,553
Other G&A	-	-	-	1,706	-	1,706
Fundraising	-	-	-	-	24,169	24,169
<b>TOTAL EXPENSES</b>	<u>\$58,556</u>	<u>\$ 5,403</u>	<u>\$45,670</u>	<u>\$ 26,109</u>	<u>\$24,169</u>	<u>\$159,907</u>

See accompanying notes to financial statements.

**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
STATEMENT OF CASH FLOWS - 2014  
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 42,392
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:	
Other Assets	12,900
Depreciation and Amortization	3,250
Increase in Payables	<u>17</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ 58,559</u></b>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net Realized and Unrealized Gain on Investments	(30,288)
Investment-related Charges	3,664
Dividend Transfers	14,031
Reinvested Dividends	<u>(10,130)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b><u>\$ (22,723)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 35,836</b>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2013	<u>\$ 86,592</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2014	<u><u>\$ 122,428</u></u>

See accompanying notes to financial statements.

**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
STATEMENT OF CASH FLOWS – 2015  
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ (72,221)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:	
Depreciation and Amortization	3,164
Decrease in Payables	<u>(106)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ <u>(69,163)</u></b>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net Realized and Unrealized Gain on Investments	(10,789)
Investment-related Charges	5,553
Dividend Transfers	31,966
Reinvested Dividends	<u>(6,799)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>\$ <u>(19,931)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (49,232)</b>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2014	<u>\$ 122,428</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2015	<u><u>\$ 73,196</u></u>

See accompanying notes to financial statements.

**CONNECTICUT MENTAL HEALTH CENTER FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Nature of Activities:

The Connecticut Mental Health Center Foundation operates exclusively to support the Connecticut Mental Health Center (CMHC). The Foundation raises money to support patient care, improvements to the patient care environment, educational activities, expansion of family and support programs, and other related patient and community activities of CMHC.

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. The Foundation had no permanently restricted net assets during calendar years 2014 and 2015.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in checking, petty cash, and savings accounts.

Contributions:

Contributions are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Investments:

Investments in equity securities with readily determinable fair values are regarded at their fair values in the statement of financial position. Net realized and unrealized gains and losses are included in the change in net assets.

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 December 31, 2014 and 2015, there were no uninsured deposits.

**NOTE 3: INVESTMENTS:**

The Foundation’s investments at December 31, 2014 and 2015 consist of the following:

	Market Value	
	2014	2015
Investments managed by the Community Foundation for Greater New Haven	\$420,621	\$400,690
Total Investments	\$420,621	\$400,690

The Foundation is required to measure the fair value of investments under a three-level hierarchy. The Community Foundation for Greater New Haven, which manages the Foundation’s investments, adopted in fiscal year 2015 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. Accordingly, the Foundation’s investments are presented below using this methodology where applicable. 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. The following is derived from information provided by the Community Foundation for Greater New Haven:

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

Level 2: Observable inputs derived 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 Foundation has the ability to redeem the asset in the near term (within 90 days) subsequent to the measurement date.

Level 3: Prices, which may be based on an underlying quoted market price, 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 to the 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 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 Foundation.

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The fair value of the Foundation's investments as of December 31, 2014 was as follows:

Description	Level 1	Level 2	Level 3	Investments	
				Valued at NAV	Total
Large Cap Equity	\$ -	\$ -	\$ -	\$ 82,514	\$ 82,514
Small Cap Equity	11,506	-	-	4,696	16,202
International Equity	57,515	-	-	8,918	66,433
Opportunistic	-	-	-	73,117	73,117
Fixed Income	26,707	-	-	38,302	65,009
Alternatives	-	-	-	85,175	85,175
Cash Equivalents	32,171	-	-	-	32,171
Total	<u>\$ 127,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,722</u>	<u>\$ 420,621</u>

The fair value of the Foundation’s investments as of December 31, 2015 was as follows:

Description	Level 1	Level 2	Level 3	Investments	Total
				Valued at NAV	
Domestic US	\$ 1,889	\$ -	\$ -	\$ 81,376	\$ 83,265
Global	12,444	-	-	40,904	53,348
International Equity	42,631	-	-	30,331	72,962
Bonds	40,809	-	-	38,765	79,574
Hedged	-	-	-	79,181	79,181
Private Assets	-	-	-	20,916	20,916
WFCash/MM/Receivables/Payables	11,264	-	-	-	11,264
Cash Equivalents	180	-	-	-	180
<b>Total</b>	<b>\$ 109,217</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 291,473</b>	<b>\$ 400,690</b>

**NOTE 4: FIXED ASSETS:**

The Foundation’s fixed assets at December 31, 2014 and 2015 consisted of the following:

Description	Cost	Accumulated	
		Amortization/Depreciation 2014	2015
Inside CMHC Video	\$ 32,035	\$ 6,764	\$ 8,900
Furniture	3,388	3,199	3,279
Other Equipment	3,582	2,750	3,067
Land Improvements	9,371	3,067	3,698
<b>Total</b>	<b>\$ 48,376</b>	<b>\$ 15,780</b>	<b>\$ 18,944</b>

**NOTE 5: TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets were available for the following purposes at December 31, 2014 and 2015:

	2014	2015
Wellness Programs	\$ 60,727	\$ 19,305
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 60,727</b>	<b>\$ 19,305</b>

**NOTE 6: PERMANENTLY RESTRICTED NET ASSETS:**

The Foundation had no permanently restricted net assets in the years ended December 31, 2014 and 2015.

**NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS:**

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purpose specified by the donor. The temporarily restricted net assets released from restriction during 2014 and 2015 related to the following:

	2014	2015
Wellness Programs	\$ 53,208	\$ 58,556
Art & Music	650	151
Other	17,788	10,546
Total Net Assets Released from Restrictions	<u>\$ 71,646</u>	<u>\$ 69,253</u>

**NOTE 8: TRANSACTIONS WITH CONNECTICUT MENTAL HEALTH CENTER:**

The Foundation disburses certain funds directly to the Connecticut Mental Health Center. The Foundation provides institutional support to CMHC for various programs and other services. All of the Foundation's expenditures are in an effort to advance CMHC.



STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

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**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 Mental Health Center Foundation:

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 Mental Health Center Foundation (Foundation) as of and for the years ended December 31, 2014 and 2015, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated August 30, 2018.

**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.

### **Basis for Qualified Opinion on Compliance with Sections 4-37e to 4-37k of the General Statutes**

As described in the accompanying Management letter section of this report, the Foundation did not comply with the requirement of Section 4-37f(8) of the General Statutes to obtain a full audit of its books and records for any year in which the Foundation had receipts totaling one hundred thousand dollars or more.

### **Qualified Opinion on Compliance with Sections 4-37e to 4-37k of the General Statutes**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Foundation complied in all other material respects with the provisions of Sections 4-37e to 4-37k of the Connecticut General Statutes for the years ended December 31, 2014 and 2015.

### **Other Matters**

In addition to the noncompliance described in the Basis for Qualified Opinion paragraph, we noted certain other matters that we reported to the Foundation's management in the accompanying Management Letter section of this report.

**Purpose of Report**

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  
State Auditor



Robert J. Kane  
State Auditor

August 30, 2018  
State Capitol  
Hartford, Connecticut

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

ROBERT J. KANE

**MANAGEMENT LETTER**

The Board of Directors  
Connecticut Mental Health Center Foundation:

In planning and performing our audit of the financial statements of the Connecticut Mental Health Center Foundation (Foundation) for the years ended December 31 2014 and 2015, 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 compliance with Sections 4-37e through 4-37k of the Connecticut General Statutes, and not to provide assurance on internal control. 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. Compliance with Connecticut General Statutes Sections 4-37f (8)**

*Criteria:* Section 4-37f (8) requires that "A foundation which has in any of its fiscal years receipts and earnings from investments totaling one hundred thousand dollars per year or more...during the fiscal year or with funds that exceeded one hundred thousand dollars in the aggregate, shall have completed on its behalf for such fiscal year a full audit of the books and accounts of the foundation."

*Condition:* The Connecticut Mental Health Center Foundation was established in 1993 and has not complied with the audit requirement in the past. This matter was discovered during an audit of CMHC around February 2016. As a result of this discovery, the Auditors of Public Accounts was engaged to perform an audit of the Foundation for calendar years 2014 and 2015.

*Effect:* The Foundation was not in compliance with the statutory requirement.

*Cause:* It appears that the Foundation was not aware of the requirement.

*Recommendation:* The Connecticut Mental Health Center Foundation should comply with all statutory requirements, including the audit requirement.

*Agency Response:* “As stated above the Foundation was not aware of the Connecticut General Statute Sections 4-37f(8), but will be compliant going forward.”

## **2. Consideration of the “Uniform Prudent Management of Institutional Funds Act” on Foundation Policies and Procedures**

*Background:* The Connecticut Mental Health Center Foundation does not currently have any permanently restricted funds. We discussed this matter with Foundation personnel and determined that it is possible that the Foundation may receive endowment funds in the future.

*Criteria:* The Uniform Prudent Management of Institutional Funds Act, codified in Sections 45a-535 through 45a-535i of the Connecticut General Statutes, contains several provisions related to the management and investment of endowment funds and the prudent use of institutional funds in accordance with donor intent.

*Condition:* The Foundation’s board of directors has not reviewed the act and its impact on Foundation policies and procedures.

*Effect:* The Foundation lacks knowledge of all of the provisions of the act.

*Cause:* It appears that the Foundation was not aware of the requirement.

*Recommendation:* The Connecticut Mental Health Center Foundation Board of Directors should consider the impact of the Uniform Prudent Management of Institutional Funds Act on its policies and procedures.

