
NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Annual Audited Financial Statements

For the Year Ended December 31, 2019

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Audited Financial Statements

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For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Northwest Connecticut Community Foundation

We have audited the accompanying financial statements of the Northwest Connecticut Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Connecticut Community Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the impact of the COVID-19 epidemic that occurred subsequent to year-end may affect the financial position of the Foundation. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Northwest Connecticut Community Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.

King, King & Associates

King, King & Associates, CPAs
Winsted, CT
March 26, 2020

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
ASSETS:				
Cash and Cash Equivalents	\$ 1,061,030	\$ 10,562	\$ 1,071,592	\$ 1,109,377
Prepaid Expenses	23,456	-	23,456	16,771
Inventory	8,391	-	8,391	8,391
Investments	112,736,082	120,000	112,856,082	100,228,501
Security Deposit	3,150	-	3,150	3,150
Beneficial Interest in Remainder Trusts	-	237,037	237,037	171,909
Beneficial Interest in Perpetual Trust	208,432	-	208,432	170,736
Fixed Assets, net	75,446	-	75,446	90,530
 Total Assets	 \$ 114,115,987	 \$ 367,599	 \$ 114,483,586	 \$ 101,799,365
 LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 5,946	\$ -	\$ 5,946	\$ 820
Grants Payable	3,009,810	-	3,009,810	1,432,326
Agency Endowment Funds	19,289,301	-	19,289,301	18,346,321
Lease Obligation	25,218	-	25,218	37,827
Total Liabilities	22,330,275	-	22,330,275	19,817,294
Net Assets:				
Without Donor Restrictions	91,785,712	-	91,785,712	81,679,047
With Donor Restrictions	-	367,599	367,599	303,024
Total Net Assets	91,785,712	367,599	92,153,311	81,982,071
 Total Liabilities and Net Assets	 \$ 114,115,987	 \$ 367,599	 \$ 114,483,586	 \$ 101,799,365

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Activities

For the Year Ended December 31, 2019

(With Comparative Totals for 2018)

		Without Donor Restrictions	With Donor Restrictions	Totals	
				2019	2018
Revenues, Gains and Other Support:					
Fund Contributions	\$ 2,635,140				
Less: Contributions to Agency Funds	<u>(1,085,791)</u>	\$ 1,549,349	\$ -	\$ 1,549,349	\$ 1,861,841
CIV of Split-Interest Agreements		-	65,128	65,128	(52,855)
Initiative Contributions		-	19,766	19,766	13,341
Fundraising Events	11,310				
Less: Direct Donor Benefits	<u>(3,200)</u>	8,110	-	8,110	1,560
Investment Return		14,803,440	-	14,803,440	(4,803,168)
Miscellaneous Income		37	-	37	35
Unfulfilled Grant Awards		95,009	-	95,009	5,289
Administrative Fees		154,081	-	154,081	159,368
Seminar Income		4,700	-	4,700	5,890
Net Assets Released from Restrictions		<u>20,319</u>	<u>(20,319)</u>	<u>-</u>	<u>-</u>
<i>Total Revenues</i>		<u>16,635,045</u>	<u>64,575</u>	<u>16,699,620</u>	<u>(2,808,699)</u>
Expenses:					
Direct Community Support		5,437,679	-	5,437,679	2,893,100
Program Services		618,310	-	618,310	591,187
Management and General		340,711	-	340,711	285,785
Fundraising		<u>131,680</u>	<u>-</u>	<u>131,680</u>	<u>120,459</u>
<i>Total Expenses</i>		<u>6,528,380</u>	<u>-</u>	<u>6,528,380</u>	<u>3,890,531</u>
<i>Changes in Net Assets Before Other Changes</i>		<u>10,106,665</u>	<u>64,575</u>	<u>10,171,240</u>	<u>(6,699,230)</u>
Other Changes in Net Assets:					
Reclassification of Agency Fund		<u>-</u>	<u>-</u>	<u>-</u>	<u>42,223</u>
<i>Total Other Changes in Net Assets</i>		<u>-</u>	<u>-</u>	<u>-</u>	<u>42,223</u>
Changes in Net Assets		<u>10,106,665</u>	<u>64,575</u>	<u>10,171,240</u>	<u>(6,657,007)</u>
Net Assets - Beginning of Year		<u>81,679,047</u>	<u>303,024</u>	<u>81,982,071</u>	<u>88,639,078</u>
Net Assets - End of Year		<u>\$ 91,785,712</u>	<u>\$ 367,599</u>	<u>\$ 92,153,311</u>	<u>\$ 81,982,071</u>

