

**GUNSTON HALL**

**REPORT ON AUDIT  
FOR THE YEARS ENDED  
JUNE 30, 2008 AND JUNE 30, 2009**

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

## **AUDIT SUMMARY**

Our audit of Gunston Hall, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## **MUSEUM HIGHLIGHTS**

Gunston Hall is a 550-acre national historic landmark, and the former home of George Mason. Gunston Hall promotes and educates the public about 18<sup>th</sup> century life, as well as the historical significance and contributions of its owners.

Gunston Hall has affiliations with the Gunston Hall Regents Fund and the Gunston Hall Foundation, two independently incorporated entities that exist for the sole purpose of soliciting, receiving, investing, and managing private donations for Gunston Hall. Gunston Hall also has a separate account for the purpose of acquiring objects for the museum collection that is not in the Commonwealth's accounting system.

## **FINANCIAL HIGHLIGHTS**

While most of Gunston Hall's expenses are for operations, there were some minor capital expenses during the audit period. The chart below includes the final budget and expense information for the years under review.

<u>Analysis of Capital Budget and Actual Expenses</u>			
<u>2009</u>		<u>2008</u>	
<u>Final Budget</u>	<u>Expenses</u>	<u>Final Budget</u>	<u>Expenses</u>
\$199,343	\$40,702	\$304,390	\$84,209

To help offset statewide budget reductions in 2009, the Department of Planning and Budget allowed Gunston Hall to supplement some of their operational funding with maintenance reserve funding. Gunston Hall's budget reduction was about \$96,000, and this reduction is the main reason for the budget variance from 2008 to 2009 shown above.

The majority of Gunston Hall's funding comes from General Fund appropriations. They also collect admission fees and private donations, as well as some funding from the Gunston Hall Foundation. The following chart shows the original and final operating budgets, as well as actual expenses for fiscal years 2008 and 2009.

<u>Analysis of Operating Budget and Actual Expenses by Fund</u>						
<u>2009</u>			<u>2008</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
General Fund	\$ 645,587	\$ 662,951	\$662,950	\$ 735,585	\$ 749,686	\$739,999
Special Revenue	359,103	359,103	143,771	349,859	349,859	76,950
Total	<u>\$1,004,690</u>	<u>\$1,022,054</u>	<u>\$806,721</u>	<u>\$1,085,174</u>	<u>\$1,099,275</u>	<u>\$816,589</u>

Gunston Hall's original budget decreased in 2009 from their 2008 original budget due to the removal of \$95,000 in general funds for one-time equipment funding. As part of statewide budget reductions in 2009, Gunston Hall had an additional General Fund operating budget reduction of more than \$96,000 during fiscal year 2009, but used their capital maintenance reserve to offset this reduction as previously discussed.

Historically, Gunston Hall has budgeted its special revenue to include admissions, donations, and other miscellaneous income sources as 30 percent of its anticipated overall operating funds. As a result, the

special revenue fund budget in the table above is consistently more than actual expenses, because Gunston Hall has not achieved this goal.

To generate more funding, they have raised the admission prices and targeted additional potential visitors. They have also appealed to their Board for additional private funds. Even with these strategies, Gunston Hall did not generate the funds sufficient to meet the thirty percent goal. To further conserve special revenue fund cash balances in consideration of other budget reductions, Gunston Hall has reduced its special revenue fund spending to conserve its cash balance due to further cuts in General Fund appropriations.

Gunston Hall's operating expenses are primarily for salaries and personnel costs for six full-time and 24 part-time employees. Gunston Hall has not filled about half of their authorized full-time positions due to funding constraints, and will not be able to fill these vacancies in the near future due to budget reductions. The remaining operating expenses are for contractual obligations and other ongoing operating expenses. For fiscal years 2008 and 2009, Gunston Hall also had approximately \$125,000 in capital project expenses, which are not in the operating funds above.

Gunston Hall expects that their funding challenges will continue over the next several years; further General Fund reductions are already included in the budget for fiscal years 2011 and 2012. Gunston Hall has approximately \$124,000 in non-general fund cash balances that it plans to use to help offset the General Fund reductions. As they use up this balance, they will become more reliant on funds from their Foundation and other private sources. The following table shows the proposed budget for fiscal years 2010, 2011 and 2012.

Summary of Proposed Budget for Fiscal Years 2010 - 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund	\$494,411	\$489,039	\$489,039
Special Revenue Fund	<u>232,949</u>	<u>264,699</u>	<u>264,699</u>
Total	<u>\$727,360</u>	<u>\$753,738</u>	<u>\$753,738</u>



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

May 10, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of **Gunston Hall** for the years ended June 30, 2008 and June 30, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of Gunston Hall's internal controls, and test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

Gunston Hall's management is responsible for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Contractual services expenses
- Payroll expenses
- Appropriations
- Cash receipting and collections of accounts receivable
- Capital assets
- Information Security

We performed audit tests to determine whether Gunston Hall's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Gunston Hall's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that Gunston Hall properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Gunston Hall records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Gunston Hall has taken adequate corrective action with respect to audit findings reported in the prior year.

### Exit Conference and Report Distribution

We discussed this report with management on May 7, 2010.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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AS OF JUNE 30, 2009

GUNSTON HALL

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Director

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