*Agency Response:* “As stated above the Uniform Prudent Management of Institutional Funds Act did not apply to the Foundation’s audit for its year ended December 31, 2014 and its year ended December 31, 2015 since it did not have any permanently restricted funds for those years.”

### **3. PayPal Account**

*Background:* The Connecticut Mental Health Center Foundation created a PayPal account in 2010 to facilitate credit card receipts related to fund raising events.

*Criteria:* The accounting records should reflect all of the Foundation's activities in the period in which they occur. Additionally, the Foundation should establish proper internal controls over all cash accounts.

*Condition:* During testing, we noted that the Foundation has a PayPal account that is primarily utilized for cash collection for special events. The PayPal account is not included in the Foundation's accounting system. The Foundation does not record related revenues and expenses in the accounting records until funds are manually transferred to the checking account. Additionally, it does not appear that the Foundation established internal controls regarding the use of this account.

*Effect:* The Foundation's accounting records do not reflect the activity in the PayPal account. Additionally, there is an increased risk of unauthorized or improper use of the PayPal account due to a lack of internal controls.

*Cause:* The cause is unknown.

*Recommendation:* The Connecticut Mental Health Center Foundation should integrate the PayPal account into its accounting system. In addition, the appropriate controls should be implemented related to this account.

*Agency Response:* "The Foundation for its year ended December 31, 2014 and its year ended December 31, 2015 that were under audit had no pay pal account activity for those years and in addition had no beginning or ending pay pal account balances for either of the above years as well. Therefore, the accounting records were accurately stated for the above audit years since there was nothing to report for the pay pal account."

*Auditors' Concluding Comment:*

We agree that there was no PayPal activity during the 2 audited years. However, we also reviewed the PayPal activity for the calendar year ended December 31, 2016, and noted revenues of \$5,240 and expenses of \$160, resulting in a net balance of \$5,080. These transactions were not recorded in the Foundation's accounting records until brought to the attention of management in June 2017.

#### **4. Cash Disbursements**

*Criteria:* The Connecticut Mental Health Center Foundation’s internal control policies for the cash disbursements process state that “the Executive Director will review and approve all bills, invoices and/or requests for payment to assure authorized and timely payment.” The policies also state that “All checks will be signed by the Executive Director, Treasurer or the President.”

*Condition:* It appears that the Foundation’s internal control policies create a lack of segregation of duties in the cash disbursements area. The policies allow for the potential situation that expenditures could be initiated, approved, and executed by the executive director without review by another individual.

We tested 25 expenditures from the checking account during the audited period. We noted 3 instances in which checks were signed only by the chief operating officer of CMHC, and we also noted 6 instances in which checks were signed by both the executive director and the chief operating officer of CMHC.

*Effect:* There is a lack of segregation of duties in the cash disbursements area. Additionally, the Foundation was not always in compliance with its established internal control procedures regarding check signing.

*Cause:* It appears that the Foundation’s internal control policies in the cash disbursements area are not adequate.

*Recommendation:* The Connecticut Mental Health Center Foundation’s internal control policies in the cash disbursements area should be updated to require multiple levels of review and should reflect actual practice.

*Agency Response:* “Due to the size of the Foundation’s organization it is physically incapable of having multiple level of reviews, however, the treasurer on a monthly basis prepares bank reconciliations and at that time reviews the disbursements and deposits for irregularities. Therefore, the Foundation does have a compensating internal control even though it is after the transaction has occurred.”

## **5. Board Meeting Minutes**

<i>Criteria:</i>	Standard practice for board meeting minutes is to discuss and document the approval of the minutes of the previous meeting. This practice enables the tentative minutes to be distributed to board members for review. Inaccuracies can then be documented and corrected. Minutes of all board meetings should be taken and retained for review.
<i>Condition:</i>	We reviewed 25 sets of meeting minutes and noted that 17 had no documentation of approval. We noted that minutes were not available for meetings prior to 9/18/14.
<i>Effect:</i>	Without approval, minutes may not accurately document matters that were discussed at the board meetings. For minutes that are not available, there may be no documentation to reflect the matters that were discussed.
<i>Cause:</i>	The causes are unknown.
<i>Recommendation:</i>	The Connecticut Mental Health Center Foundation should improve procedures related to the minutes of board meetings.
<i>Agency Response:</i>	“The Foundation at each of its board meetings always discusses approval of the minutes from the previous board meeting, but will in future will do a better job at documenting this activity.”



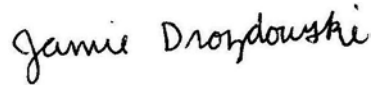
**ACKNOWLEDGEMENT**

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

Jamie Drozdowski  
Timothy M. Lepore

**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 Mental Health Center Foundation greatly facilitated the conduct of this examination.



Jamie Drozdowski  
Associate Auditor

Approved:



John C. Geragosian  
State Auditor



Robert J. Kane  
State Auditor