

STATE OF CONNECTICUT



*AUDITORS' REPORT
GOVERNOR'S RESIDENCE CONSERVANCY, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2020*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

CLARK J. CHAPIN

August 25, 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, 2020, 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, 2020, 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, 2020, 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, 2017. Public Act 18-137 amended the threshold to two hundred fifty thousand dollars for any three fiscal years beginning October 1, 2018.

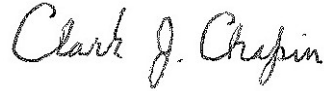
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 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



Clark J. Chapin
State Auditor

August 25, 2021
State Capitol
Hartford, Connecticut

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

ASSETS:	
Cash and Cash Equivalents	\$ 40,596
TOTAL ASSETS	<u>\$ 40,596</u>
LIABILITES AND NET ASSETS:	
LIABILITIES:	\$ -
NET ASSETS:	
Without Donor Restrictions	<u>\$ 40,596</u>
Total Net Assets	\$ 40,596
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,596</u>

See accompanying notes to the financial statements.

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Sales	\$ 6,605	\$ -	\$ 6,605
Contributions	7,330	-	7,330
TOTAL REVENUES AND SUPPORT	<u>\$ 13,935</u>	<u>\$ -</u>	<u>\$ 13,935</u>
EXPENSES:			
Program Services	-	-	-
Supporting Services			
General and Administrative	1,259	-	1,259
Fundraising	11,651	-	11,651
TOTAL EXPENSES	<u>\$ 12,910</u>	<u>\$ -</u>	<u>\$ 12,910</u>
CHANGE IN NET ASSETS	\$ 1,025	\$ -	\$ 1,025
NET ASSETS, BEGINNING OF YEAR	<u>\$ 39,571</u>	<u>\$ -</u>	<u>\$ 39,571</u>

See accompanying notes to financial statements.

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>		<u>Supporting Services</u>		
			<u>General & Administration</u>	<u>Fundraising</u>	<u>Total</u>
Professional Fees	\$	-	\$ 1,000	\$ -	\$ 1,000
Filing Fees		-	250	-	250
Christmas Ornaments		-	-	11,651	11,651
Bank Charges		-	9	-	9
TOTAL EXPENSES	\$	-	\$ 1,259	\$ 11,651	\$ 12,910

See accompanying notes to financial statements.

**GOVERNOR'S RESIDENCE CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 1,025
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:	
Increase in Accounts Payable	\$ -
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,025</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	 \$ 1,025
 CASH AND CASH EQUIVALENTS - JUNE 30, 2019	 <u>\$ 39,571</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2020	<u>\$ 40,596</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:

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 Conservancy or by the passage of time (temporarily restricted), and net assets that must be maintained permanently by the Conservancy (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 Conservancy 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 Non-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 assets classification requirements and information presented in financial statements and notes about a non-for-profit entity's liquidity, financial performance, and cash flows. The Conservancy adopted this accounting standards update for the fiscal year ended June 30, 2020.

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, 2020, there were no uninsured deposits.

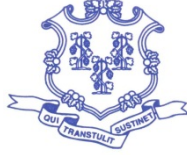
NOTE 3: MINIMUM DISTRIBUTION

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, 2020 of \$1,072, which can be used to satisfy this requirement. The distribution consists of charitable purpose activities and related charitable purpose expenses.

NOTE 4: EVALUATION OF SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events through August 25, 2021, the date which the financial statements were available to be issued.

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JOHN C. GERAGOSIAN

CLARK J. CHAPIN

**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, 2020, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements, and have issued our report thereon dated August 25, 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 basing for designing 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 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 financial statements. 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*.

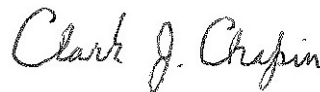
We noted certain matters that we reported to the Conservancy's management in the accompanying Management Letter section of this report.

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



Clark J. Chapin
State Auditor

August 25, 2021
State Capitol
Hartford, Connecticut

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JOHN C. GERAGOSIAN

CLARK J. CHAPIN

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, 2020, 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 31st 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 2018, one meeting in 2019, and one meeting in 2020.

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 the last four audit reports covering the fiscal years ended June 30, 2009 through 2017.

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.”

2. Cash Disbursement and Bank Reconciliation

Criteria: Article V.5. of the bylaws of the Governor’s Residence Conservancy, Inc. requires expenditures to be approved by the board of directors. The Conservancy’s cash disbursement procedures require the chairperson’s and treasurer’s signatures on checks for expenditures exceeding \$1,000. The procedures also require all expenditures to be discussed and voted on by the board prior to an expense being incurred.

Sound business practices dictate that bank account records are properly maintained and that monthly bank statements are reconciled promptly.

Condition: Our review of expenditure transactions noted an \$11,650 check that did not have a second required signature. Also, a \$50 check was cancelled but was not marked as “VOID”.

Bank records were not reconciled properly. We identified certain revenue and expenditure transactions that were misclassified, as well as transactions that were not included in the reconciliations.

Context: The Conservancy’s expenditures totaled \$12,910 for fiscal year 2020 and its bank account balance was \$40,596 at June 30, 2020.

Effect: Improper payments could occur without a second signature for expenses over \$1,000. Without proper bank account maintenance and reconciliation, the cash balance of the account may not be accurate.

Cause: The Conservancy did not adhere to its bylaws and cash disbursement procedures. Bank reconciliations were not performed due to staffing changes.

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

Recommendation: The Governor’s Residence Conservancy, Inc. should adhere to its bylaws and established procedures. The Conservancy should also strengthen its internal controls to ensure the proper maintenance and reconciliation of bank account records.

Conservancy Response: “The Governor's Residence Conservancy, Inc. agrees with the auditor's recommendation that the Conservancy should strengthen its internal controls to ensure accurate monthly bank reconciliation. The Conservancy will work towards implementing this recommendation.”

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

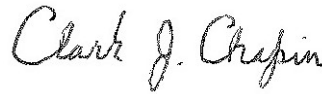


Laura Zhao
Associate Auditor

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor