

**THE ANTHEM  
FOUNDATION OF CT, INC.**

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2002 and 2001

# **THE ANTHEM FOUNDATION OF CT, INC.**

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
The Anthem Foundation of CT, Inc.  
New Haven, Connecticut

We have audited the accompanying statements of financial position of The Anthem Foundation of CT, Inc. (a nonprofit organization) as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Anthem Foundation of CT, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Anthem Foundation of CT, Inc. as of December 31, 2002 and 2001, 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.

New Haven, Connecticut  
March 7, 2003

# THE ANTHEM FOUNDATION OF CT, INC.

## NOTES TO FINANCIAL STATEMENT

### NOTE 1 <sup>3</sup>/<sub>4</sub> OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Operations**

The Anthem Foundation of CT, Inc. (the Foundation) is a nonprofit corporation incorporated on April 10, 2000. It commenced operations upon approval of its Federal tax-exempt status on November 9, 2000. The Foundation was organized to act as a catalyst for structural change by commissioning and directing studies regarding health care delivery, federal and state compliance issues, and researching options for small employee health care insurance. Its creation was the result of a settlement between the State of Connecticut and Anthem Health Care.

#### **Significant Accounting Policies**

**Basis of Presentation** <sup>3</sup>/<sub>4</sub> The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to three classes of revenues and net assets: unrestricted, temporarily restricted, and permanently restricted. At December 31, 2002 and 2001, the Foundation had only unrestricted revenues and net assets.

**Income Tax Status** <sup>3</sup>/<sub>4</sub> The Foundation is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986.

**Cash and Cash Equivalents** — For the purposes of these financial statements, cash and cash equivalents are funds available in Foundation's bank account. On December 31, 2002 bank balances in excess of FDIC were \$252,757.

**Use of Estimates** — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### NOTE 2 <sup>3</sup>/<sub>4</sub> GOVERNANCE

The Anthem Foundation of Connecticut, Inc. is the supporting organization for the Connecticut Health Advancement & Research Trust, Inc., (CHART). CHART is the sole member of the Anthem Foundation of CT. CHART holds the power to select all members of the board of directors for the Foundation except one member who must be designated by Anthem Health Plans, Inc.

The nature of the relationship is such that CHART makes recommendations for approval by the Foundation.

**THE ANTHEM FOUNDATION OF CT, INC.**  
**NOTES TO FINANCIAL STATEMENT**

**NOTE 3 <sup>3</sup>/<sub>4</sub> INVESTMENT AND INVESTMENT POLICY**

The Anthem Foundation received a settlement, which had been held in escrow by the Hartford Foundation for Public Giving (HFPG) and invested in a federally administered money market mutual fund. Since receiving the settlement and accrued interest from the HFPG, the Foundation has continued investing in a federally administered money market mutual fund. The Foundation in December of 2002, established a custodial account with a financial institution awaiting long-term investment as recommended by CHART's Financial Strategies Committee.

**NOTE 4 <sup>3</sup>/<sub>4</sub> GRANTS PAYABLE**

Grants payable consist of amounts awarded, but not paid, to local nonprofit groups to assist the Foundation to implement its vision of universal and affordable health care.

**NOTE 5 <sup>3</sup>/<sub>4</sub> EMPLOYEE BENEFIT PLAN**

The Foundation sponsors a 401 (k) savings plan that covers all eligible employees. Under the plan, the Foundation contributes 7 percent of the salary of eligible employees to the plan. Employees may also contribute to the plan up to federal limitations. As of December 31, 2002, the Foundation contributed \$8,629 to the plan.

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
The Anthem Foundation of CT, Inc.  
New Haven, Connecticut

Our report on our audits of the basic financial statements of The Anthem Foundation of CT, Inc. for the years ended December 31, 2002 and 2001 appears on page 1. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental statements of functional expenses for the years ended December 31, 2002 and 2001 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New Haven, Connecticut  
March 7, 2003

**THE ANTHEM FOUNDATION OF CT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 352,957	\$ 26,453
Investments	45,328,219	45,651,197
Deposits	2,200	1,200
Due from CHART	4,935	-
Prepaid expenses	27,469	840
Dividends receivable	<u>52,237</u>	<u>-</u>
Total current assets	45,768,017	45,679,690
EQUIPMENT, net	<u>12,694</u>	<u>15,970</u>
	<u>\$ 45,780,711</u>	<u>\$ 45,695,660</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 42,953	\$ 10,200
Grants payable	269,312	-
Accrued expenses	32,553	-
Accrued payroll	<u>16,072</u>	<u>4,907</u>
Total current liabilities	360,890	15,107
<b>NET ASSETS</b>		
Unrestricted	<u>45,419,821</u>	<u>45,680,553</u>
	<u>\$ 45,780,711</u>	<u>\$ 45,695,660</u>