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statements of Cash Flows
December 31, 2019 and 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 10,171,240	\$ (6,657,007)
Adjustments:		
Realized and Unrealized (Gain)/Loss on Investments	(13,173,274)	6,930,412
Depreciation & Amortization	16,345	20,190
Decrease/(Increase) in Assets:		
Contribution Receivable	-	500
Prepaid Expenses	(6,685)	2,407
Inventory	-	(8,391)
Security Deposit	-	845
Beneficial Interest in Remainder Trusts	(65,128)	52,855
Beneficial Interest in Perpetual Trust	(37,696)	18,692
Increase/(Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	5,126	(8,521)
Grants Payable	1,577,484	153,216
<i>Net cash flow provided (used) from operating activities</i>	<i>(1,512,588)</i>	<i>505,198</i>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(1,261)	(6,085)
Purchases of Investments	(5,921,464)	(7,038,538)
Proceeds of Investments	6,467,157	6,306,452
Net Increase (Decrease) in Agency Endowment Funds	942,980	(2,028,246)
<i>Net cash flow (used) provided by investing activities</i>	<i>1,487,412</i>	<i>(2,766,417)</i>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of Capital Lease	(12,609)	(11,639)
<i>Net cash flow (used) provided by financing activities</i>	<i>(12,609)</i>	<i>(11,639)</i>
<i>Net increase/(decrease) in cash flows</i>	(37,785)	(2,272,858)
Cash at Beginning of Year	1,109,377	3,382,235
Cash at End of Year	\$ 1,071,592	\$ 1,109,377
Supplemental Disclosure:		
Interest Paid	\$ 1,913	\$ 1,766
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Direct				Totals	
	Community Support	Programs	Management & General	Fundraising	2019	2018
Grants	\$ 9,583,930	\$ -	\$ -	\$ -	\$ 9,583,930	\$ 3,954,237
Scholarships	154,375	-	-	-	154,375	157,050
Pass-Through Grants	46,190	-	-	-	46,190	32,184
Less: Agency Fund Grants	(4,346,816)	-	-	-	(4,346,816)	(1,250,371)
Initiative Expenses	-	8,798	-	-	8,798	8,433
Salaries	-	385,040	214,352	62,189	661,581	611,001
Payroll Taxes and Benefits	-	79,843	44,449	12,896	137,188	102,870
Strategic Planning	-	-	-	-	-	20,414
Advertising/Marketing	-	19,078	10,621	3,081	32,780	24,494
Computer Costs	-	19,485	10,848	3,147	33,480	29,863
Website	-	2,504	1,394	404	4,302	4,589
Insurance	-	4,732	2,634	765	8,131	7,725
Supplies	-	4,625	2,575	747	7,947	7,868
Telephone	-	4,264	2,374	688	7,326	3,256
Postage and Shipping	-	2,075	1,155	335	3,565	4,650
Occupancy	-	29,181	16,245	4,713	50,139	48,939
Office Maintenance & Repair	-	2,335	1,300	377	4,012	4,284
Auto Lease	-	4,294	2,390	694	7,378	7,387
Printing and Publications	-	3,830	2,132	619	6,581	6,423
Travel	-	834	464	135	1,433	2,046
Depreciation & Amortization	-	9,513	5,296	1,536	16,345	20,190
Dues & Subscriptions	-	10,028	5,583	1,620	17,231	13,784
Professional Fees	-	11,734	6,532	1,896	20,162	15,560
Board Expenses	-	2,635	1,467	426	4,528	3,717
Non-Profit Educational Seminars	-	6,584	-	-	6,584	8,893
Annual Appeal	-	-	-	8,837	8,837	18,723
Discretionary Fund	-	300	-	-	300	300
Copier	-	5,180	2,884	836	8,900	7,698
Miscellaneous	-	1,418	789	229	2,436	1,278
50th Anniversary Celebration	-	-	3,314	-	3,314	-
Relocation Expenses	-	-	-	-	-	2,453
Interest Expense	-	-	1,913	-	1,913	1,766
Fund Expenses:						
Advertising	-	-	-	-	-	146
Appeals	-	-	-	1,290	1,290	1,676
Printing & Postage	-	-	-	2,059	2,059	1,568
Meetings & Events	-	-	-	22,161	22,161	5,437
Total Expenses	\$ 5,437,679	\$ 618,310	\$ 340,711	\$ 131,680	\$ 6,528,380	\$ 3,890,531

