



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, 2006 and 2005, 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, 2006 and 2005, 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

March 3, 2008

CONNECTICUT NATIONAL GUARD FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 215,470	\$ 187,037
Contributions receivable	5,392	3,197
Investments, at current value	386,806	349,009
Inventory – held for sale	1,008	1,008
Furniture and equipment, net of accumulated depreciation of \$ 3,555 in 2006 and \$ 2,825 in 2005	<u>2,323</u>	<u>3,053</u>
Total Assets	\$ <u>610,999</u>	\$ <u>543,304</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
 Net Assets		
Unrestricted net assets - undesignated	593,966	508,609
Unrestricted net assets – designated for endowment	8,750	8,750
Temporarily restricted net assets	<u>8,283</u>	<u>25,945</u>
Total Net Assets	<u>610,999</u>	<u>543,304</u>
 Total Liabilities and Net Assets	\$ <u>610,999</u>	\$ <u>543,304</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Change in Unrestricted Net Assets		
Revenue and support		
Contributions – public support	\$ 161,590	\$ 181,668
Yellow Ribbon and other sales, net of costs	4,463	9,880
Interest and dividend income	6,842	4,619
Realized and unrealized appreciation of investments	31,361	24,643
	<u>204,256</u>	<u>220,810</u>
Net assets released from restrictions	37,600	41,500
Total revenue and support	<u>241,856</u>	<u>262,310</u>
Expenses		
Grants to individuals and families	60,156	50,280
Scholarships awards	6,000	7,000
Grants to family readiness groups	35,750	19,500
Grants to Connecticut Community Foundation – Sgt. Felix DelGreco Scholarship Fund	32,350	37,500
Other program expenses	2,132	822
Subtotal – program expenses	<u>136,388</u>	<u>115,102</u>
Management and general	11,462	6,878
Fundraising – principally printing and postage	8,649	9,454
Total expenses	<u>156,499</u>	<u>131,434</u>
Increase in unrestricted net assets	<u>85,357</u>	<u>130,876</u>
Change in Temporarily Restricted Net Assets		
Contributions – Sgt. Felix DelGreco Scholarship Fund	14,688	18,012
Other grants and contributions	5,250	3,100
Interest income		176
Net assets released from restrictions	<u>(37,600)</u>	<u>(41,500)</u>
Decrease in temporarily restricted net assets	<u>(17,662)</u>	<u>(20,212)</u>
Total increase in net assets	67,695	110,664
Net Assets – Beginning of Year	<u>543,304</u>	<u>432,640</u>
Net Assets - End of Year	<u>\$ 610,999</u>	<u>\$ 543,304</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Contributions and grants received	\$ 179,333	\$ 200,978
Cash received from sales	4,463	10,132
Interest and dividends received	407	316
Cash paid for grants and program expenses	(104,038)	(77,802)
Cash paid for management and support	(10,733)	(5,038)
Cash paid for fundraising	(8,649)	(9,450)
Net cash provided by operating activities	<u>60,783</u>	<u>119,135</u>
Cash Flows from Investing Activities		
Cash paid to Connecticut Community Foundation	(32,350)	(47,500)
Purchase of investments	-	(254,456)
Net cash used by investing activities	<u>(32,350)</u>	<u>(301,956)</u>
Net increase (decrease) in cash and cash equivalents	28,433	(185,009)
Cash and cash equivalents – Beginning of Year	<u>187,037</u>	<u>372,046</u>
Cash and cash equivalents - End of Year	<u>\$ 215,470</u>	<u>\$ 187,037</u>
Reconciliation of changes in net assets to net cash provided by (used by) operating activities:		
Increase in net assets	\$ 67,695	\$ 110,664
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	730	1,595
Interest and dividends on investments	(6,546)	(4,477)
Realized and unrealized appreciation of investments	(31,361)	(24,643)
Cash paid to Connecticut Community Foundation	32,350	37,500
Changes in operating assets and liabilities		
Contributions receivable	(2,085)	(1,802)
Other changes in assets and liabilities, net	-	298
Net cash provided by operating activities	<u>\$ 60,783</u>	<u>\$ 119,135</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 - The Foundation has received an advance determination letter that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and that the Foundation can reasonably expect to be a publicly supported organization as described in Sections 509(a)(1) and 170(b)(1)(A)(vi). During the advance ruling period, which runs through December 31, 2007, the Foundation will be treated as a publicly supported organization, and not as a private foundation.

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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Sgt. Felix M. DelGreco, Jr. Scholarship Fund	\$ 1,183	\$ 18,845
Handyman program	<u>7,100</u>	<u>7,100</u>
Total temporarily restricted net assets	\$ <u>8,283</u>	\$ <u>25,945</u>

During 2006 and 2005, the Foundation received \$18,012 and \$14,688 in contributions for the Sgt. Felix M. DelGreco Scholarship Fund; and awarded a \$2,500 scholarship in 2005. Following is a summary of the grants to, activity within and current value of the similarly named CCF fund:

	<u>2006</u>	<u>2005</u>
Beginning of year	\$ 39,910	\$ -
Grants from Connecticut National Guard Foundation	32,350	37,500
Total return, net of administrative fees	6,608	2,410
Scholarships awarded by CCF	<u>(3,000)</u>	<u>-</u>
End of year	\$ <u>75,868</u>	\$ <u>39,910</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, 2006 and 2005:

	<u>2006</u>		<u>2005</u>	
	<u>Current Value</u>	<u>Cost</u>	<u>Current Value</u>	<u>Cost</u>
Fixed income funds	\$ 97,549	\$ 97,506	\$ 93,210	\$ 93,617
Equity mutual funds	277,386	240,877	245,142	224,146
Endowment Fund at CCF	<u>11,871</u>	<u>10,000</u>	<u>10,657</u>	<u>10,000</u>
	\$ <u>386,806</u>	\$ <u>348,383</u>	\$ <u>349,009</u>	\$ <u>327,763</u>
Unrealized appreciation	\$ <u>38,423</u>		\$ <u>21,246</u>	

Following is a summary of the changes in current value for 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Beginning of year	\$ 349,009	\$ 55,431
Additional investments	-	264,458
Dividends – reinvested	6,436	4,477
Capital gain distributions – reinvested	14,184	6,991
Change in unrealized appreciation	<u>17,177</u>	<u>17,652</u>
End of year	\$ <u>386,806</u>	\$ <u>349,009</u>