**THE ANTHEM FOUNDATION OF CT, INC.**  
**STATEMENTS OF ACTIVITIES**

	<b>Years ended December 31,</b>	
	<b>2002</b>	<b>2001</b>
<b>REVENUES AND OTHER SUPPORT</b>		
Interest income from investments	\$ 869,254	\$ 1,721,482
Total revenues	<u>869,254</u>	<u>1,721,482</u>
<b>EXPENSES</b>		
Program Services		
Grants	496,632	-
Program development	71,776	69,779
Strategic projects	180,920	9,984
Management and general	<u>380,658</u>	<u>126,966</u>
Total expenses	<u>1,129,986</u>	<u>206,729</u>
<b>CHANGE IN UNRESTRICTED AND TOTAL NET ASSETS</b>	(260,732)	1,514,753
NET ASSETS, Beginning of year	<u>45,680,553</u>	<u>44,165,800</u>
NET ASSETS, End of year	<u>\$ 45,419,821</u>	<u>\$ 45,680,553</u>

**THE ANTHEM FOUNDATION OF CT, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Years ended December 31,</b>	
	<b>2002</b>	<b>2001</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (260,732)	\$ 1,514,753
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in settlement receivable (including interest received of \$3,346,266)	-	44,183,766
Depreciation	3,276	409
Interest and dividends receivable	(52,237)	-
Deposits, prepaid ant other assets	(32,564)	(2,040)
Income from investments	(869,254)	(1,721,482)
Accounts payable and accrued expenses	76,471	(2,859)
Grants payable	269,312	-
	<u>                    </u>	<u>                    </u>
Net cash (used in) provided by operating activities	<u>(865,728)</u>	<u>43,972,547</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(16,379)
Cash invested in money market mutual fund	-	(45,651,197)
Interest received from investments	1,639	1,721,482
Dividends received from investments	867,615	1,366,114
Proceeds from redemptions of investments	1,192,232	-
Dividends and interest reinvested	(869,254)	(1,366,114)
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) investing activities	<u>1,192,232</u>	<u>(43,946,094)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 326,504	 26,453
 <b>CASH AND CASH EQUIVALENTS, Beginning</b>	 <u>26,453</u>	 <u>-</u>
 <b>CASH AND CASH EQUIVALENTS, Ending</b>	 <u>\$ 352,957</u>	 <u>\$ 26,453</u>

**THE ANTHEM FOUNDATION OF CT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended December 31, 2002**

	Management and General	Program Services			Total
		Program Expenses	Strategic Projects	Grants	
Payroll expense	\$ 76,759	\$ 51,173	\$ -	\$ -	\$ 127,932
Payroll taxes	5,554	3,702	-	-	9,256
Benefits	9,058	6,038	-	-	15,096
Conferences and meetings	6,229	23	656	-	6,908
Travel	3,003	2,001	-	-	5,004
Grants	-	-	-	496,632	496,632
Board development	1,613	-	-	-	1,613
Professional fees:					
Accounting	28,822	-	-	-	28,822
Investment Advisor	46,219	-	-	-	46,219
Consultant	-	-	175,271	-	175,271
Financial	52,425	-	-	-	52,425
Legal	13,465	-	-	-	13,465
Recruitment	46,009	-	-	-	46,009
Other	26,954	5,431	-	-	32,385
Occupancy	23,525	-	-	-	23,525
Parking	1,229	820	-	-	2,049
Insurance	11,400	-	-	-	11,400
Depreciation	3,276	-	-	-	3,276
Printing	2,725	260	4,993	-	7,978
Office supplies	8,659	-	-	-	8,659
Dues and subscriptions	599	2,000	-	-	2,599
Telephone	5,739	-	-	-	5,739
Postage	5,174	327	-	-	5,501
Other expense	2,224	-	-	-	2,224
	<u>\$ 380,658</u>	<u>\$ 71,776</u>	<u>\$ 180,920</u>	<u>\$ 496,632</u>	<u>\$ 1,129,986</u>

**THE ANTHEM FOUNDATION OF CT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended December 31, 2001**

	Management and General	Program Services		Total
		Program Development	Strategic Projects	
Payroll expense	\$ 15,097	\$ 19,076	\$ -	\$ 34,173
Payroll taxes	2,645	3,341	-	5,986
Benefits	502	635	-	1,137
Conferences and meetings	2,720	16	314	3,050
Travel	1,474	1,063	-	2,537
Board development	2,513	-	-	2,513
Professional fees:				
Executive Director	28,173	42,260	-	70,433
Office Manager	1,997	353	-	2,350
Accounting	5,354	-	-	5,354
Financial	30,521	-	-	30,521
Legal	18,694	-	-	18,694
Recruitment	1,805	-	-	1,805
Other	463	-	9,670	10,133
Occupancy	6,610	-	-	6,610
Parking	521	297	-	818
Insurance	168	-	-	168
Depreciation	409	-	-	409
Printing	764	723	-	1,487
Office supplies	3,486	-	-	3,486
Dues and subscriptions	703	2,000	-	2,703
Telephone	1,906	-	-	1,906
Postage	238	15	-	253
Other expense	203	-	-	203
	<u>\$ 126,966</u>	<u>\$ 69,779</u>	<u>\$ 9,984</u>	<u>\$ 206,729</u>