See Accountant's Report.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Foundation

The Northwest Connecticut Community Foundation (the Foundation) is a tax-exempt, non-profit organization, autonomous, publicly supported, non-sectarian philanthropic institution with a long-term goal of building permanent, named component funds established by many separate donors for the broad-based benefit of the residents of Barkhamsted, Bethlehem, Canaan, Colebrook, Cornwall, Goshen, Hartland, Harwinton, Kent, Litchfield, Morris, New Hartford, Norfolk, North Canaan, Sharon, Salisbury, Torrington, Warren, Washington, and Winsted. The Foundation will, as designated by a donor's gift instrument, expand the scope of its philanthropic activities and initiatives without restriction, to any geographic location. Income and appreciation from investments, based on a total return approach is distributed in the form of grants and scholarships annually to qualified public charities and students as chosen by the Foundation's Board of Directors. Its mission is to enrich the quality of life for residents of Northwest Connecticut by inspiring local philanthropy, convening stakeholders in the community welfare, strengthening the regional non-profit network and fostering collaborative funding partnerships.

The financial statements include the combined accounts of the various funds held in trust for the Foundation, various other trusts, a Type 1 supporting organization, and a Type 1 multi-member supporting organization. All significant transactions and balances between these funds and trusts have been eliminated.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenditures when incurred.

Income Tax Status

The Foundation is classified as a non-profit foundation exempt from federal income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code.

Variance Power

Generally accepted accounting principles in the United States of America provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contributions to another beneficiary, such contributions must be classified as new assets without donor restrictions. The Board of Directors of the Foundation has that ability known as variance power. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Foundation would exercise this power. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of the funds, as net assets without donor restrictions, but segregate for internal management and invested fund record keeping the portion that is held as invested funds from the funds that are currently available for grants administration. Net assets with donor restrictions represent charitable remainder trusts, amounts receivable in future periods, and restricted grant funds.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates by management. The actual results of operations may differ from management's estimates.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments without donor restrictions, and with an initial maturity of three months or less, to be cash equivalents. Cash equivalents maintained in investment accounts for re-investment are excluded from cash and are reported as investments.

Endowment

The Financial Accounting Standards Board (FASB) issued staff position No. FAS 117-1: *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* (FAS 117-1). FAS 117-1 provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FAS 117-1 also provides for other disclosures concerning an organization's endowment funds and whether or not the organization is subject to UPMIFA. The State of Connecticut adopted its version of UPMIFA, which became effective October 1, 2007 (CTPMIFA). Prior to the issuance of FAS 117-1, accumulated gains and income on endowment assets with donor restrictions were classified as net assets without donor restrictions in accordance with the Uniform Management of Institutional Funds Act (UMIFA). Under SP No. 117-1, accumulated gains and income on donor-restricted endowment assets of perpetual duration are classified as net assets with donor restrictions until appropriated for expenditure.

Investments

Substantially all marketable investments in equities and debt securities are carried at fair value based upon quoted market prices. Real estate investments are typically received through estates and are carried at the value determined by the estate appraisal. For limited marketability investments, including alternative investments, which are principally absolute return strategies, private equity, hedged equity and real estate, the carrying value is the estimated fair value as determined by the general partner in these limited partnerships. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. The Foundation's alternative investments accessed through limited partnerships are determined by the general partner to be at fair value pursuant to FASB ASC 820-10, as further discussed below, after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings and the audit opinion from the independent auditor of the limited partnership.

