

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
GOVERNOR'S RESIDENCE CONSERVANCY, INC.  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017*

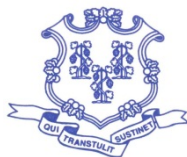
**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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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

April 20, 2021

### INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the Governor's Residence Conservancy, Inc. (the Conservancy), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses 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 Conservancy, as of June 30, 2017, and the changes in its net assets and 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, we limited the audit period to the fiscal year ended June 30, 2017, as the Conservancy had less than one hundred thousand dollars in receipts and earnings from investments for each of the three consecutive years since the prior audit report for the fiscal year ended June 30, 2014.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021, on our consideration of the Conservancy'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 Conservancy's internal control over financial reporting and compliance.



John C. Geragosian  
State Auditor

April 20, 2021  
State Capitol  
Hartford, Connecticut

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.  
STATEMENT OF FINANCIAL POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ASSETS:

Cash and Cash Equivalents \$ 55,637

TOTAL ASSETS \$ 55,637

LIABILITES AND NET ASSETS:

LIABILITIES: \$ 10,525

NET ASSETS:

Unrestricted \$ 45,112

Total Net Assets \$ 45,112

TOTAL LIABILITES AND NET ASSETS \$ 55,637

See accompanying notes to the financial statements.

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:				
Sales	\$ 7,474	\$ -	\$ -	\$ 7,474
Contributions	51,500	-	-	51,500
TOTAL REVENUES AND SUPPORT	<u>\$ 58,974</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 58,974</u>
EXPENSES:				
Program Services				
Restoration/Improvement/Preservation	10,525	-	-	10,525
Supporting Services				
General and Administrative	1,456	-	-	1,456
Fund Raising	6,955	-	-	6,955
TOTAL EXPENSES	<u>\$ 18,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,936</u>
CHANGE IN NET ASSETS	\$ 40,038	\$ -	-	\$ 40,038
NET ASSETS, BEGINNING OF YEAR	<u>\$ 5,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,074</u>
NET ASSETS, END OF YEAR	<u>\$ 45,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,112</u>

See accompanying notes to financial statements.

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Restoration/ Improvement/ Preservation</u>		<u>General &amp; Administration</u>	<u>Fundraising</u>	<u>Total</u>
Professional fees	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,000
Filing fees	-	50	-	-	50
Christmas Ornaments	-	-	-	6,001	6,001
Bank Charges	-	15	-	-	15
Repairs and Maintenance	10,525	-	-	-	10,525
Insurance Fees	-	391	-	-	391
Sales Taxes	-	474	-	-	474
Event	-	-	-	480	480
<b>TOTAL EXPENSES</b>	<b>\$ 10,525</b>	<b>\$ 1,930</b>	<b>\$ 6,481</b>	<b>\$ -</b>	<b>\$ 18,936</b>

See accompanying notes to financial statements.



**GOVERNOR'S RESIDENCE CONSERVANCY, INC.  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 40,038
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:	
Increase in Accounts Payable	\$ 10,525
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 50,563</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ -</u>
 CASH FLOWS FROM FINANCIAL ACTIVITIES:	
NET CASH PROVIDED BY FINANCIAL ACTIVITIES	<u>\$ -</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ 50,563
 CASH AND CASH EQUIVALENTS - JUNE 30, 2016	 <u>\$ 5,074</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2017	<u>\$ 55,637</u>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

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

#### Nature of Activities:

The Governor's Residence Conservancy, Inc., (the 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 Administrative Services in maintaining the Governor's residence.

#### 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 Conservancy 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 Conservancy 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 Conservancy. Generally, the donors of these assets permit the Conservancy to use all or part of the income earned on any related investments for general or specified purposes

#### Cash and Cash Equivalents:

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

#### Revenue:

The sale of holiday ornaments and fundraising events were the Conservancy's primary sources of revenue during the period under review.

#### 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.

Sales Taxes:

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

Income Taxes:

The Conservancy 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.

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% or 2% on net investment income.

**NOTE 2: CONCENTRATION OF CREDIT RISK**

The Conservancy's bank deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, there were no uninsured deposits.

**NOTE 3: 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% of the average fair market value of its aggregate noncharitable assets. The Conservancy has an excess distribution carryover at June 30, 2017 of \$13,695, which can be used to satisfy this requirement. The distribution consists of charitable purpose activities and related charitable purpose expenses.

**NOTE 5: EVALUATION OF SUBSEQUENT EVENTS**

The Conservancy has evaluated subsequent events through April 20, 2021, the date which the financial statements were available to be issued.

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JOHN C. GERAGOSIAN

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  
Governor's Residence Conservancy, 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 Governor's Residence Conservancy, Inc. (the Conservancy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements, and have issued our report thereon dated April 20, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Conservancy's internal control over financial reporting (internal control) as a basis for designing our 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 Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy'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 Conservancy is the responsibility of the Conservancy's management. As part of obtaining reasonable assurance about whether the Conservancy'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 Conservancy's management in the accompanying Management Letter section of this report.

### **Purpose of this 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

April 20, 2021  
State Capitol  
Hartford, Connecticut

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210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Governor's Residence Conservancy, Inc. (the Conservancy) for the fiscal year ended June 30, 2017, we considered the Conservancy's internal control and compliance with certain provisions of laws, regulations, contracts, and grant agreements as a basis for designing our audit 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 internal accounting control and its operation or the Conservancy'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 Conservancy, are summarized below.

**1. Terms of the Bylaws:**

*Criteria:*

The bylaws of the Governor's Residence Conservancy, Inc. (the Conservancy) require the board of directors to meet three times a year at the call of the chairperson. The board must determine its meeting schedule for the calendar year at its first meeting of each year and transmit that schedule to the Secretary of the State. The board secretary's duties include maintaining records of the board's meetings and proceedings.

The bylaws provide that the Conservancy board of directors is composed of a chairperson, up to 11 additional directors, and 3 honorary directors all appointed by the Governor.

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 31<sup>st</sup> of each year.

*Condition:*

There is no evidence that the Conservancy’s board of directors scheduled meetings in advance for the audited period or transmitted a schedule to the Secretary of the State.

The board held only two meetings in 2015, and did not have the minutes of meetings on file for 2016 and 2017.

We also noted that the Conservancy did not update its bylaws, as follows:

- The bylaws reference the Department of Public Works although it was consolidated within the Department of Administrative Services in 2011.
- Based on March 2013 meeting minutes, the board of directors unanimously agreed to increase its membership from 11 (plus the chairperson) to 15 and honorary directors from 3 to 5. However, the Conservancy did not amend its bylaws to reflect these changes.

*Effect:*

The failure of the Conservancy to comply with and amend its bylaws diminishes its responsibilities over the Governor’s residence.

*Cause:*

The board of directors did not comply with its bylaws or amend them to reflect new information and policies.

*Prior Audit Finding:*

The finding has been previously reported in modified form in the last three audit reports covering the fiscal years ended June 30, 2009 through 2014.

*Recommendation:*

The Board of Directors of the Governor’s Residence Conservancy, Inc. should adhere to the Conservancy’s bylaws, and should amend them to reflect new information and policies. (See Recommendation 1.)

*Conservancy Response:*

“We agree that the Board of Directors for the Governor’s Residence Conservancy Inc. (“Board”) should review, amend, and update its bylaws to ensure that they are current and accurate. The Board will work to accomplish the needed review and updates.”

**Status of Prior Audit Recommendations:**

Our prior audit report on the Governor's Residence Conservancy, Inc. contained one recommendation, which is repeated during the current audit.

1. The Board of Directors of the Governor's Residence Conservancy, Inc. should adhere to the Conservancy's bylaws, and should amend them to reflect new information and policies. **This recommendation is being repeated. (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 Governor's Residence Conservancy, Inc. during the course of our examination.

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

Laura Zhao



Laura Zhao  
Associate Auditor

Approved:



John C. Geragosian  
State Auditor