

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT HERITAGE FOUNDATION, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

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

October 26, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Connecticut Heritage Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Connecticut Heritage Foundation, Inc. (Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

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

Pursuant to Section 4-37f(8) of the General Statutes, the audit period was limited to the fiscal year ended June 30, 2019, as the Foundation had receipts and earnings from investments totaling less than one hundred thousand dollars for each of the three consecutive years since the prior audit report, which was for the fiscal year ended June 30, 2016. Public Act 18-137 amended the threshold to two hundred fifty thousand dollars for any three fiscal years beginning October 1, 2018.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor

October 26, 2020
State Capitol
Hartford, Connecticut

**CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

ASSETS:

Cash and Cash Equivalents	\$ 77,069
Receivable from CT State Library	12,174
Prepaid Expenses	<u>1,055</u>
 TOTAL ASSETS	 <u>\$ 90,298</u>

LIABILITIES AND NET ASSETS:

LIABILITIES:

Accounts Payable	\$ 35,961
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NET ASSETS:

Without Donor Restrictions	\$ 32,403
With Donor Restrictions (Note 3)	<u>21,934</u>
Total Net Assets	54,337

 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 90,298</u>
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See accompanying notes to the financial statements.

**CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Contributions	\$ 1,825	\$ 37,919	\$ 39,744
Net Assets Released from Restrictions (Note 3)			-
Restrictions Satisfied by Payments	<u>21,807</u>	<u>(21,807)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>\$ 23,632</u>	<u>\$ 16,112</u>	<u>\$ 39,744</u>
EXPENSES:			-
Program Services			-
Presentations	650	-	650
Outreach	21,807	-	21,807
Supporting Services			-
General and Administrative	<u>1,362</u>	<u>-</u>	<u>1,362</u>
TOTAL EXPENSES	<u>\$ 23,819</u>	<u>\$ -</u>	<u>\$ 23,819</u>
CHANGE IN NET ASSETS	\$ (187)	\$ 16,112	\$ 15,925
NET ASSETS, BEGINNING OF YEAR	<u>\$ 32,590</u>	<u>\$ 5,822</u>	<u>38,412</u>
NET ASSETS, END OF YEAR	<u>\$ 32,403</u>	<u>\$ 21,934</u>	<u>\$ 54,337</u>

See accompanying notes to the financial statements.

**CONNECTICUT HERITAGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 15,925
Adjustments to Reconcile Change in Net Assets to Net	
Increase in Receivables	(12,174)
Increase in Prepaid Expenses	<u>(1,055)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,696
CASH AND CASH EQUIVALENTS – JUNE 30, 2018	<u>74,373</u>
CASH AND CASH EQUIVALENTS – JUNE 30, 2019	<u>\$ 77,069</u>

See accompanying notes to the financial statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

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

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification. 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions, including net assets with restrictions that will be met either by actions of the Foundation or by the passage of time (temporarily restricted), and net assets that must be maintained permanently by the Foundation (permanently restricted). When a restriction has been met or expires, temporarily restricted assets are reclassified to Net Assets Without Donor Restrictions and reported in the statement of activities as net assets released from restrictions. For permanently restricted net assets, 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.

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The purpose of the guidance is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Foundation adopted this ASU for the fiscal year ended June 30, 2019.

Cash and Cash Equivalents:

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

Contributions:

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

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

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.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cost Allocation

There are no expenses included in the financial statements that require allocation to more than one program or supporting function.

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation's bank deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, there were no uninsured deposits.

NOTE 3: RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes:

Program Restrictions:

Crawford Westbrook	\$	10,000
Connecticut in WW1 Project		4,470
Digging into History		2,571
Bookmobile - GoFundMe		2,243
LBPH Friends Group		1,939
Other Miscellaneous		711
Total Program Restrictions		<u>21,934</u>
Total Net Assets with Donor Restrictions	\$	<u><u>21,934</u></u>

NOTE 4: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions were released from donor restrictions during the year by incurring expenses satisfying the restricted purpose specified by the donor.

Digging into History	\$	21,218
Public Humanities Project - Trinity College		<u>589</u>
Total Net Assets Released From Restrictions	\$	<u><u>21,807</u></u>

NOTE 5: EVALUATION OF SUBSEQUENT EVENTS

The foundation has evaluated subsequent events through October 26, 2020, the date which the financial statements were available to be issued.

STATE OF CONNECTICUT



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ROBERT J. KANE

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

The Board of Directors
Connecticut Heritage Foundation, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Connecticut Heritage Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 26, 2020.