The Foundation also holds a limited amount of non-publicly traded investments at cost totaling \$120,000 and \$120,000 for the years ended December 31, 2019 and 2018.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Fair Value of Financial Instruments

In accordance with FASB ASC 820-10, the Foundation is required to measure the fair value of its assets and liabilities under a three-level hierarchy. The funds' investment advisors classified the fund's assets and liabilities into three levels based on the inputs used to value the assets or liabilities.

Level 1: Observation inputs from quoted market prices in active markets for identical assets as of the measurement date.

Level 2: Values are based on significant observable market inputs such as:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: In addition to observable inputs, values are partially based on significant *unobservable inputs* for the asset or liability, and reflect the investment advisor's determination of assumptions that market participants might reasonably use in valuing the securities. Unobservable inputs should only be used to measure the fair value to the extent that observable inputs are not available. Valuation methodologies used include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third party appraisals, third party pricing services, and other applicable indices.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. In accordance with FASB ASC 820-10, the Foundation's carrying amount of cash and cash equivalents and grants payable approximate fair value under Level 1. Investments are carried at fair value based on Level 1 and Level 2 observable inputs and are presented in Note 7. Fixed income securities, including short-term securities purchased with more than 60 days left to maturity, are generally valued at prices obtained from one or more pricing vendors. Management has elected to report all split-interest agreements at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using current discount rates. Agency funds are carried at fair value based on the underlying investments. Derivatives instruments are part of the investment pool, and are measured at fair value based on Level 2 inputs. Certain of the Foundation's alternative investments use stock indices, swaps, options, convertible securities, and foreign currency exchange contracts, which are classified as derivatives. The Foundation does not use derivatives for speculative purposes or for leveraging returns, but rather these instruments are used with the objectives of reducing overall portfolio risk and/or lowering the cost of investment management. Charitable Remainder Trusts are measured using Level 3 inputs, including present value rates based on estimated inflation. The Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2019.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Investment Policy

Diversification of investments is one of the Investment Committee's primary strategies for fulfilling the Foundation's investment policy. Because the selection and weighting of asset classes greatly determines investment return and volatility, allocation methods for various asset classes have been established within the following ranges.

Global Equity Composite	35% - 75%
Fixed Income Composite	12% - 40%
Private Assets	0% - 15%
Hedge Funds	0% - 35%
Cash & Cash Equivalents	0% - 10%

External investment managers, who are selected and overseen by the Foundation's Investment Committee, are retained to implement actual asset allocation and specific investment selections. Managers are required to operate within the Asset Allocation model.

The John T. and Jane A. Wiederhold Foundation operates as a supporting organization to the Foundation and maintains its own investment policy, which is on file at the Foundation.

Spending Policy

The Foundation's Spending Policy, which is determined annually by the Board of Directors, sets the year's spending as a percentage of the endowment assets based on a twelve trailing quarterly average. The Board can determine the spending rate from a range, with a minimum of 4.25% to a maximum of 5.75%, the normal target being 5.00%.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Furniture and Equipment	5-10 years
Computer Equipment and Software	3-5 years
Website	3 years

Compensated Absences

Vacation and personal days are considered expenditures in the year paid. Under current policy, employees use vacation time in the year earned and cannot carry forward time to the next fiscal year unless approved by the president. Compensated absences are not accrued as the liability is considered immaterial.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Contributions and Classification of Net Assets

Gifts of cash and other assets received are reported as revenue and net assets without donor restrictions, unless subject to time or purpose restrictions. When a donor stipulated time or purpose ends, net assets are reclassified to net assets without donor restrictions, and reported in the statement of activities as restrictions satisfied by payment/scholarship. Restricted contributions are reported as increases to net assets without donor restrictions when restrictions expire (that is, when a stipulated restriction of time ends or purpose is accomplished) in the reporting period that the contributions are reported as revenues.

Donations of land, buildings, equipment and other long-lived assets are also reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability, rather than as a net asset, in accordance with FASB ASC 958-605, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. The Foundation refers to such funds as agency funds. As described in Note 3, the Foundation maintains legal ownership of agency funds, and as such continues to report the funds as offsetting assets and liabilities. The changes in such agency funds are summarized in Note 6 "Transactions in Funds Held for Other Agencies."

Donated Assets

Donated marketable securities and other non-cash donations are generally recorded as contributions at their fair values at the date of donation. The Foundation holds a donation of stock and the fair value is not readily determinable. The Foundation will evaluate whether events or changes in circumstances have occurred that may have a significant adverse effect of fair value.

