



## **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, 2005 and 2004, 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, 2005 and 2004, 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*

August 31, 2006

**CONNECTICUT NATIONAL GUARD FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 187,037	\$ 372,046
Contributions receivable	3,197	1,395
Investments, at current value	349,009	55,431
Inventory – held for sale	1,008	1,460
Furniture and equipment, net of accumulated depreciation of \$ 2,825 in 2005 and \$1,230 in 2004	3,053	2,462
Deposit	<u>-</u>	<u>150</u>
<b>Total Assets</b>	<b>\$ <u>543,304</u></b>	<b>\$ <u>432,944</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>304</u>
 <b>Net Assets</b>		
Unrestricted net assets - undesignated	508,609	377,733
Unrestricted net assets – designated for endowment	8,750	8,750
Temporarily restricted net assets	<u>25,945</u>	<u>46,157</u>
<b>Total Net Assets</b>	<b><u>543,304</u></b>	<b><u>432,640</u></b>
 <b>Total Liabilities and Net Assets</b>	<b>\$ <u>543,304</u></b>	<b>\$ <u>432,944</u></b>

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, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>Change in Unrestricted Net Assets</b>		
Revenue and support		
Contributions – public support	\$ 181,668	\$ 232,620
Yellow Ribbon sales, net of costs of \$252 and \$27,270, in 2005 and 2004, respectively	9,880	48,804
Interest and dividend income	4,619	816
Realized and unrealized appreciation of investments	24,643	4,600
	<u>220,810</u>	<u>286,840</u>
Net assets released from restrictions	41,500	1,100
Total revenue and support	<u>262,310</u>	<u>287,940</u>
Expenses		
Grants to individuals and families	50,280	13,030
Scholarships awards	7,000	1,500
Grants to family readiness groups	19,500	-
Grant to Connecticut Community Foundation – Sgt. Felix DelGreco Scholarship Fund	37,500	-
Other program expenses	822	-
Subtotal – program expenses	<u>115,102</u>	<u>14,530</u>
Management and general	6,878	16,130
Fundraising – principally printing and postage	9,454	14,919
Total expenses	<u>131,434</u>	<u>45,579</u>
<b>Increase in unrestricted net assets</b>	<u>130,876</u>	<u>242,361</u>
<b>Change in Temporarily Restricted Net Assets</b>		
Contributions – Sgt. Felix DelGreco Scholarship Fund	18,012	40,466
Other grants and contributions	3,100	6,600
Interest income	176	191
Net assets released from restrictions	<u>(41,500)</u>	<u>(1,100)</u>
<b>Increase in temporarily restricted net assets</b>	<u>(20,212)</u>	<u>46,157</u>
<b>Total increase in net assets</b>	110,664	288,518
<b>Net Assets – Beginning of Year</b>	<u>432,640</u>	<u>144,122</u>
<b>Net Assets - End of Year</b>	<u>\$ 543,304</u>	<u>\$ 432,640</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, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash Flows From Operating Activities</b>		
Contributions and grants received	\$ 200,978	\$ 274,599
Cash received from sales	10,132	76,074
Interest and dividends received	316	226
Cash paid for grants and program expenses	(77,802)	(14,530)
Cash paid for cost of sales	-	(28,530)
Cash paid for management and support	(5,038)	(14,746)
Cash paid for fundraising	(9,450)	(14,919)
Net cash provided by operating activities	<u>119,135</u>	<u>278,174</u>
<b>Cash Flows from Investing Activities</b>		
Cash paid to Connecticut Community Foundation	(47,500)	-
Purchase of investments	(254,456)	(50,050)
Net cash used by investing activities	<u>(301,956)</u>	<u>(50,050)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(185,009)	228,124
<b>Cash and cash equivalents – Beginning of Year</b>	<u>372,046</u>	<u>143,922</u>
<b>Cash and cash equivalents - End of Year</b>	<u>\$ 187,037</u>	<u>\$ 372,046</u>
<b>Reconciliation of changes in net assets to net cash provided by (used by) operating activities:</b>		
Increase in net assets	\$ 110,664	\$ 288,518
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,595	1,230
Contributions of furniture and equipment	-	(3,692)
Interest and dividends on investments	(4,477)	(781)
Realized and unrealized appreciation of investments	(24,643)	(4,600)
Cash paid to Connecticut Community Foundation	37,500	-
Changes in operating assets and liabilities		
Contributions receivable	(1,802)	(1,395)
Inventory – held for sale	452	(1,260)
Deposit	150	(150)
Accounts payable	(304)	304
<b>Net cash provided by operating activities</b>	<u>\$ 119,135</u>	<u>\$ 278,174</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. The Foundation 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 and CCF consider this fund to be an asset of CCF. The Foundation reports the transfer to CCF as a grant in 2005.

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.

**Furniture and Equipment** – During 2004, the Foundation received in-kind contributions of furniture and equipment. The Foundation's policy is to capitalize purchased and donated property in excess of \$500. Property below this threshold is expensed in the year received. 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, 2005 and 2004:

		<u>2005</u>		<u>2004</u>
Sgt. Felix M. DelGreco, Jr. Scholarship Fund	\$	18,845	\$	40,657
Restricted to scholarships		-		1,500
Handyman program		<u>7,100</u>		<u>4,000</u>
Total temporarily restricted net assets	\$	<u>25,945</u>	\$	<u>46,157</u>

During 2005, the Foundation transferred, via a grant, \$37,500 of the Sgt. Felix M. DelGreco, Jr. Scholarship Fund's assets to the Connecticut Community Foundation (CCF) to create a donor-advised fund at the CCF. During 2005, The Foundation received \$18,012 in new contributions and awarded a scholarship. Subsequent to December 31, 2005, the Foundation made an additional grant to CCF.

At December 31, 2005, the value of the CCF's Felix M. DelGreco, Jr. Scholarship Fund was \$39,910, including a net return of \$2,410. This fund is not included in the investments disclosed in Note 3. There were no scholarships awarded from the CCF fund during 2005.

**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, 2005 and 2004:

	<u>2005</u>		<u>2004</u>	
	<u>Current Value</u>	<u>Cost</u>	<u>Current Value</u>	<u>Cost</u>
Fixed income funds	\$ 93,210	\$ 93,617	\$ 15,420	\$ 15,232
Equity mutual funds	245,142	224,146	40,011	35,598
Endowment Fund at CCF	<u>10,657</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
	\$ <u>349,009</u>	\$ <u>327,763</u>	\$ <u>55,431</u>	\$ <u>50,830</u>
Unrealized appreciation at end of year	\$ <u>22,253</u>		\$ <u>4,601</u>	

Following is a summary of the changes in current value for 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Beginning of year	\$ 55,431	\$ -
Additional investments	264,458	50,050
Dividends - reinvested	4,477	781
Capital gain distributions - reinvested	6,991	-
Change in unrealized appreciation	<u>17,652</u>	<u>4,600</u>
End of year	\$ <u>349,009</u>	\$ <u>327,763</u>