

STATE OF CONNECTICUT

AUDIT REPORT

**CONNECTICUT HERITAGE FOUNDATION, INC.
FOR THE FISCAL YEARS ENDED
JUNE 30, 1999 AND 2000**

**AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

Independent Auditors' Report

The Board of Directors
Connecticut Heritage Foundation, Inc.:

We have audited the accompanying statement of financial position of the Connecticut Heritage Foundation, Inc. (the Foundation), as of June 30, 1999 and 2000, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 our audit provides a reasonable basis for our opinion.

Effective July 1, 1999, new financial guidelines were established by legislation that required the Foundation to maintain its own records independent of State operations. As more fully described in Note 2 of the financial statements, sole custody of the State General Fund restricted account, formerly the Foundation's account, was transferred to the State Library on June 1, 2001.

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, 1999 and 2000, and the change in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Sincerely,

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

October 9, 2001

Independent Auditors' Report On Compliance

The Board of Directors
Connecticut Heritage Foundation, Inc.:

We have audited the financial statements of the Connecticut Heritage Foundation, Inc. (the Foundation), as of and for the fiscal years ended June 30, 1999 and 2000, and have issued our report dated October 9, 2001.

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 4-31a and 4-37e to 4-37j of the Connecticut General Statutes, any other laws and internal controls relevant to the Foundation, is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Foundation's compliance with Sections 4-31a and 4-37e to 4-37j 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 results 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 and any applicable regulatory body. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

October 9, 2001

MANAGEMENT LETTER

The Board of Directors
Connecticut Heritage Foundation, Inc.:

We have audited the financial statements of the Connecticut Heritage Foundation, Inc. (the Foundation), as of and for the fiscal years ended June 30, 1999 and 2000, and have issued our report dated October 9, 2001.

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 Foundation is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered the Foundation'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 the 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.

The prior audit report covering the fiscal year ended June 30, 1998 contained four recommendations. Three of these recommendations have been resolved by improving: (1) the maintenance of permanent donor records, (2) the handling of purchases involving potential conflict of interest, and (3) the purchasing of museum collection items. The fourth recommendation concerning inventory weaknesses will be addressed as part of the examination on Connecticut State Library State operations since State employees, not the Foundation, are responsible for the maintenance of museum collections.

We wish to express our appreciation for the courtesies extended to our representatives by the personnel of the Connecticut Heritage Foundation, Inc. during the course of our audit.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

October 9, 2001

CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 1999 AND 2000

	JUNE 30	
	1999	2000
ASSETS:	\$	\$
Cash and cash equivalents	2,059,761	2,076,724
Accrued interest receivable	25,254	32,734
Connecticut historical objects	912,479	999,749
TOTAL ASSETS	<u>\$ 2,997,494</u>	<u>\$ 3,109,207</u>
LIABILITIES AND NET ASSETS		
Liabilities:	\$	\$
Due to other funds	<u>50</u>	<u>50</u>
Net Assets:		
Unrestricted	1,150	3,620
Temporarily restricted	2,995,107	3,104,350
Permanently restricted	<u>1,187</u>	<u>1,187</u>
Total Net Assets	<u>2,997,444</u>	<u>3,109,157</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,997,494</u>	<u>\$ 3,109,207</u>

See accompanying notes to financial statements.

CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 1999 AND 2000

	For the Year Ended June 30, 1999			For the Year Ended June 30, 2000		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
	Total	Total	Total	Total	Total	Total
Revenues and Support:						
Sales of museum pieces	\$	\$ 177,733	\$	\$	\$	\$
Investment return	53	101,274	73	121,152	0	121,225
Donations and contributions	175	3,940	1,680	4,846	0	6,526
Net assets released from restrictions	15,173	(15,173)	16,755	(16,755)	0	0
Total Support and Revenue	<u>15,401</u>	<u>267,774</u>	<u>0</u>	<u>109,243</u>	<u>0</u>	<u>127,751</u>
Expenses:						
Program Services:						
1/2 LBPH librarian position	13,821			14,803		14,803
General and Administrative	1,352			1,235		1,235
Total Expenses	<u>15,173</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,038</u>
Change in Net Assets	<u>228</u>	<u>267,774</u>	<u>0</u>	<u>109,243</u>	<u>0</u>	<u>111,713</u>
Net Assets, Beginning of Year	<u>922</u>	<u>2,727,333</u>	<u>1,187</u>	<u>2,995,107</u>	<u>1,187</u>	<u>2,997,444</u>
Net Assets, End of Year	<u>\$ 1,150</u>	<u>\$ 2,995,107</u>	<u>\$ 1,187</u>	<u>\$ 3,104,350</u>	<u>\$ 1,187</u>	<u>\$ 3,109,157</u>

See accompanying notes to financial statements.

CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 1999 AND 2000

	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>
<hr/> Year Ended June 30, 1999 <hr/>			
1/2 LBPH librarian position	\$ 13,821	\$ 13,821	\$
General and Administrative	<u>1,352</u>	<u></u>	<u>1,352</u>
TOTAL EXPENSES	<u>\$ 15,173</u>	<u>\$ 13,821</u>	<u>\$ 1,352</u>

	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>
<hr/> Year Ended June 30, 2000 <hr/>			
1/2 LBPH librarian position	\$ 14,803	\$ 14,803	\$
General and Administrative	<u>1,235</u>	<u></u>	<u>1,235</u>
TOTAL EXPENSES	<u>\$ 16,038</u>	<u>\$ 14,803</u>	<u>\$ 1,235</u>

See accompanying notes to financial statements.

**CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1999 AND 2000**

	For the Year Ended June 30	
	1999	2000
Cash flows from operating activities:		
Changes in net assets	\$ 268,002	\$ 111,713
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
(Increase) decrease in:		
Accrued interest receivable	(3,817)	(7,480)
Accounts receivable	144,496	
Net cash provided for operating activities	408,681	104,233
Purchase of assets - Connecticut historical objects	<u>(66,893)</u>	<u>(87,270)</u>
Change in cash and cash equivalents	341,788	16,963
Cash and cash equivalents--beginning of year	1,717,973	2,059,761
Cash and cash equivalents--end of year	<u>\$ 2,059,761</u>	<u>\$ 2,076,724</u>

See accompanying notes to financial statements.

CONNECTICUT HERITAGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 FOUNDATION NAME CHANGE:

Effective May 14, 1999, the Connecticut Secretary of State's Office approved a Foundation name change from the Connecticut State Library and Museum Foundation, Inc. to the Connecticut Heritage Foundation, Inc.

NOTE 2 SUBSEQUENT EVENT-TRANSFER OF FUNDS TO THE STATE LIBRARY:

The financial statements presented in this report consist primarily of the financial activities of a State General Fund private restricted account, which was considered to be the Foundation's account under the provisions of Section 4-31a of the General Statutes. Effective July 1, 1999, Public Act 99-166 amended Section 11-1 of the General Statutes changing Foundation operating guidelines from Section 4-31a to Sections 4-37e through 4-37j of the General Statutes. This change requires that the Foundation maintain its own financial records in private accounts independent of State operations. Although Public Act 99-166 took effect on July 1, 1999, the State General Fund restricted account continued to be considered the Foundation's operating account until June 1, 2001. On June 1, 2001, all balances in this General Fund restricted account were transferred to the sole custody of the State Library thereby ending all involvement with these funds by the Foundation.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

The Connecticut Heritage Foundation, Inc. (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 stipulations that may or

will be met, either by actions of the Foundation and/or 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 stipulations that they 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.

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 promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Federal Income Taxes:

The Foundation is exempt from Federal income taxes under Internal Revenue Code Section 501 (c) (3).

Foundation Accounts:

As discussed in Note 2, Foundation accounts were primarily maintained within the State's General Fund during the audited period and were subject to all the centralized controls of the State Treasurer and State Comptroller. In December 1999 the Foundation opened its own private checking account and during the remainder of the 1999-2000 fiscal year, donations of \$680 were deposited into this account. As of June 30, 2000, the Foundation's private checking account had a cash balance of \$650.

Investment Income:

All available cash maintained in the Foundation's State account was invested with the State Treasurer in the Treasurer's Interest Credit Program.

NOTE 4 CONNECTICUT HISTORICAL OBJECTS:

The Connecticut Historical Objects category shown on the Statement of Financial Position, consists of the following:

	<u>June 30,</u>	
	<u>1999</u>	<u>2000</u>
Rampant Colt Statue	\$700,000	\$700,000
Collections of Connecticut Historical Objects	<u>212,479</u>	<u>299,749</u>
	<u>\$912,479</u>	<u>\$999,749</u>

NOTE 5 NET ASSETS:

The detail of net assets at June 30, 1999 and 2000 were as follows:

	<u>June 30,</u>	
	<u>1999</u>	<u>2000</u>
Permanently Restricted:		
Edith Mason Alling memorial fund	\$ <u>1,187</u>	\$ <u>1,187</u>
Temporarily Restricted:		
Museum collection pieces	\$2,282,158	\$2,366,448
Mitchelson coin collection	387,595	406,565
O'Connell-Library for the Blind and Physically Handicapped	234,156	231,688
Phillips – gun collection	39,534	41,201
Library for the Blind and Physically Handicapped	33,656	39,370
Law and reference library	16,574	17,559
History and genealogy	<u>1,434</u>	<u>1,519</u>
	<u>\$2,995,107</u>	<u>\$3,104,350</u>