

STATE OF CONNECTICUT



*AUDITORS' REPORT
GOVERNOR'S RESIDENCE CONSERVANCY, INC.
FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 AND 2011*

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

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Governor's Residence Conservancy, Inc.:

We have audited the accompanying statement of financial position of the Governor's Residence Conservancy, Inc. (Conservancy) as of June 30, 2010 and 2011 and the related statements of financial position, activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Conservancy's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

In our opinion, except for the inventory of the personal property, which is not accounted for by the Conservancy, the financial statements referred to above present fairly, in all material respects, the financial position of the Conservancy as of June 30, 2010 and 2011, and the changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John C. Geragosian".

John C. Geragosian
Auditor of Public Accounts

A handwritten signature in black ink, appearing to read "Robert M. Ward".

Robert M. Ward
Auditor of Public Accounts

April 11, 2012
State Capitol
Hartford, Connecticut

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010 AND 2011**

	<u>2011</u>	<u>2010</u>
ASSETS:		
Cash and cash equivalents	\$ 12,577	\$ 21,726
TOTAL ASSETS	<u>\$ 12,577</u>	<u>\$ 21,726</u>
LIABILITIES AND NET ASSETS		
LIABILITIES	-	-
NET ASSETS:		
Unrestricted	12,577	21,726
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,577</u>	<u>\$ 21,726</u>

See Notes to the Financial Statements

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011**

REVENUES AND SUPPORT:

	<u>2011</u>	<u>2010</u>
Sales	\$ 12,472	\$ 11,805
Contributions		200
	<u>12,472</u>	<u>12,005</u>
TOTAL REVENUE AND SUPPORT	<u>\$ 12,472</u>	<u>\$ 12,005</u>

EXPENSES:

Program services:

Restoration/Improvement/Preservation	6,653	3,992
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Supporting services:

General and administrative	2,181	2,122
Fund raising	<u>12,787</u>	<u>10,670</u>

TOTAL EXPENSES	<u>21,621</u>	<u>16,784</u>
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CHANGES IN NET ASSETS	(\$9,149)	(\$4,779)
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NET ASSETS, BEGINNING OF YEAR	<u>21,726</u>	<u>26,505</u>
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NET ASSETS, END OF YEAR	<u>\$ 12,577</u>	<u>\$ 21,726</u>
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See Notes to the Financial Statements

GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011

	<u>2011</u>				<u>2010</u>			
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Restoration/ Improvement/ Preservation</u>	<u>General & Adm.</u>	<u>Fundraising</u>		<u>Restoration/ Improvement/ Preservation</u>	<u>General & Adm.</u>	<u>Fundraising</u>	
Professional fees	-	\$1,000	-	\$ 1,000	-	\$ 1,000	-	\$ 1,000
Filing fees	-	100	-	100	-	75	-	75
Decorating-Open House	-	-	-	-	-	-	77	77
Christmas ornaments	-	-	12,447	12,447	-	-	10,593	10,593
Bank Charges	-	140	-	140	-	28	-	28
Repairs & Maintenance	-	-	-	-	-	-	-	-
Appraisal Services	-	-	-	-	-	-	-	-
Conferences & Meetings	520	-	-	520	-	-	-	-
Insurance fees	-	318	-	318	-	316	-	316
Postage	-	-	-	-	-	-	-	-
Furniture, Artwork & Decor	754	-	-	754	-	-	-	-
Fabric, Reupholstery & Design Services	5,379	-	-	5,379	3,992	-	-	3,992
Sales Taxes	-	662	-	662	-	703	-	703
Prining	-	-	340	340	-	-	-	-
Interest Income	-	(39)	-	(39)	-	-	-	-
Legal fee	-	-	-	-	-	-	-	-
Treasurer, State of CT	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 6,653	\$ 2,181	\$ 12,787	\$ 21,621	\$ 3,992	\$ 2,122	\$ 10,670	\$ 16,784

See Notes to the Financial Statements

GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 and 2011

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (9,149)	\$ (4,779)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(9,149)</u>	<u>(4,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ (9,149)</u>	<u>\$ (4,779)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 21,726</u>	<u>\$ 26,505</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 12,577</u></u>	<u><u>\$ 21,726</u></u>

See Notes to the Financial Statements

**THE GOVERNOR’S RESIDENCE CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

The Governor’s Residence Conservancy, Inc., (Conservancy) is a non-profit Connecticut corporation that operates exclusively for planning, directing, and supervising the preservation, restoration, and maintenance of the Governor’s residence and gardens. During the audited period, the Conservancy assisted the Department of Public Works in maintaining the Governor’s residence.

Immediately following the audited period, the Department of Public Works was consolidated within the Department of Administrative Services. The new Department of Administrative Services’, Bureau of Property and Facilities Management is the successor entity to the Department of Public Works.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, except that the Conservancy does not capitalize asset acquisitions. Net assets and revenue, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Conservancy and changes therein are classified and reported as follows:

Unrestricted Net Assets — Net assets that are not subject to donor-imposed restrictions. The Conservancy has no assets that are subject to donor-imposed restrictions.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in checking accounts, as well as highly liquid investments that are readily convertible to cash.

