



**CONNECTICUT NATIONAL GUARD
FOUNDATION, INC.**

DECEMBER 31, 2011



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, 2011 and 2010, 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Adam P. Cohen CPA, LLC

September 4, 2012

CONNECTICUT NATIONAL GUARD FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 236,586	\$ 306,751
Investments, at current value	383,316	388,376
Furniture and equipment, net of accumulated depreciation of \$7,195 in 2011 and \$6,669 in 2010	<u>264</u>	<u>790</u>
Total Assets	\$ <u>620,166</u>	\$ <u>695,917</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
 Net Assets		
Unrestricted net assets – undesignated	598,925	674,679
Unrestricted net assets – designated for endowment	12,764	12,764
Temporarily restricted net assets	<u>8,477</u>	<u>8,474</u>
Total Net Assets	<u>620,166</u>	<u>695,917</u>
 Total Liabilities and Net Assets	\$ <u>620,166</u>	\$ <u>695,917</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Change in Unrestricted Net Assets		
Revenue and support		
Contributions – public support	\$ 89,752	\$ 101,869
Interest and dividend income	12,480	12,431
	<u>102,232</u>	<u>114,300</u>
Net assets released from restrictions	-	11,000
Total revenue and support	<u>102,232</u>	<u>125,300</u>
Expenses		
Grants to individuals and families	107,341	96,666
Scholarships awards	15,000	12,000
Grants to family readiness groups	22,707	43,892
Grants to Connecticut Community Foundation – Sgt. Felix DelGreco Scholarship Fund	-	11,000
Grant to Connecticut State Veterans Memorial	-	1,000
Subtotal – program expenses	<u>145,048</u>	<u>164,558</u>
Management and general	10,611	12,365
Fundraising	4,915	5,623
Total expenses	<u>160,574</u>	<u>182,546</u>
Excess (deficit) of revenue and support over (under) expenses	(58,342)	(57,246)
Realized and unrealized gains (losses) - investments	(17,412)	22,913
Decrease in unrestricted net assets	<u>(75,754)</u>	<u>(34,333)</u>
Change in Temporarily Restricted Net Assets		
Contributions – Sgt. Felix DelGreco Scholarship Fund	-	9,330
Interest income	3	-
Net assets released from restrictions	-	(11,000)
Increase (decrease) in temporarily restricted net assets	<u>3</u>	<u>(1,670)</u>
Decrease in total net assets	(75,751)	(36,003)
Net Assets – Beginning of Year	<u>695,917</u>	<u>731,920</u>
Net Assets – End of Year	<u>\$ 620,166</u>	<u>\$ 695,917</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Contributions and grants received	\$ 88,627	\$ 110,069
Interest and dividends received	131	280
Cash paid for grants and program expenses	(145,048)	(152,558)
Cash paid to Connecticut Community Foundation	-	(11,000)
Cash paid for other grants	-	(1,000)
Cash paid for management and support	(10,084)	(11,838)
Cash paid for fundraising, items for sale and special events	(3,791)	(4,493)
Net cash provided by (used by) operating activities	<u>(70,165)</u>	<u>(70,540)</u>
Net decrease in cash and cash equivalents	(70,165)	(70,540)
Cash and cash equivalents – Beginning of Year	<u>306,751</u>	<u>377,291</u>
Cash and cash equivalents – End of Year	<u>\$ 236,586</u>	<u>\$ 306,751</u>
Reconciliation of changes in net assets to net cash provided by (used by) operating activities:		
Decrease in net assets	\$ (75,751)	\$ (36,003)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	526	527
Interest and dividends on investments	(12,352)	(12,151)
Realized and unrealized gains - investments	17,412	(22,913)
Net cash used by operating activities	<u>\$ (70,165)</u>	<u>\$ (70,540)</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.

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. Under these standards, 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, other scholarships and grants with purpose restrictions.

Permanently restricted net assets represent resources that have donor-imposed restrictions requiring 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; individuals who participate in fundraising activities; and professionals who assist in the management of The Foundation. The Foundation receives free use of office space from the State of Connecticut Military Department. The values of these services are not recorded, although some of them, principally office space, legal and accounting services, might meet the criteria for recognition under generally accepted accounting principles.

Cash and Cash Equivalents and Concentrations – The Foundation considers savings accounts, and money market funds, to be cash equivalents. Cash, including uninvested cash in the Foundation’s investment account, is held at one bank and has at times exceeded the FDIC insurance coverage of \$250,000.

Fair Value Measurements - The Foundation has adopted the fair value accounting standards on financial assets and liabilities and any other assets and liabilities that are recognized or disclosed at fair value on a recurring or non-recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy distinguishes three levels of inputs that may be utilized when measuring fair value. The three levels of the fair value hierarchy including Level 1 inputs (using unadjusted quoted prices for identical assets or liabilities), Level 2 inputs (using inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability), and Level 3 inputs (unobservable inputs that are unobservable and significant to the fair value measurement). A financial asset or liability’s classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments - Investments in mutual funds are recorded at current net asset value (fair value) as reported by the respective fund managers. All mutual fund investments are deemed to be valued using Level 1 inputs for purposes of determining fair values. Investments held at the Connecticut Community Foundation are deemed to be valued using Level 3 inputs. 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. Additional grants have been made by The Foundation in each subsequent year from contributions received. 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 standards for *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. 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. Contributed furniture and equipment was 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 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).

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.

Subsequent Events – Management has evaluated subsequent events through September 4, 2012, the date the financial statements were available for distribution.

Note 2 – Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Sgt. Felix M. DelGreco, Jr. Scholarship Fund	\$ 1,927	\$ 1,924
Other scholarship funds	3,500	3,500
Handyman program	<u>3,050</u>	<u>3,050</u>
Total temporarily restricted net assets	\$ <u>8,477</u>	\$ <u>8,474</u>

The Foundation received in contributions for the Sgt. Felix M. DelGreco Scholarship Fund of \$0 and \$9,330, during 2011 and 2010, respectively. The Foundation granted \$0 and \$11,000 to the similarly named CCF fund. The CCF fund is not included in the assets of the Foundation. Grants to, activity within, and current value of the CCF fund are summarized below:

	<u>2011</u>	<u>2010</u>
Current value – beginning of year	\$ 124,444	\$ 105,742
Grants from Connecticut National Guard Foundation	-	11,000
Total return, net of administrative fees	(3,334)	10,702
Scholarships awarded by CCF	<u>(4,000)</u>	<u>(3,000)</u>
Current value – end of year	\$ <u>117,110</u>	\$ <u>124,444</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, 2011 and 2010:

	<u>2011</u>		<u>2010</u>	
	<u>Current Value</u>	<u>Cost</u>	<u>Current Value</u>	<u>Cost</u>
Fixed income mutual funds	\$ 179,010	\$ 193,162	\$ 174,468	\$ 182,496
Equity mutual funds	191,828	259,701	201,144	256,970
Endowment Fund at CCF	12,478	10,688	12,764	10,688
	<u>\$ 383,316</u>	<u>\$ 463,551</u>	<u>\$ 388,376</u>	<u>\$ 450,154</u>
Unrealized losses	<u>\$ (80,235)</u>		<u>\$ (61,778)</u>	

The changes in current values for 2011 and 2010, are summarized as follows:

	<u>2011</u>	<u>2010</u>
Current value – beginning of year	\$ 388,376	\$ 353,311
Dividends – reinvested	12,353	12,151
Capital gain distributions – reinvested	1,044	1,009
Change in unrealized gains (losses), net	<u>(18,457)</u>	<u>21,905</u>
Current value – end of year	<u>\$ 383,316</u>	<u>\$ 388,376</u>

All of fixed income and equity mutual funds held directly by the Foundation are valued using Level 1 inputs.

According to information provided by the Connecticut Community Foundation, at December 31, 2011 and 2010, respectively, approximately 100% and 72% of its investments are valued using Level 1 inputs, with the balance valued using Level 2 inputs. The Foundation’s investment in its endowment fund held at CCF, however, is deemed to be valued based on Level 3 inputs, since the inputs are unobservable to the Foundation’s management, and are significant to the fair value measurement

The table below summarizes the changes in the fair value of CTNGFI’s Level 3 asset for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 12,764	\$ 11,493
Investment return, net	<u>(286)</u>	<u>1,271</u>
Balance, end of year	<u>\$ 12,478</u>	<u>\$ 12,764</u>