Investment Income

Investment income includes interest and dividends earned on savings accounts, as well as any other form of investment income, such as realized and unrealized gains. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as without restrictions.

Grant Awards

Grant awards are recorded as expenses when approved by the Foundation and when grant terms do not include material conditions. Grants payable at year-end represent amounts awarded but unpaid, where the likelihood of non-payment is remote.

Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the overall management and operation of the Foundation.

Advertising Expense

All advertising and marketing costs are expensed in the period incurred as any future economic benefit cannot be quantified.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Review for Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through March 26, 2020, which represents the date that these statements were available to be issued.

NOTE 2 – Availability and Liquidity

The Foundation's financial assets due within one year of the statement of financial position date for general expenditure are as follows:

Financial assets available to meet the cash needs for general expenditures within one year:

Cash & Cash Equivalents	\$	1,071,592
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The Foundation's endowment fund consists of a board designated endowment. The board designated endowment has a targeted spending rate of 5.0% as discussed in Note 1.

As part of its liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Additionally, the Foundation has a quasi-endowment of \$110,291,741. Although the Foundation does not intend to spend from its investments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Appropriations of \$1,010,311 from the Board designated endowment will be available quarterly over the next 12 months and an additional \$100,000 is anticipated from the annual appeal.

NOTE – 3 DETAIL NOTES ON ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

At December 31, 2019, the carrying amounts of the Foundation's deposits were \$1,071,592 and the bank balance was \$926,997, of which the FDIC insured \$314,644. The remaining \$612,353 was uninsured.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Investments

A portion of the Foundation's invested assets are held in the Managed Pool of the Community Foundation for Greater New Haven. The amount reported at year-end is disclosed in Note 7. The Fund established is for the sole and exclusive benefit of the Foundation and the Foundation may remove its assets from the Managed Pool with an advance notice of 60 days. Investment return consists of the following:

	<u>2019</u>	<u>2018</u>
Dividends and Interest	\$ 2,126,731	\$ 2,577,565
Net Realized and Unrealized Gain/(Loss) on Investments	13,173,274	(6,930,412)
Investment Management Fees	(496,565)	(450,321)
	<u>\$ 14,803,440</u>	<u>\$ (4,803,168)</u>

Fixed Assets

Fixed Assets consist of the following:

	<u>2019</u>	<u>2018</u>
Furniture and Fixtures	\$ 104,748	\$ 103,487
Leasehold Improvements	21,118	21,118
Computer Equipment and Software	55,439	55,439
Rebranding	20,255	20,255
Website	13,483	13,483
	<u>215,043</u>	<u>213,782</u>
Accumulated Depreciation	(139,597)	(123,252)
	<u>\$ 75,446</u>	<u>\$ 90,530</u>

Depreciation Expense was \$16,345 and \$20,190 for the years ended December 31, 2019 and 2018.

Grants Payable

As of December 31, grants payable are committed as follows:

	<u>2019</u>	<u>2018</u>
Due in one year or less	\$ 3,000,810	\$ 1,414,326
Due in one to five years	9,000	18,000
	<u>\$ 3,009,810</u>	<u>\$ 1,432,326</u>

Capital Lease

The Organization entered into a long-term lease for office furniture. The lease payments of \$1,117.05 commenced June 2017 and are payable over 60 months. The following is an analysis of the lease property under the capital lease.

Office Furniture	\$ 58,195
Less: Accumulated Depreciation	(14,549)
Total Assets Under Capital Lease	<u>\$ 43,646</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

The following is a schedule of the future minimum lease payments under the capital lease with the present value of the net minimum lease payments as of December 31, 2019.

	2020	\$ 13,405
	2021	<u>15,345</u>
Total Minimum Lease Payments		28,750
Less Amounts Representing Interest		<u>(3,531)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 25,219</u>

Agency Endowment Funds

In accordance with ASC 958-605, funds received by the Foundation that have specified beneficiaries and have granted no variance power to the Foundation are reported as Agency Endowment Funds in the Statement of Financial Position. As of December 31, 2019, the Foundation held Agency Endowments totaling \$19,289,301. The changes in such agency funds are summarized in Note 6 "Transactions in Funds Held for Other Agencies."

Operating Leases

The Foundation entered into a 10-year lease for office space commencing on June 1, 2017 with annual increases are from 3% to 5%. The monthly rate was \$3,246 through May 2019 and increased to \$3,344 for the remainder of the year. The office space is in a building which is owned by an entity in which the Foundation President is a member.

The Foundation entered into a 60-month lease requiring monthly payments of \$182.14 for a printer through March 2019. In addition, the Foundation entered into a 60-month lease for a second printer requiring monthly payments of \$197.19 through July 2021.

The total lease expense was \$42,554 and \$44,470 for 2019 and 2018. Future minimum lease payments are as follows:

2020	\$ 43,197
2021	43,918
2022	44,158
2023	45,483
2024	46,848

Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Youth Fund	\$ 3,757	\$ 3,407
Restricted for Initiatives	6,805	7,708
Restricted as to Time	120,000	120,000
Charitable Remainder Trusts, net	<u>237,037</u>	<u>171,909</u>
	<u>\$ 367,599</u>	<u>\$ 303,024</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Net Assets Without Donor Restrictions- Board Designations

During 2019, the Board voted to set aside \$10,000 for the production of a documentary featuring the benefits of volunteering and raise awareness of volunteer emergency services and to set-aside \$31,650 of the 2019 grant making surplus for grant making in 2020.

NOTE 4 - BENEFICIAL INTEREST IN A PERPETUAL TRUST

The Foundation is the sole income beneficiary to an irrevocable perpetual trust, the assets of which are not in its possession. The Foundation has no legally enforceable rights or claims to such assets. The Foundation receives income distributions based on the fund's income after certain trust expenses.

NOTE 5 - CHARITABLE REMAINDER TRUSTS

The Foundation has elected to report charitable remainder trusts at fair value using level 3 inputs, to reflect the amounts expected to be received. The Foundation is beneficiary of two charitable remainder trusts administered by others outside the Foundation. The present values of the Foundation's portion are calculated using an AFR of 2.0%. They were valued at \$237,037 and \$171,909 at December 31, 2019 and 2018 and are reported as "Beneficial Interest in Remainder Trusts". The change in value of charitable remainder trusts included in the statement of activities was \$65,128 and \$52,855 for 2019 and 2018 respectively.

NOTE 6 - TRANSACTIONS IN FUNDS HELD FOR OTHER AGENCIES

The financial effects of transactions related to agency endowment funds are recorded as changes in the funds held for agencies liability and are not included in the statement of activities. The changes in that liability are summarized as follows:

	2019	2018
<u>Additions:</u>		
Contributions	2,595,562	440,358
Realized & Unrealized Gain/Loss	2,916,847	(986,454)
Interest & Dividends	63,402	99,966
Total Additions	5,575,811	(446,130)
<u>Deductions:</u>		
Grants	4,346,816	1,250,371
Fees Paid	286,015	289,522
Total Deductions	4,632,831	1,539,893
Change in Balance	942,980	(1,986,023)
Balance in Agency Endowment Funds, Beginning of Year	18,346,321	20,374,567
Matching Grant Transfer In	-	14,870
Reclassification to Scholarship Fund	-	(57,093)
Balance in Agency Endowment Funds, End of Year	19,289,301	18,346,321

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 7 - FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31,</u> <u>2019</u>	<u>Quoted Prices</u> <u>in Active</u> <u>Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>	<u>December 31,</u> <u>2018</u>
Cash & Cash Equivalents	\$ 2,832,056	\$ 1,144,177	\$ 1,687,879	\$ -	\$ 4,665,888
Domestic Stock	198,415	198,415	-	-	236,765
Corporate Bonds	208,841	208,841	-	-	216,413
Corporate Bond Funds	7,380,697	7,380,697	-	-	6,188,025
Governmental Bond Funds	1,565	1,565	-	-	1,981
Domestic Mutual Funds	32,921,841	32,921,841	-	-	28,074,057
International Mutual Funds	695,495	695,495	-	-	502,884
International Bond Funds	41,134	41,134	-	-	39,116
Exchange Traded Funds	1,549,728	1,549,728	-	-	347,299
Commodity Funds	69,775	69,775	-	-	66,015
Hedge Funds	168,664	168,664	-	-	159,394
Interest in Community Foundation for Greater New Haven Managed Pool	64,887,238	-	64,887,238	-	57,674,375
Real Estate Investment Funds	600,961	600,961	-	-	334,203
Private Equity Funds	<u>1,179,672</u>	<u>-</u>	<u>-</u>	<u>1,179,672</u>	<u>1,601,686</u>
Total Investments	<u>\$ 112,736,082</u>	<u>\$ 44,981,293</u>	<u>\$66,575,117</u>	<u>\$ 1,179,672</u>	<u>\$100,108,101</u>
 Beneficial Interest In					
Remainder Trusts	237,037	-	-	237,037	171,909
Perpetual Trust	208,432	208,432	-	-	170,736
 Investments Reported at Fair Value		\$ 112,736,082			
Investments Reported at Cost		<u>120,000</u>			
 Investments Reported on the Balance Sheet as:		<u>\$ 112,856,082</u>			

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Assets measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Investments</u>	<u>Trusts</u>
Balance, beginning of year	\$ 1,601,686	\$ 171,909
Total gains or losses (realized and unrealized) included in the change in net assets	(422,013)	65,128
Sales	(1,119,531)	-
Purchases	1,546,230	-
Transfers in and/or out of Level 3	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 1,606,372</u>	<u>\$ 237,037</u>

The Amount of Gains for the Period Included in Changes in Net Assets Attributable to the Change in Unrealized Gains Relating to Assets Held at Year-End	(422,013)
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The Amount Reported as Change in Value of Split-Interest Agreements Relating to Assets Held at Year-End	65,128
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NOTE 8 – ENDOWMENT FUNDS

Endowment Net Asset composition as of December 31, 2019 is as follows:

	<u>Without donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board-Designated Endowment Funds	\$ 109,934,704	\$ -	\$ 109,934,704
Donor Restricted	<u>-</u>	<u>357,037</u>	<u>357,037</u>
Total Funds	<u>\$ 109,934,704</u>	<u>\$ 357,037</u>	<u>\$ 110,291,741</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

	Without Donor	With donor	Total
	Restrictions	Restrictions	Endowment
	Restrictions	Restrictions	Assets
Endowment Assets at 12/31/18	\$ 98,846,911	\$ 291,909	\$ 99,138,820
Change in Agency Endowments	942,980	-	942,980
Contributions	1,502,752	-	1,502,752
Investment Return	14,803,710	65,128	14,868,838
Amounts Appropriated for Expenditure	<u>(6,161,349)</u>	<u>-</u>	<u>(6,161,349)</u>
Endowment Assets at 12/31/19	<u>\$ 109,935,004</u>	<u>\$ 357,037</u>	<u>\$ 110,292,041</u>

NOTE 9 – FUNCTIONAL EXPENSE ALLOCATION METHOD

The financial statements identify classifications of expenses that are allocated according to the function, program or operational obligation to which they apply. All expenses are allocated on an analytical and consistent basis. Costs related to occupancy, depreciation, fixtures, and equipment, are allocated on a square footage basis and those associated with programs, services, salaries, benefits, and functions are allocated according to time and effort.

Other expenses, including Grants, Initiatives, Discretionary Fund, and Non-Profit Educational Seminars are allocated 100% to program. Expenses pertaining to the Annual Appeal are allocated 100% to fundraising. Anniversary Expenses and Interest on the Furniture Lease are allocated to Management and General.

NOTE 10– RETIREMENT PLAN

The Foundation previously adopted a SIMPLE IRA plan whereby employee contributions were matched up to a maximum of 3% of the employee’s annual salary. During the year, the Foundation adopted a 401K plan whereby employee contributions were matched up to 3%. Total payments made during the year during 2019 and 2018 were \$18,338 and \$8,193.

NOTE 12– SUBSEQUENT EVENT

Subsequent to year-end, the financial markets have been severely impacted by the effects of the COVID-19 epidemic. The investments held by Foundation are subject to changes in the financial markets and decreased significantly subsequent to the end of the year. The overall long-term impact has not yet been evaluated by management; however, the spending policy is designed to help navigate downturns in the market.