Revenue:

The Conservancy’s primary source of revenue during the period under review was the sale of Christmas ornaments.

Sales Tax:

The Conservancy is subject to sales tax on the sales of Christmas ornaments.

Income Tax:

The Conservancy is exempt from income taxes under Internal Revenue Code Section 501(c) (3) as a private foundation.

Federal Excise Tax:

The Conservancy is a private foundation under Internal Revenue Services regulations. Federal excise taxes are imposed on private foundations at the rate of 1 percent or 2 percent on net investment income.

NOTE 2 FUNCTIONAL ALLOCATIONS OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis below and are presented by account classification in the statement of activities.

	<u>2011</u>	<u>2010</u>
Program Services	\$ 6,653	\$ 3,992
Supporting Services	<u>2,181</u>	<u>2,122</u>
Total	<u>\$ 8,834</u>	<u>\$ 6,114</u>

NOTE 3 CONCENTRATION OF CREDIT RISK

The Conservancy maintains its cash in a bank deposit account which, at times, may exceed federally insured limits. The Conservancy has not experienced any losses in such account. The Conservancy believes it is not exposed to any significant credit risk on cash.

NOTE 4 MINIMUM DISTRIBUTION

In accordance with the Internal Revenue Code Section 4942, an organization qualifying as a private foundation must distribute, in the year received or in the year following receipt, its minimum investment return, generally 5 percent of the average fair market value of its aggregate noncharitable assets. The Conservancy has an excess distribution carryover at June 30, 2011 of \$16,147, which can be used to satisfy this requirement. The distribution consists of charitable purpose activities and related charitable purpose expenses.

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JOHN C. GERAGOSIAN

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL BASED UPON AN AUDIT OF FINANCIAL STATEMENTS

The Board of Directors of the
Governor's Residence Conservancy, Inc.:

We have audited the financial statements of the Governor's Residence Conservancy, Inc. (Conservancy) for the fiscal years ended June 30, 2010 and 2011, and we have issued our report thereon dated April 11, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Conservancy is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered the Conservancy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that would be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we have noted other matters involving internal controls over financial reporting that are described in the accompanying Management Letter.

This report is intended for the information of the board of directors. 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

April 11, 2012
State Capitol
Hartford, Connecticut

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

The Board of Directors of the
Governor's Residence Conservancy, Inc.:

We have audited the financial statements of the Governor's Residence Conservancy, Inc. (Conservancy) for the fiscal years ended June 30, 2010 and 2011, and have issued our report dated April 11, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Sections 4-37e through 4-37k of the Connecticut General Statutes and any other laws and internal controls relevant to the Conservancy is the responsibility of the Conservancy's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Conservancy's compliance with Sections 4-37e through 4-37k of the Connecticut General Statutes. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such statutes. Accordingly, we do not express such an opinion.

The result of our tests disclosed no instances of noncompliance that are required to be reported herein.

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

A handwritten signature in black ink, appearing to read "John C. Geragosian".

John C. Geragosian
Auditor of Public Accounts

A handwritten signature in black ink, appearing to read "Robert M. Ward".

Robert M. Ward
Auditor of Public Accounts

April 11, 2012
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JOHN C. GERAGOSIAN

ROBERT M. WARD

MANAGEMENT LETTER

The Board of Directors of the
Governor's Residence Conservancy, Inc.:

In planning and performing our audit of the financial statements of the Governor's Residence Conservancy, Inc. for the fiscal years ended June 30, 2010 and 2011, we assessed the Conservancy's internal controls and financial records to determine our auditing procedures. We noted no matters concerning the internal control over the financial statements that we considered to be a material weakness. Our prior audit noted matters pertaining to the segregation of duties, insurance coverage of personal property, terms of the bylaws, and compliance with the Internal Revenue Code which resulted in recommendations. The recommendations pertaining to compliance with the Internal Revenue Code and segregation of duties have been resolved. We are repeating the other two recommendations in a modified form. Those matters are discussed in the findings below.

Immediately following the audited period, the Department of Public Works was consolidated within the Department of Administrative Services. Therefore, once the consolidation is completed, the Department of Public Works will cease to exist as a separate and distinct state agency.

We are presenting our findings based on the entity in place during the audited period. Corrective actions should be coordinated with the Department of Administrative Services, successor agency to the Department of Public Works.

Custody and Insurance Coverage of Personal Property:

Background: The State of Connecticut maintains a Master Fine Arts Insurance Policy that provides coverage for antiques and fine arts on loan to the state.

Criteria: In accordance with a memorandum of understanding (MOU) between the Conservancy and the Department of Public Works, it is agreed that, in the event the Conservancy ceases to exist, the personal property

purchased by or donated to the Conservancy shall become the property of the Department of Public Works. Implicit in this provision is the fact that the Conservancy owns the property until such point that it desires to turn custody over to the state. The MOU was amended to explicitly assign responsibility for insurance to the Department of Public Works. While the MOU is in effect, the antiques and fine arts owned by the Conservancy are insured under the State's Fine Arts Policy.