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. We did identify a deficiency in internal control, described in the accompanying management letter (Finding #1) that we consider to be a significant deficiency.

Compliance and Other Matters

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain 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.



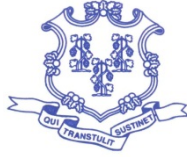
John C. Geragosian
State Auditor



Robert J. Kane
State Auditor

October 26, 2020
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT



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JOHN C. GERAGOSIAN

ROBERT J. KANE

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. (Foundation) for the fiscal year ended June 30, 2019, we considered the Foundation's internal control and compliance with certain provisions of laws, regulations, contracts, and grant agreements in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control or compliance. We noted no matters involving the internal accounting control structure and its operation or the Foundation's compliance with certain provisions of laws, regulations, contracts, and grant agreements that we consider to be material weaknesses according to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. However, during our audit, we became aware of certain matters that present an opportunity for improving internal controls.

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

1. Bank Reconciliations:

Criteria: Sound business practices require that the Foundation promptly complete accurate monthly bank reconciliations of its checking account.

Section 11-1(d) of the General Statutes established the Foundation as a non-profit entity to accept private donations to fund specific projects of the Connecticut State Library and Raymond E. Baldwin Museum of Connecticut History and Heritage. The donations are assets of the

Foundation and not of the state.

Condition: As of June 30, 2019, the Foundation had not reconciled its checking account balance to its cash ledger balance since March, 2017. There were \$12,174 in credit card donations intended for the Foundation that were deposited in the state's bank account. The money was never transferred to the Foundation's checking account.

In addition, state library staff erroneously deposited a \$35,961 grant for upgraded telephone equipment into the Foundation's bank account instead of the state's bank account.

Context: The Foundation's checking account balance was \$80,077 at June 30, 2019. The cash balance on the general ledger was \$92,267.

Effect: The cash ledger balance was not accurate. Foundation funds and state funds were comingled.

Cause: The Foundation did not perform monthly bank reconciliations, and did not ensure that it included only Foundation assets in its bank balance.

Prior Audit Finding: The finding has not been previously reported.

Recommendation: The Connecticut Heritage Foundation should improve internal bank reconciliation controls by promptly performing monthly reconciliations. The Foundation should also send back any state funds in its possession. It should also ask the state to return funds for any credit card donations deposited in error.

Foundation Response: "The Connecticut Heritage Foundation concurs with the recommendation regarding bank reconciliations. The fiscal administrative manager (FAM) has set up a means for us to reconcile the account each month. In the monthly reconciliation process, the FAM will ensure that any errors that may be found will be corrected immediately. The foundation is also consulting with our budget analyst at DAS to resolve any outstanding accounting issues between state and foundation funds."

2. GAAP Accounting:

Criteria: Section 4-37f(7) of the General Statutes requires that foundations use generally accepted accounting principles (GAAP) in their financial recordkeeping and reporting.

Condition: We noted 9 expenditures, totaling \$1,903 that the Foundation expensed

in fiscal year 2020, but should have been expensed in fiscal year 2019. We also found 2 expenditures, totaling \$1,055, recorded in fiscal year 2020 that should have been recorded as prepaid expenditures in fiscal year 2019.

Context: There were 27 expenditures, totaling \$23,819, during the audited period.

Effect: The Foundation did not consistently apply generally accepted accounting principles.

Cause: Since its inception, the Foundation has utilized Microsoft Excel spreadsheets to maintain its accounting records, rather than using an accounting information system.

Prior Audit Finding: This audit finding has been previously reported in the last 2 audit reports covering the fiscal the fiscal years ended June 30, 2013 to 2016.

Recommendation: The Connecticut Heritage Foundation, Inc. should strengthen internal controls to ensure compliance with generally accepted accounting principles, and should consider utilizing an accounting information system.

Foundation Response: “The Connecticut Heritage Foundation concurs with the recommendations. The Foundation is in the process of putting in place an accounting information system that will be managed by our fiscal administrative assistant. The FAM will be responsible for ensuring compliance with generally accepted accounting principles.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

The following summarizes the recommendations presented in our prior audit and the current status of those prior recommendations.

1. The Connecticut Heritage Foundation, Inc. should consider utilizing an accounting information system. **This recommendation is being repeated in a modified form. (See Recommendation 1.)**

ACKNOWLEDGEMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Heritage Foundation, Inc. during the course of our examination.

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

Matthew Wood



Matthew Wood
Associate Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor