
**NORTHWEST CONNECTICUT COMMUNITY
FOUNDATION**

Annual Audited Financial Statements

For the Year Ended December 31, 2020

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Audited Financial Statements

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For the Year Ended December 31, 2020

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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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Northwest Connecticut Community Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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
April 23, 2021

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
ASSETS:				
Cash and Cash Equivalents	\$ 2,362,814	\$ 17,087	\$ 2,379,901	\$ 1,071,592
Prepaid Expenses	58,664	-	58,664	23,456
Contribution Receivable	784,000	-	784,000	-
Inventory	-	-	-	8,391
Investments	124,748,842	120,000	124,868,842	112,856,082
Security Deposit	3,150	-	3,150	3,150
Beneficial Interest in Remainder Trusts	-	317,394	317,394	237,037
Beneficial Interest in Perpetual Trust	232,255	-	232,255	208,432
Fixed Assets, net	68,245	-	68,245	75,446
Total Assets	\$ 128,257,970	\$ 454,481	\$ 128,712,451	\$ 114,483,586
 LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 7,736	\$ -	\$ 7,736	\$ 5,946
Grants Payable	2,672,287	-	2,672,287	3,009,810
Agency Endowment Funds	21,924,503	-	21,924,503	19,289,301
Lease Obligation	13,579	-	13,579	25,218
Total Liabilities	24,618,105	-	24,618,105	22,330,275
Net Assets:				
Without Donor Restrictions	103,639,865	-	103,639,865	91,785,712
With Donor Restrictions	-	454,481	454,481	367,599
Total Net Assets	103,639,865	454,481	104,094,346	92,153,311
Total Liabilities and Net Assets	\$ 128,257,970	\$ 454,481	\$ 128,712,451	\$ 114,483,586

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

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

		Without Donor Restrictions	With Donor Restrictions	Totals	
				2020	2019
Revenues, Gains and Other Support:					
Fund Contributions	\$ 4,506,873				
Less: Contributions to Agency Funds	<u>(496,341)</u>	\$ 4,010,532	\$ -	\$ 4,010,532	\$ 1,549,349
CIV of Split-Interest Agreements		-	80,357	80,357	65,128
Initiative Contributions		22,000	8,871	30,871	19,766
Fundraising Events	796				
Less: Direct Donor Benefits	<u>(250)</u>	546	-	546	8,110
Investment Return		12,458,473	-	12,458,473	14,803,440
Miscellaneous Income		11	-	11	37
Unfulfilled Grant Awards		5,573	-	5,573	95,009
Administrative Fees		168,527	-	168,527	154,081
Seminar Income		-	-	-	4,700
PPP Funding		144,739	-	144,739	-
Net Assets Released from Restrictions		<u>2,346</u>	<u>(2,346)</u>	<u>-</u>	<u>-</u>
<i>Total Revenues</i>		<u>16,812,747</u>	<u>86,882</u>	<u>16,899,629</u>	<u>16,699,620</u>
Expenses:					
Direct Community Support		3,782,500	-	3,782,500	5,437,679
Program Services		727,516	-	727,516	618,310
Management and General		330,943	-	330,943	340,711
Fundraising		<u>117,553</u>	<u>-</u>	<u>117,553</u>	<u>131,680</u>
<i>Total Expenses</i>		<u>4,958,512</u>	<u>-</u>	<u>4,958,512</u>	<u>6,528,380</u>
<i>Changes in Net Assets Before Other Changes</i>		<u>11,854,235</u>	<u>86,882</u>	<u>11,941,117</u>	<u>10,171,240</u>
Other Changes in Net Assets:					
Loss on Disposal of Fixed Assets		<u>(82)</u>	<u>-</u>	<u>(82)</u>	<u>-</u>
<i>Total Other Changes in Net Assets</i>		<u>(82)</u>	<u>-</u>	<u>(82)</u>	<u>-</u>
Changes in Net Assets		<u>11,854,153</u>	<u>86,882</u>	<u>11,941,035</u>	<u>10,171,240</u>
Net Assets - Beginning of Year		<u>91,785,712</u>	<u>367,599</u>	<u>92,153,311</u>	<u>81,982,071</u>
Net Assets - End of Year		<u>\$ 103,639,865</u>	<u>\$ 454,481</u>	<u>\$ 104,094,346</u>	<u>\$ 92,153,311</u>

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

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statements of Cash Flows
December 31, 2020 and 2019

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 11,941,035	\$ 10,171,240
Adjustments:		
Loss on Disposal of Fixed Assets	82	-
Realized and Unrealized (Gain)/Loss on Investments	(11,315,861)	(13,173,274)
Depreciation & Amortization	12,409	16,345
Decrease/(Increase) in Assets:		
Prepaid Expenses	(35,208)	(6,685)
Contribution Receivable	(784,000)	-
Inventory	8,391	-
Beneficial Interest in Remainder Trusts	(80,357)	(65,128)
Beneficial Interest in Perpetual Trust	(23,823)	(37,696)
Increase/(Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	1,790	5,126
Grants Payable	(337,523)	1,577,484
	<u>(613,065)</u>	<u>(1,512,588)</u>
<i>Net cash flow provided (used) from operating activities</i>		
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(5,290)	(1,261)
Purchases of Investments	(4,978,025)	(5,921,464)
Proceeds of Investments	4,281,126	6,467,157
Net Increase (Decrease) in Agency Endowment Funds	2,635,202	942,980
	<u>1,933,013</u>	<u>1,487,412</u>
<i>Net cash flow (used) provided by investing activities</i>		
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of Capital Lease	(11,639)	(12,609)
	<u>(11,639)</u>	<u>(12,609)</u>
<i>Net cash flow (used) provided by financing activities</i>		
	<i>Net increase/(decrease) in cash flows</i>	<i>(37,785)</i>
	1,308,309	1,109,377
	Cash at Beginning of Year	1,071,592
	1,071,592	1,109,377
	Cash at End of Year	Cash at End of Year
	\$ 2,379,901	\$ 1,071,592
Supplemental Disclosure:		
Interest Paid	\$ 1,766	\$ 1,913
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, 2020
(With Comparative Totals for 2019)

	Direct		Management		Totals	
	Community Support	Programs	& General	Fundraising	2020	2019
Grants	\$ 4,307,053	\$ -	\$ -	\$ -	\$ 4,307,053	\$ 9,583,930
Scholarships	175,675	-	-	-	175,675	154,375
Pass-Through Grants	89,584	-	-	-	89,584	46,190
Less: Agency Fund Grants	(789,812)	-	-	-	(789,812)	(4,346,816)
Initiative Expenses	-	50,168	-	-	50,168	8,798
Salaries	-	416,293	208,146	69,382	693,821	661,581
Payroll Taxes and Benefits	-	91,851	45,926	15,308	153,085	137,188
Advertising/Marketing	-	19,052	9,526	3,176	31,754	32,780
Computer Costs	-	33,208	16,604	5,535	55,347	33,480
Website	-	4,751	2,375	792	7,918	4,302
Insurance	-	5,570	2,785	928	9,283	8,131
Supplies	-	2,711	1,355	452	4,518	7,947
Telephone	-	4,736	2,368	790	7,894	7,326
Postage and Shipping	-	1,819	909	303	3,031	3,565
Occupancy	-	29,875	14,938	4,979	49,792	50,139
Office Maintenance & Repair	-	1,309	655	218	2,182	4,012
Auto Lease	-	4,592	2,296	766	7,654	7,378
Printing and Publications	-	-	-	-	-	6,581
Travel	-	90	45	15	150	1,433
Depreciation & Amortization	-	7,445	3,723	1,241	12,409	16,345
Dues & Subscriptions	-	11,594	5,797	1,933	19,324	17,231
Professional Fees	-	12,480	6,240	2,080	20,800	20,162
Board Expenses	-	1,100	550	184	1,834	4,528
Non-Profit Educational Seminars	-	7,950	-	-	7,950	6,584
Annual Appeal	-	-	-	5,546	5,546	8,837
Discretionary Fund	-	225	-	-	225	300
Conferences	-	-	1,851	-	1,851	-
Copier	-	4,090	2,045	682	6,817	8,900
Miscellaneous	-	2,085	1,043	347	3,475	2,436
50th Anniversary Celebration	-	-	-	-	-	3,314
Interest Expense	-	-	1,766	-	1,766	1,913
Fund Expenses:						
Community Education	-	14,522	-	-	14,522	-
Appeals	-	-	-	2,238	2,238	1,290
Printing & Postage	-	-	-	643	643	2,059
Meetings & Events	-	-	-	-	-	22,161
Other	-	-	-	15	15	-
Total Expenses	\$ 3,782,500	\$ 727,516	\$ 330,943	\$ 117,553	\$ 4,958,512	\$ 6,528,380

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, 2020 and 2019. Investor information was evaluated for potential impairments as of year-end. No adjustment has been made to the carrying value.

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, 2020.

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, 2019, from which the summarized information was derived.

Review for Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through April 23, 2021, 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	\$	2,379,901
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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 \$123,530,204. 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 \$1,232,500 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, 2020, the carrying amounts of the Foundation's deposits were \$2,379,901 and the bank balance was \$2,424,303, of which the FDIC insured \$1,109,391. The remaining \$1,314,912 was uninsured.

Contribution Receivable

The Foundation was named beneficiary of an estate and is expected to receive an additional \$784,000 during the next year.

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>2020</u>	<u>2019</u>
Dividends and Interest	\$ 1,813,620	\$ 2,126,731
Net Realized and Unrealized Gain/(Loss) on Investments	11,315,861	13,173,274
Investment Management Fees	<u>(671,008)</u>	<u>(496,565)</u>
	<u>\$ 12,458,473</u>	<u>\$ 14,803,440</u>

Fixed Assets

Fixed Assets consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture and Fixtures	\$ 103,991	\$ 104,748
Leasehold Improvements	21,118	21,118
Computer Equipment and Software	60,729	55,439
Rebranding	20,256	20,255
Website	<u>13,483</u>	<u>13,483</u>
	219,577	215,043
Accumulated Depreciation	<u>(151,332)</u>	<u>(139,597)</u>
	<u>\$ 68,245</u>	<u>\$ 75,446</u>

Depreciation Expense was \$12,409 and \$16,345 for the years ended December 31, 2020 and 2019.

Grants Payable

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

	<u>2020</u>	<u>2019</u>
Due in one year or less	\$ 2,661,287	\$ 3,000,810
Due in one to five years	<u>11,000</u>	<u>9,000</u>
	<u>\$ 2,672,287</u>	<u>\$ 3,009,810</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	<u>(20,368)</u>
Total Assets Under Capital Lease	<u>\$ 37,827</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, 2020.

	2021	<u>\$ 15,345</u>
Total Minimum Lease Payments		15,345
Less Amounts Representing Interest		<u>(1,766)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 13,579</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, 2020, the Foundation held Agency Endowments totaling \$21,924,503. 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 \$3,344 through May 2020 and increased to \$3,444 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 for a second printer requiring monthly payments of \$197.19 through July 2021.

The total lease expense was \$43,197 and \$42,554 for 2020 and 2019. Future minimum lease payments are as follows:

2021	\$ 43,918
2022	44,158
2023	45,483
2024	46,848
2025	48,253

Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Youth Fund	\$ 4,057	\$ 3,757
Restricted for Initiatives	13,030	6,805
Restricted as to Time	120,000	120,000
Charitable Remainder Trusts, net	<u>317,394</u>	<u>237,037</u>
	<u>\$ 454,481</u>	<u>\$ 367,599</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Net Assets Without Donor Restrictions - Board Designations

During 2020, the Board voted to support the Early Childhood Initiative. As of December 31st, 2020, there was \$232,287 remaining. In addition, the board set aside \$60,000 to support 2021 grant making.

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 .6%. They were valued at \$317,394 and 237,037 at December 31, 2020 and 2019 and are reported as "Beneficial Interest in Remainder Trusts". The change in value of charitable remainder trusts included in the statement of activities was \$80,357 and \$65,128 for 2020 and 2019, 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:

	2020	2019
<u>Additions:</u>		
Contributions	\$ 496,341	\$ 2,595,562
Realized & Unrealized Gain/Loss	3,248,235	2,916,847
Interest & Dividends	33,656	63,402
Total Additions	3,778,232	5,575,811
<u>Deductions:</u>		
Grants	789,812	4,346,816
Fees Paid	374,201	286,015
Total Deductions	1,164,013	4,632,831
Change in Balance	2,614,219	942,980
Balance in Agency Endowment Funds, Beginning of Year	19,289,301	18,346,321
Matching Grant Transfer In	20,000	-
Reclassification to Non Agency Funds	983	-
Balance in Agency Endowment Funds, End of Year	\$ 21,924,503	\$ 19,289,301

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 7 - FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31,</u> <u>2020</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>2019</u>
Cash & Cash Equivalents	\$ 2,574,983	\$ 1,419,472	\$ 1,155,511	\$ -	\$ 2,832,056
Domestic Stock	351,057	351,057	-	-	198,415
Corporate Bonds	71,608	71,608	-	-	208,841
Foreign Stock	7,836	7,836	-	-	
Corporate Bond Funds	7,662,244	7,662,244	-	-	7,380,697
Governmental Bond Funds	203,431	203,431	-	-	1,565
Domestic Mutual Funds	35,481,518	35,481,518	-	-	32,921,841
International Mutual Funds	795,098	795,098	-	-	695,495
International Bond Funds	5,379	5,379	-	-	41,134
Exchange Traded Funds	1,650,433	1,650,433	-	-	1,549,728
Commodity Funds	68,872	68,872	-	-	69,775
Hedge Funds	167,277	167,277	-	-	168,664
Interest in Community Foundation for Greater New Haven Managed Pool	74,517,483	-	74,517,483	-	64,887,238
Real Estate Investment Funds	222,731	222,731	-	-	600,961
Private Equity Funds	<u>968,892</u>	<u>-</u>	<u>-</u>	<u>968,892</u>	<u>1,179,672</u>
Total Investments	<u>\$ 124,748,842</u>	<u>\$ 48,106,956</u>	<u>\$ 75,672,994</u>	<u>\$ 968,892</u>	<u>\$ 112,736,082</u>
 Beneficial Interest In					
Remainder Trusts	317,394	-	-	317,394	237,037
Perpetual Trust	232,255	232,255	-	-	208,432
 Investments Reported at Fair Value	 \$ 124,748,842				
Investments Reported at Cost	<u>120,000</u>				
 Investments Reported on the Balance Sheet as:	 <u>\$ 124,868,842</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	\$ 1,606,372	\$ 237,037
Total gains or losses (realized and unrealized) included in the change in net assets	(637,481)	80,357
Sales	(753,128)	-
Purchases	753,129	-
Transfers in and/or out of Level 3	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 968,892</u>	<u>\$ 317,394</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	(637,481)
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The Amount Reported as Change in Value of Split-Interest Agreements Relating to Assets Held at Year-End	80,357
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NOTE 8 – ENDOWMENT FUNDS

Endowment Net Asset composition as of December 31, 2020 is as follows:

	<u>Without donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board-Designated Endowment Funds	\$ 123,092,810	\$ -	\$ 123,092,810
Donor Restricted	<u>-</u>	<u>437,394</u>	<u>437,394</u>
Total Funds	<u>\$ 123,092,810</u>	<u>\$ 437,394</u>	<u>\$ 123,530,204</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

	Without Donor Restrictions	With donor Restrictions	Total Endowment Assets
Endowment Assets at 12/31/19	\$ 109,934,704	\$ 357,037	\$ 110,291,741
Change in Agency Endowments	2,635,202	-	2,635,202
Contributions	4,396,258	-	4,396,258
Investment Return	12,458,288	80,357	12,538,645
Amounts Appropriated for Expenditure	<u>(6,331,642)</u>	<u>-</u>	<u>(6,331,642)</u>
Endowment Assets at 12/31/20	<u>\$ 123,092,810</u>	<u>\$ 437,394</u>	<u>\$ 123,530,204</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, Community Education and Non-Profit Educational Seminars are allocated 100% to program. Expenses pertaining to the Annual Appeal are allocated 100% to fundraising. Conferences and Interest on the Furniture Lease are allocated to Management and General.

NOTE 10– RETIREMENT PLAN

The Foundation adopted a 401K plan whereby employee contributions were matched up to 3%. Total payments made during the year during 2020 and 2019 were \$29,049 and \$18,338.

NOTE 11– NEW ACCOUNTING PRONCEMENTS NOT YET EFFECTIVE

The Financial Accounting Standards Board has issued Accounting Standards Update 2016-02, Leases. This update requires entities to recognize all leased assets as assets on the financial statements sheet with corresponding liabilities quantifying future required payments under lease arrangements. The update is effective for nonpublic entities for the period ending after December 15, 2021. The Foundation has not yet evaluated the impact of this statement; however, it will impact the reporting of the lease for office space.

NOTE 12 – RISKS AND UNCERTAINTIES

The World Health Organization declared the coronavirus outbreak (“COVID-19”) a pandemic. The impact of COVID-19 could negatively affect the Foundation’s investments; however, the spending policy is designed to help navigate fluctuations in the market. The demand for services has also been impacted. The extent to which COVID-19 impacts the Foundation’s financial position will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or its impact, among others. The Foundation has recognized funding from the Payroll Protection Program in the current year in the amount of \$144,739. The loan forgiveness was subject to review by the SBA, and forgiven subsequent to year-end.