

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
CONNECTICUT HERITAGE FOUNDATION, INC.  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2005, 2006 AND 2007***

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

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Connecticut Heritage Foundation, Inc.:

We have audited the accompanying statement of net assets of the Connecticut Heritage Foundation, Inc. (the Foundation), as of June 30, 2005, 2006 and 2007, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of United States. 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.

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, 2005, 2006 and 2007, and the results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## *Auditors of Public Accounts*

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2009 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, grants 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 the internal control over financial reporting or on compliance and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the Foundation taken as a whole. The Management's Discussion and Analysis information is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts

January 14, 2009  
State Capitol  
Hartford, Connecticut

**CONNECTICUT HERITAGE FOUNDATION, INC. (FOUNDATION)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)**

**An Overview of the Financial Statements**

This Management's Discussion and Analysis is intended to serve as an introduction to the Foundation's basic financial statements. The Foundation's basic financial statements are comprised of Statements of (1) Net Assets, (2) Revenues, Expenses and Changes in Fund Net Assets, and (3) Cash Flows, and are accompanied with Notes which are an integral part of the financial statements.

The following provides an overview and analysis of the Foundation's financial performance of its activities for the fiscal years ended June 30, 2005, 2006 and 2007. The reader is encouraged to consider this information in conjunction with the information presented in the financial statements and notes.

**Condensed Financial Information**

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Total Assets	\$ 23,436	\$ 27,254	\$ 26,239
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Assets	\$ 23,436	\$ 27,254	\$ 26,239
Total Revenues	\$ 19,580	\$ 38,519	\$ 6,170
Total Expenses	<u>8,822</u>	<u>34,701</u>	<u>7,185</u>
Changes in Net Assets	\$ 10,758	\$ 3,818	\$ (1,015)

**Financial Highlights**

- The assets of the Foundation exceeded its liabilities for the fiscal year ended June 30, 2007, by \$26,239. Of this amount, \$20,004 may be used to meet future needs of the Foundation.
- The Foundation's net assets increased by \$13,561 to \$26,239 at June 30, 2007, as compared to net assets of \$12,678 at June 30, 2004. This increase was primarily attributable to contributions exceeding expenses for a Gala celebrating the Connecticut State Library's 150<sup>th</sup> anniversary held on October 23, 2004.
- The Foundation has no debt.

Subsequent to the fiscal year ended June 30, 2007, the Foundation has continued to pursue donation and grant opportunities and has coordinated its activities with the Connecticut State Library and Raymond E. Baldwin Museum of Connecticut History and Heritage members to promote the awareness of Connecticut's history and culture.

**CONNECTICUT HERITAGE FOUNDATION, INC.**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2005, 2006 AND 2007**

	<b>JUNE 30,</b>		
	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>
<b>ASSETS</b>	\$	\$	\$
CURRENT ASSETS:			
Cash and Cash Equivalents	22,761	27,254	26,239
<b>TOTAL CURRENT ASSETS</b>	<u>22,761</u>	<u>27,254</u>	<u>26,239</u>
NONCURRENT ASSETS:			
Capital Assets:			
Computer	2,430	2,430	2,430
Less: Accumulated Depreciation	<u>(1,755)</u>	<u>(2,430)</u>	<u>(2,430)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>675</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>23,436</u>	<u>27,254</u>	<u>26,239</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS</b>			
Unrestricted Net Assets	17,158	17,207	20,004
Temporarily Restricted Net Assets	<u>6,278</u>	<u>10,047</u>	<u>6,235</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 23,436</u>	<u>\$ 27,254</u>	<u>\$ 26,239</u>

See accompanying notes to the financial statements.

**CONNECTICUT HERITAGE FOUNDATION, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2005, 2006 AND 2007**

	<b>For the Year Ended June 30,</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>OPERATING REVENUES</b>	\$	\$	\$
<b>TOTAL OPERATING REVENUES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>OPERATING EXPENSES</b>			
Depreciation Expense	810	675	0
Administrative Expenses	107	886	635
<b>TOTAL OPERATING EXPENSES</b>	<u>917</u>	<u>1,561</u>	<u>635</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(917)</u>	<u>(1,561)</u>	<u>(635)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Donations and Contributions	19,580	38,519	6,170
Great Kids - Website	0	(920)	0
150th Celebration	(7,905)	(1,276)	0
Hartford Courant Digitization Project	0	(27,694)	0
CT Humanities Council	0	(3,250)	(6,550)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>11,675</u>	<u>5,379</u>	<u>(380)</u>
<b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS</b>	<u>10,758</u>	<u>3,818</u>	<u>(1,015)</u>
<b>EXTRAORDINARY ITEMS</b>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Assets	<u>10,758</u>	<u>3,818</u>	<u>(1,015)</u>
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	<u>12,678</u>	<u>23,436</u>	<u>27,254</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 23,436</u>	<u>\$ 27,254</u>	<u>\$ 26,239</u>

See accompanying notes to the financial statements.

**CONNECTICUT HERITAGE FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2005, 2006 AND 2007**

	<b>For the Year Ended June 30,</b>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>SOURCE:</b>	\$ 0	\$ 0	\$ 0
<b>USE:</b>			
Administrative Expenses	107	886	635
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>(107)</u>	<u>(886)</u>	<u>(635)</u>
<b>CASH FLOWS FROM NONOPERATING ACTIVITIES</b>			
<b>SOURCE:</b>			
Donations	<u>19,580</u>	<u>38,519</u>	<u>6,170</u>
<b>USE:</b>			
Great Kids - Website	0	920	0
150th Celebration	7,905	1,276	0
Hartford Courant Digitization Project	0	27,694	0
CT Humanities Council	0	3,250	6,550
(Increase) Decrease in Assets:	0	0	0
Increase (Decrease) in Liabilities:	<u>0</u>	<u>0</u>	<u>0</u>
	<u>7,905</u>	<u>33,140</u>	<u>6,550</u>
<b>NET CASH USED FROM NONOPERATING ACTIVITIES</b>	<u>11,675</u>	<u>5,379</u>	<u>(380)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,568	4,493	(1,015)
Cash and Cash Equivalents - beginning of year	11,193	22,761	27,254
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 22,761</u>	<u>\$ 27,254</u>	<u>\$ 26,239</u>
<b>RECONCILIATION OF OPERATING AND OTHER INCOME TO NET CASH PROVIDED BY ACTIVITIES</b>			
<b>OPERATING AND OTHER INCOME</b>	10,758	3,818	(1,015)
Adjustments to Reconcile Operating and Other Income to Net Cash:			
Depreciation Expense	810	675	0
Decrease (Increase) in Assets:	0	0	0
Increase (Decrease) in Liabilities:	0	0	0
<b>NET INCREASE (DECREASE) IN CASH PROVIDED BY OPERATING AND OTHER ACTIVITIES</b>	<u>\$ 11,568</u>	<u>\$ 4,493</u>	<u>\$ (1,015)</u>

See accompanying notes to the financial statements.



**CONNECTICUT HERITAGE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS**

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

The financial statements of The Connecticut Heritage Foundation, Inc. (the Foundation) were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB established standards for the external financial reporting and the presentation of the Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplemental information and precedes the financial statements. The Foundation's significant accounting policies are described below.

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 as noted above. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed or grant fund 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 or grant restrictions.

Temporarily restricted net assets--Net assets subject to donor-imposed or grant 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 or grant stipulations 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.

## Auditors of Public Accounts

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### Cash and Cash Equivalents:

For financial statement purposes, the Foundation considers all funds held in a checking account to be cash equivalents.

### 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.

### Computer Equipment:

Computer equipment is stated at cost less accumulated depreciation. Depreciation on the equipment is calculated using the straight line method over three years.

### Federal Income Taxes:

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

### Foundation Accounts:

In December 1999, the Foundation opened its own private checking account and since July 1, 2000, all Foundation activities have been operating through this account. The balances as of June 30, 2006, 2007, and 2008, were \$22,761, \$27,254, and \$26,239, respectively. All available cash was maintained in the Foundation's checking account.

### **NOTE 2 CONCENTRATION OF CREDIT RISK:**

The Foundation's deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007, there were no uninsured deposits.

### **NOTE 3 COMPUTER EQUIPMENT:**

The Computer Equipment category, shown on the Statement of Net Assets, consists of the following:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Computer Equipment	\$ 2,430	\$ 2,430	\$ 2,430
Less accumulated depreciation	<u>1,755</u>	<u>2,430</u>	<u>2,430</u>
Total	<u>\$ 675</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NOTE 4 TEMPORARILY RESTRICTED NET ASSETS:**

The detail of temporarily restricted net assets at June 30, 2005, 2006 and 2007 were as follows:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Temporarily Restricted:			
Great Kids – Website	\$ 4,855	\$ 3,935	\$ 3,935
CPTV - Foundation Awareness	(1,500)	(1,500)	0
Civil War Exhibit	100	100	100
Gates donation	675	0	0
Direct mail solicitation	148	148	0
CT Humanities	0	4,590	0
Hartford Courant Digitization Project	0	0	2,200
150 <sup>th</sup> Celebration	<u>2,000</u>	<u>2,774</u>	<u>0</u>
Total	<u>\$ 6,278</u>	<u>\$ 10,047</u>	<u>\$ 6,235</u>

**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 the financial statements of the Connecticut Heritage Foundation, Inc., (the Foundation) as of and for the years ended June 30, 2005, 2006 and 2007, and have issued our report thereon dated January 14, 2009. 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 of material misstatements and that the Foundation complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing, and extent of tests to be performed during the conduct of the audit.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of

control deficiencies, that adversely affects the entity's ability to properly initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over the entity's financial reporting and on compliance and other matters would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the entity's financial reporting and on compliance and other matters that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters:**

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 Connecticut General Statutes, any other laws, contracts and grants, noncompliance with which would 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*.

This report is intended for the information of the Connecticut Heritage Foundation, Inc.'s Board of Directors, and any applicable regulatory body. However, this report is a matter of public record and its distribution is not limited.

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts

January 14, 2009  
State Capitol  
Hartford, Connecticut

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## 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. for the fiscal years ended June 30, 2005, 2006 and 2007, we considered the Foundation's internal control 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. We noted no matters involving the internal accounting control structure and its operation 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 opportunities to increase revenues by using assets more effectively, such as by investment of idle cash. Subsequent to the audited period, on September 19, 2007, the Foundation transferred \$18,000 from its checking account and invested in a certificate of deposit (CD) to earn interest income to be used for operational activities.

**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 Connecticut Heritage Foundation, Inc. greatly facilitated the conduct of this examination.

William T. Zinn  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts