



CONNECTICUT NATIONAL GUARD FOUNDATION, INC.

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INDEPENDENT ACCOUNTANT'S OPINION

Board of Directors
Connecticut National Guard Foundation, Inc.

I have audited the accompanying statements of financial position of Connecticut National Guard Foundation, Inc. (a nonprofit organization) as of December 31, 2008 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. My responsibility is to express an opinion on these financial statements based upon my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut National Guard Foundation, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then, in conformity with accounting principles generally accepted in the United States of America.

Adam P. Cohen CPA, LLC

September 30, 2009

CONNECTICUT NATIONAL GUARD FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 265,664	\$ 252,982
Contributions receivable	-	4,532
Investments, at current value	270,668	392,218
Furniture and equipment, net of accumulated depreciation of \$5,878 in 2008 and \$5,514 in 2007	<u>-</u>	<u>364</u>
Total Assets	\$ <u>536,332</u>	\$ <u>650,096</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ <u>5,435</u>	\$ <u>6,528</u>
 Net Assets		
Unrestricted net assets - undesignated	509,712	624,981
Unrestricted net assets – designated for endowment	9,114	8,750
Temporarily restricted net assets	<u>12,071</u>	<u>9,837</u>
Total Net Assets	<u>530,897</u>	<u>643,568</u>
 Total Liabilities and Net Assets	\$ <u>536,332</u>	\$ <u>650,096</u>

The accompanying notes are an integral part of the financial statements.

CONNECTICUT NATIONAL GUARD FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Change in Unrestricted Net Assets		
Revenue and support		
Contributions – public support	\$ 113,822	\$ 132,260
Running events, net of expenses of \$1,539 and \$3,928, in 2008 and 2007, respectively	7,280	777
Interest and dividend income	10,932	10,196
	<u>132,034</u>	<u>143,233</u>
Net assets released from restrictions	33,300	26,500
Total revenue and support	<u>165,334</u>	<u>169,733</u>
Expenses		
Grants to individuals and families	70,843	64,218
Scholarships awards	10,000	6,000
Grants to family readiness groups	8,500	25,500
Grants to Connecticut Community Foundation – Sgt. Felix DelGreco Scholarship Fund	18,000	16,500
Other program expenses, principally holiday party	9,591	3,000
Subtotal – program expenses	<u>116,934</u>	<u>115,218</u>
Management and general	10,979	11,683
Fundraising	5,535	7,366
Total expenses	<u>133,448</u>	<u>134,267</u>
Excess of revenue and support over expenses	31,886	35,466
Realized and unrealized appreciation of investments	<u>(146,791)</u>	<u>(4,494)</u>
Increase (decrease) in unrestricted net assets	<u>(114,905)</u>	<u>30,972</u>
Change in Temporarily Restricted Net Assets		
Contributions – Sgt. Felix DelGreco Scholarship Fund	18,100	16,354
State of Connecticut grant – Operation Elf	10,000	-
Other grants and contributions	7,434	11,700
Interest income	-	43
Net assets released from restrictions	<u>(33,300)</u>	<u>(26,500)</u>
Increase in temporarily restricted net assets	<u>2,234</u>	<u>1,597</u>
Increase (decrease) in total net assets	(112,671)	32,569
Net Assets – Beginning of Year	<u>643,568</u>	<u>610,999</u>
Net Assets - End of Year	<u>\$ 530,897</u>	<u>\$ 643,568</u>

The accompanying notes are an integral part of the financial statements.

CONNECTICUT NATIONAL GUARD FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Contributions, grants special event receipts	\$ 161,167	\$ 165,879
Interest and dividends received	559	335
Cash paid for grants and program expenses	(97,499)	(98,718)
Cash paid to Connecticut Community Foundation	(18,000)	(16,500)
Cash paid for management and support	(9,215)	(7,170)
Cash paid for fundraising, items for sale and special events	(9,464)	(6,314)
Net cash provided by operating activities	<u>27,548</u>	<u>37,512</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	61,134	-
Purchase of investments	(76,000)	-
Net cash used by investing activities	<u>(14,866)</u>	<u>-</u>
Net increase in cash and cash equivalents	12,682	37,512
Cash and cash equivalents – Beginning of Year	<u>252,982</u>	<u>215,470</u>
Cash and cash equivalents - End of Year	<u>\$ 265,664</u>	<u>\$ 252,982</u>
Reconciliation of changes in net assets to net cash provided by (used by) operating activities:		
Increase in net assets	\$ (112,671)	\$ 32,569
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	364	1,959
Interest and dividends on investments	(11,365)	(9,906)
Realized and unrealized losses - investments	147,781	4,494
Changes in operating assets and liabilities		
Contributions receivable	4,532	860
Inventory – held for sale	-	1,008
Accounts payable	(1,093)	6,528
Net cash provided by operating activities	<u>\$ 27,548</u>	<u>\$ 54,012</u>

The accompanying notes are an integral part of the financial statements.

CONNECTICUT NATIONAL GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies:

Nature of Organization – Connecticut National Guard Foundation, Inc. (The Foundation) is a Connecticut nonstock corporation formed on March 19, 2003, whose purpose is to provide familial assistance and support for members of the organized militia and National Guard. The Foundation raises funds from the general public, corporations and corporate and governmental employees for temporary financial assistance, scholarships, special projects and endowment for those needs.

Change in Basis of Accounting – Connecticut National Guard Foundation, Inc. prepares its financial statements in accordance with United States generally accepted accounting principles, as they apply to not-for-profit organizations.

Basis of Presentation - The Foundation prepares its financial statements in conformity with accounting principles generally accepted in the United States of America, *i.e.*, on the accrual basis. The Foundation follows the requirements of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for Profit Organizations*, as well as other related statements and pronouncements. Under SFAS No. 117, the financial statements report information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. The three classes are described as follows:

Unrestricted net assets represent resources of the Foundation that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets are resources subject to donor-imposed stipulations that can be fulfilled by the passage of time (time restrictions) or actions of the Foundation (purpose restrictions). Both principal and income may be expended. The Foundation's temporarily restricted net assets substantially result from the Sgt. Felix DelGreco Scholarship Fund. It is the Board's intention to maintain principal and expend income for scholarships.

Permanently Restricted Net Assets, represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity. The Foundation currently has no permanently restricted net assets.

Fund Accounting – The Foundation accounts for its operations in a current fund. Grants and contributions restricted by donors to support specific purposes are accounted for as separate restricted funds and included in temporarily restricted net assets.

Contributions - Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence of any explicit or implied donor restrictions. When a restriction expires, *i.e.*, when a purpose restriction is accomplished, generally by awarding a grant or scholarship, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as *net assets released from restrictions*. Other unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributed Services – The Foundation receives substantial donated services from officers and directors, as well as individuals who participate in fundraising activities and professionals who assisted in the formation and management of The Foundation. The Foundation also receives free use of office space from the State of Connecticut Military Department. The value of these services are not recorded, although some of them, principally legal and accounting services, might meet the criteria for recognition under generally accepted accounting principles.

Cash and Cash Equivalents – The Foundation considers savings accounts, money market funds and highly liquid certificates of deposit, with an original maturity of 90 days or less, to be cash equivalents

Investments – Investments in mutual funds are recorded at current net asset value (fair value) as reported by the respective fund managers. Dividends and distributions from mutual funds are generally reinvested and are considered noncash transactions. Donated investments are recorded at the current value on the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received.

Assets Held by Others - During 2005, the Foundation established the Sgt. Felix M. DelGreco Scholarship Fund, a donor-advised fund at the Connecticut Community Foundation (CCF) and transferred \$37,500 from the Foundation's similarly named fund to the new CCF fund. The Foundation has the right to participate in the selection of the scholarship recipients, but CCF holds variance power over the new fund. In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the Foundation considers this fund to be an asset of CCF – not part of the Foundation's net assets. The Foundation reports transfers to CCF as grants. (See Note 2.)

During 2005, the Foundation established an endowment fund at CCF, with an initial balance of \$10,000, which is Board-designated (unrestricted) endowment. Investment in this fund is recorded at current value as reported by CCF. Income within the CCF fund is included in realized and unrealized gains. In accordance with SFAS No. 136, the Foundation and CCF consider this fund to be an agency or custodial fund and the fund is included in the Foundation's unrestricted net assets. (See Note 3.)

Furniture and Equipment –The Foundation's capitalizes purchased and donated property in excess of \$500. Property below this threshold is expensed. Contributed furniture and equipment is depreciated using the straight-line method over three years.

Income Taxes - In April 2008, the Internal Revenue Service (IRS) confirmed its recognition of the Foundation's status as a public charity. The IRS's letter followed the Foundation's submitting to the IRS, in March 2008, Form 8734, *Support Schedule for Advance Ruling Period*, for the five years from the Foundation's inception through December 31, 2007. The Foundation previously received an advance determination letter that it was exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and that the Foundation could reasonably expect to be a public charity, as described in Sections 509(a)(1) and 170(b)(1)(A)(vi). During the advance ruling period, which ended on December 31, 2007, the Foundation was treated as a public charity.

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions, which affect reported amounts of assets, liabilities, income and expenses. Actual amounts could differ from those estimates in the short-term.

Note 2 – Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>		<u>2007</u>
State of Connecticut Operation Elf grant	410		-
Sgt. Felix M. DelGreco, Jr. Scholarship Fund	\$ 1,061	\$	1,037
Other scholarship funds	3,500		1,700
Handyman program	7,100		7,100
Total temporarily restricted net assets	\$ <u>12,071</u>	\$	<u>9,837</u>

During 2008 and 2007, the Foundation received \$18,100 and \$16,354 in contributions for the Sgt. Felix M. DelGreco Scholarship Fund. The Foundation granted \$18,000 and \$16,500 to the similarly named CCF fund. Following is a summary of the grants to, activity within and current value of the CCF fund, which fund is not included in the assets or net assets of the Foundation:

	<u>2008</u>		<u>2007</u>
Current value - beginning of year	\$ 92,762	\$	75,868
Grants from Connecticut National Guard Foundation	18,000		16,500
Total return, net of administrative fees	(27,182)		3,894
Scholarships awarded by CCF	(3,000)		(3,500)
Current value - end of year	\$ <u>80,580</u>	\$	<u>92,762</u>

Note 3 – Investments:

Investments include mutual funds held by the Foundation and the Foundation's endowment fund at the Connecticut Community Foundation (CCF) at December 31, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Current Value</u>	<u>Cost</u>	<u>Current Value</u>	<u>Cost</u>
Fixed income mutual funds	\$ 117,394	\$ 162,921	\$ 171,316	\$ 178,482
Equity mutual funds	144,160	251,947	208,343	218,853
Endowment Fund at CCF	9,114	10,688	12,559	10,688
	\$ <u>270,668</u>	\$ <u>425,556</u>	\$ <u>392,218</u>	\$ <u>408,023</u>
Unrealized losses	\$ <u>(154,888)</u>		\$ <u>(15,805)</u>	

Following is a summary of the changes in current value for 2008 and 2007:

	<u>2008</u>		<u>2007</u>
Beginning of year	\$ 392,218	\$	386,806
Additional investments	45,000		3,184
Less uninvested cash in investment account	(30,412)		-
Dividends – reinvested	10,653		9,906
Capital gain distributions – reinvested	990		13,385
Realized capital gains (losses)	(8,957)		33,165
Change in unrealized appreciation (losses)	(138,824)		(54,228)
End of year	\$ <u>270,668</u>	\$	<u>392,218</u>