Sound business practice suggests that property of value owned by an entity should be inventoried and insured in the event that the property is lost or damaged. Insurance coverage and premiums are normally based on the ownership and current value of the goods being insured.

Condition:

The Governor's Residence is furnished with a combination of items owned by the Governor's Residence Conservancy and the State of Connecticut as well as items on loan from local museums and personal property owned by the Governor and his or her family. Insurance coverage is based on the ownership and current value of the goods being insured.

The Conservancy was able to produce a list of donated items and property that it had purchased for the Governor's residence, including items considered to be either antiques or fine arts. Also included on the list of Conservancy owned items are those of lesser value.

The Conservancy obtained an appraisal of the antiques and fine arts on loan to the Governor's Residence. The above mentioned memorandum of understanding incorporates by reference the appraised inventory. Inclusion of the inventory in the MOU provides certain insurance coverage that is not otherwise in force. The MOU expired January 31, 2011 and was not renewed.

The Department of Public Works was not able to provide a comprehensive list of state-owned property in use at the Governor's residence. A recent appraisal of the property has not been performed, and values are not assigned to the state-owned assets.

Effect:

The Conservancy's antiques and fine arts inventory is not fully insured in the event of loss.

The Department of Public Works did not have an accurate and complete inventory of items in use at the Governor's residence. In the absence of adequate inventory records with accurate valuations, items may not be properly accounted for or properly insured. The lack of a comprehensive list of assets increases the risk of assets being lost or stolen without being detected.

Cause: We were not able to determine why the memorandum of understanding was not renewed when it expired January 31, 2011.

The Department of Public Works did not maintain adequate inventory records.

Recommendation: The Conservancy should work with the Department of Administrative Services (the successor agency to the Department of Public Works) to develop a comprehensive list of assets, determine the total value of those assets, and ensure adequate insurance is maintained on the items.

Auditee Response: "We agree with this finding. The Conservancy will continue to work with the Department of Administrative Services (the successor agency to the Department of Public Works) to develop a comprehensive list of assets at the Governor's Residence, to determine the total value of those assets and to ensure adequate insurance coverage is maintained on the items. Indeed, the State's Fine Arts Policy, maintained by the Department of Administrative Services through the State Insurance and Risk Management Board, provides coverage for all Conservancy Fine Arts at the Governor's Residence in accordance with the schedule of fine arts items. This policy has been in effect throughout the period of this audit as well as a state general liability policy for all non-fine arts items and/or a policy maintained by the Conservancy for any non-fine arts items."

Terms of the Bylaws:

Criteria: The bylaws of The Governor's Residence Conservancy, Inc. state "The directors shall meet three times a year at the call of the chairperson. At the first meeting of each year, the Corporation shall determine the schedule of the meetings for the directors for the calendar year. The schedule shall be transmitted to the Secretary of the State pursuant to Connecticut General Statutes Section 1-19a."

The bylaws also state that the duties of the secretary include keeping the records of the meeting proceedings. Section 1-225(b), of the Connecticut General Statutes requires the schedule of certain meetings to be filed with the Secretary of the State no later than January 31st of each year.

Condition:

The Board of Directors for the Governor's Residence Conservancy, Inc. does not pre-schedule meetings for the calendar year; therefore, a schedule is not transmitted to the Secretary of State.

The Conservancy was not able to provide minutes for the meetings held during May and December 2009. The minutes of the meetings held during calendar year 2010 were not available.

A new board of directors was appointed at an April 2011 meeting. The new board met again during July, and September 2011. Minutes were available for the meeting held during calendar year 2011.

Effect:

The board of directors is not in compliance with the bylaws. Documentation of all board proceedings was not available.

Cause:

The Board of Directors for the Governor's Residence Conservancy, Inc. does not pre-schedule meetings. The secretary of the board either did not keep, or did not retain the minutes of the meetings.

Recommendation:

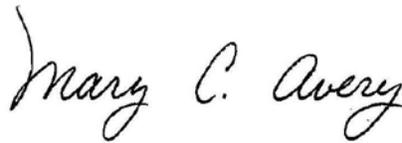
The board should adhere to the requirements as set forth in the bylaws.

Auditee Response:

"We agree that the Board of Directors for the Governor's Residence Conservancy Inc. ("Board") should adhere to the requirements as set forth in the bylaws. Indeed, the Board appointed in January 2011 has worked diligently to do so, including taking minutes of all meetings. Documentation of all Board proceedings during calendar year 2011, are available for inspection. Although the Board does not pre-schedule meetings for the calendar year, but rather schedules special meetings in accordance with its requirements under the bylaws, we will discuss pre-scheduling meetings for upcoming calendar years at the first regularly scheduled meeting of each year or changing the bylaws to eliminate this requirement."

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 the personnel of the Governor's Residence Conservancy, Inc. greatly facilitated the conduct of this examination.



Mary C. Avery
Associate Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts