

**CONNECTICUT CANCER FOUNDATION, INC.
AND SUBSIDIARY**

AUDIT RESULTS

Year ended June 30, 2019

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Capossela, Cohen, LLC

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November 22, 2019

Board of Directors of Connecticut Cancer Foundation, Inc. and Subsidiary

We are pleased to present the results of our audit of the consolidated financial statements of Connecticut Cancer Foundation, Inc. (the “Foundation”) and Subsidiary.

This report summarizes our audit, the scope of our engagement and the reports issued. The document also reviews the communications required by our professional standards.

The completion of this year’s audit was accomplished through the effective support and the assistance of the Foundation’s management and administrative personnel. As always, we strive to continually improve the quality of our audit services. This meeting is a forum for you to provide feedback on ways we can continue to meet and exceed your expectations.

We appreciate this opportunity to meet with you. If you have any questions or comments, please do not hesitate to contact us.

Very truly yours,

Capossela, Cohen, LLC

Client Service Team

<u>Name</u>	<u>Title</u>	<u>Phone Number</u>	<u>E-Mail Address</u>
Joseph Barranca	Partner	203-254-7000, Ext. 216	jbarranca@capossela.com
Michael Troester	Manager	203-254-7000, Ext. 215	mtroester@capossela.com
Annette Konopka	Staff	203-254-7000, Ext. 236	akonopka@capossela.com

Audit Results - Area of Emphasis

Our Approach

Our audit plan represented an approach responsive to the assessment of risk for the Foundation. Specifically, we designed our audit and other procedures to:

- Express an opinion on the consolidated financial statements of the Foundation.
- Issue Governing Body communications.
- Maintain open lines of communication with management and the Board of Directors.

Areas of Audit Emphasis

The areas of audit emphasis were as follows:

- Understand and Document Internal Control Environment
 - Purchases and cash disbursements
 - Fundraising income
- Cash;
- Investments;
- Pledges receivable;
- Classification of net assets;
- Possible unrecorded liabilities;
- Commitments and contingencies;
- In-kind donations;
- Fraud considerations

There were no changes to our planned approach or areas of audit emphasis.

Required Communications

Communication of Internal Control Matters Identified During the Audit

In planning and performing our audit of the consolidated financial statements of Connecticut Cancer Foundation, Inc. and Subsidiary as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a *material weakness* in internal control:

- **Preparation of Financial Statements**

Due to the limited number of personnel available in the Foundation, management has requested that our firm prepare the consolidated financial statements and footnote disclosures for them to review and approve. The Foundation relies on our expertise to prepare the statements in accordance with Generally Accepted Accounting Principles (GAAP). This does not violate professional independence standards as management takes responsibility for the statements and management believes this is the most cost effective option for the Foundation.

Since there is more than a remote likelihood that a material misstatement of the consolidated financial statements would not be prevented or detected by management and the Board of Director's review of the consolidated financial statements, we consider this to be a material weakness in internal control.

Required Communications (Continued)

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the consolidated financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Foundation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

- **New accounting pronouncement**

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of the consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

- The Foundation has limited estimates within the consolidated financial statements.

Required Communications (Continued)

Material Corrected and Uncorrected Misstatements

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the consolidated financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Foundation's financial reporting process (that is, cause future financial statements to be materially misstated).

- During our audit, there *were material audit adjustments* that we proposed and were recorded by the Foundation that had a significant and material impact on the Foundation's financial reporting process. See page 8 for adjusting entries, which were agreed to and recorded by the Foundation.

Significant Unusual Transactions

No transactions entered into by the Foundation were noted during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the consolidated financial statements or the auditor's report.

- No such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

- We encountered no significant difficulties in dealing with management in performing and completing our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

- To our knowledge, there were no such consultations with other accountants.

Required Communications (Continued)

Independence

- We are not aware of any instances that we believe may reasonably be thought to bear on our independence.

Management Representation

- We have requested certain representations from management that are included in the management letter, which will be dated as of the date of the auditor's report.

Management Comments and Suggestions for Improvements:

During our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. It should be understood that our comments deal exclusively with operational, accounting, and record keeping systems, procedures, and controls, and should not be regarded as reflecting on the integrity or capabilities of anyone in the Foundation. It should be further recognized that our comments have been restricted to suggested improvements, and are not intended as a commentary on the various favorable aspects of the Foundation's procedures and controls.

- **Bank Reconciliation Review and Approval**

During our prior year audit, we recommend the Executive Director or another member of the Board of Directors review and approve the monthly bank reconciliations and document their approval by initialing the form. This would significantly improve the system of checks and balances necessary for strong cash control.

During our current year audit, we noted this recommendation was *fully implemented*.

- **Dual Signature Requirement on Checks**

During our prior year audit, we noted that for all checks written, regardless of dollar amount, only one signature is required. We recommended the Foundation consider implementing a policy whereby checks written over a pre-determined amount require two signatures. Allowances within this policy could be made for normal and recurring disbursements that exceed the established dollar amount.

During our current year audit, we noted this recommendation was *not yet implemented*.

- **Bank Deposits**

During our prior year audit, we recommended an employee other than the internal accountant be responsible for physically depositing funds. This would enhance controls over cash receipts.

During our current year audit, we noted this recommendation was *not yet implemented*.

- **Operating Agreement - 15 North Main Street**

The operating agreement should be updated to include the current name of the Foundation.

Adjusting Journal Entries

Item #	Account Name and Adjustment Description	Debit	Credit
1	Revenue - Yale	\$ 200,000	
	Pledges receivable		\$ 200,000
	To reverse pledge receivable already recorded in prior year		
2	Pledge discount	\$ 10,251	
	Discount on long-term pledges		\$ 10,251
	To adjust pledge discount		
3	Inventory - memorabilia	\$ 798	
	Memorabilia supplies		\$ 798
	To adjust memorabilia inventory		
4	Furniture and fixtures	\$ 2,556	
	Equipment	\$ 5,200	
	Land and buildings – investment		\$ 944
	Computer hardware expense		\$ 5,200
	Speaker’s program expenses		\$ 1,612
	To capitalize fixed assets		
5	Furniture and fixtures	\$ 68,779	
	Equipment	\$ 4,375	
	Buildings - operating	\$ 6,115	
	Land improvements	\$ 1,329	
	Construction in progress		\$ 80,598
	To reclassify CIP to proper accounts		
6	Supplies	\$ 652	
	Construction in progress		\$ 652
	To reclassify to proper account		
7	Depreciation expense	\$ 96,460	
	Accum. Depr. – furniture and fixtures		\$ 11,972
	Accum. Depr. – building		\$ 47,373
	Accum. Depr. – equipment		\$ 18,924
	Accum. Depr. – building improvements		\$ 1,581
	Accum. Depr. – solar panels		\$ 15,100
	Accum. Depr. – land improvements		\$ 1,510
	To record depreciation		
8	Solar energy production income	\$ 3,298	
	Water/Gas/Electric Utilities		\$ 3,298
	To reclassify energy rebate		

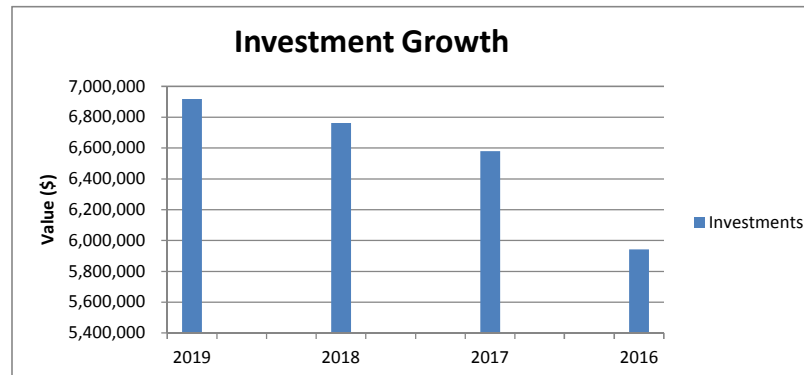
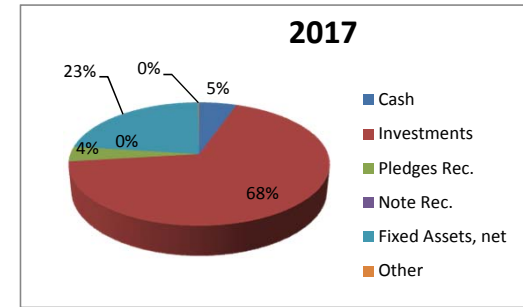
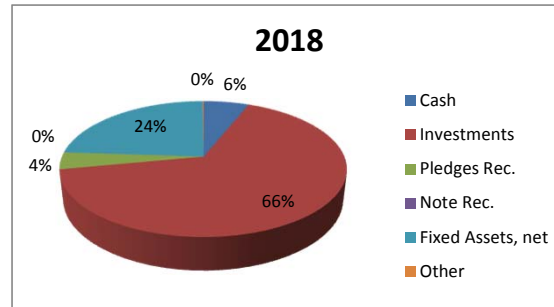
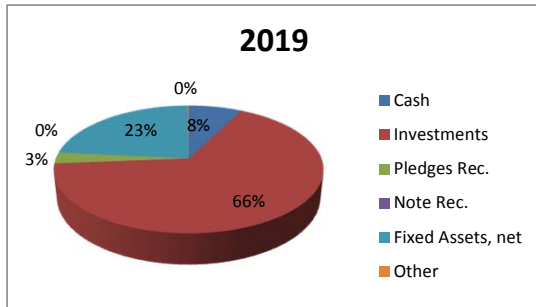
Consolidated Financial Statement Comments

General Comments

- Unqualified opinion on consolidated financial statements
- Financial position
 - Working capital deficit of \$868,000, prior year deficit \$1,257,000
 - Deficit mostly due to classification of portfolio loan as a current liability
 - Net assets of \$8,600,000; prior year \$8,205,000
 - Investments of \$6,917,000; prior year \$6,763,000
 - Increase in investments due to:
 - \$208,000 of dividend and interest income, net of fees of \$40,000
 - \$149,000 of net realized and unrealized gains
 - \$93,000 of contributions and special event proceeds deposited to investment account
 - \$228,000 of disbursements made from investment account
 - \$73,000 sale of artwork
- Activities
 - Change in net assets of \$395,000; prior year \$494,000
 - Mostly due to decrease in net revenue from annual dinner
 - Management and general expense as a percentage of total revenue:
 - 8% ; prior year 7%
 - Increase due to increases in professional fees, credit card fees, interest expense and depreciation.
 - Management and general expense as a percentage of total expenses:
 - 2019 - 11%
 - 2018 - 11%
 - 2017 - 9%
 - 2016 - 15%
 - Fundraising expense as a percentage of total expense 26%; prior year 27%

**CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
ASSET ANALYSIS**

	2019	2018	2017	2016
Cash	\$ 793,502	\$ 627,824	\$ 528,670	\$ 461,378
Investments	6,917,078	6,763,292	6,579,173	5,941,942
Pledges Rec.	296,530	414,279	379,445	416,600
Note Rec.	-	-	-	500,000
Fixed Assets, net	2,434,409	2,442,515	2,221,996	11,179
Other	16,788	15,990	13,615	27,679
	<u>\$ 10,458,307</u>	<u>\$ 10,263,900</u>	<u>\$ 9,722,899</u>	<u>\$ 7,358,778</u>



CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY EXPENSE ANALYSIS

	2019	2018	2017	2016
Special Events - Direct Expenses	\$ 256,258	\$ 466,244	\$ 212,372	\$ -
Fundraising	301,031	275,280	162,751	381,358
Research Grants	115,000	135,000	125,000	115,000
Recipient Payments	485,459	375,332	453,656	476,855
Other Program Expenses	120,693	108,427	85,754	-
Management and General	120,532	112,005	79,516	177,033
	<u>\$ 1,398,973</u>	<u>\$ 1,472,288</u>	<u>\$ 1,119,049</u>	<u>\$ 1,150,246</u>

