

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020 AND 2019**



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# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

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## **Independent Auditors' Report**

To the Board of Trustees  
Connecticut Community Foundation, Inc.,  
and Affiliated Supporting Organization  
Waterbury, Connecticut

We have audited the accompanying consolidated financial statements of Connecticut Community Foundation, Inc., and Affiliated Supporting Organization, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 2020 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Community Foundation, Inc., and Affiliated Supporting Organization 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.

## **Change in Accounting Principle**

As discussed in Note 2, during the year ended December 31, 2020, of Connecticut Community Foundation, Inc., and Affiliated Supporting Organization, as a resource provider, adopted the contributions made guidance under Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

## **Other Matter**

The financial statements as of December 31, 2019, were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021, and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated May 29, 2020, expressed an unmodified opinion on those statements.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The December 31, 2020 consolidating statement of financial position- supplemental disclosure and the consolidating statement of activities - supplemental disclosure are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole



**CliftonLarsonAllen LLP**

Shelton, Connecticut  
May 18, 2021

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

|   | <u>2020</u>                  | <u>2019</u>                  |
|---|------------------------------|------------------------------|
| <b>ASSETS</b>                               |                              |                              |
| Cash and cash equivalents                   | \$ 4,660,570                 | \$ 3,797,636                 |
| Investments                                 | 143,210,029                  | 116,842,774                  |
| Contributions receivable                    | 717,978                      | 42,567                       |
| Property and equipment, net                 | 15,965                       | 21,583                       |
| Other assets                                | <u>511,245</u>               | <u>511,245</u>               |
| <b>Total Assets</b>                         | <b>\$ <u>149,115,787</u></b> | <b>\$ <u>121,215,805</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>           |                              |                              |
| <b>Liabilities</b>                          |                              |                              |
| Accounts payable and accrued expenses       | \$ 46,392                    | \$ 55,946                    |
| Grants payable                              | 114,500                      | 24,500                       |
| Liabilities under split-interest agreements | 166,852                      | 172,874                      |
| Funds held as agency endowments             | <u>6,687,193</u>             | <u>5,187,905</u>             |
| Total liabilities                           | <u>7,014,937</u>             | <u>5,441,225</u>             |
| <b>Net Assets</b>                           |                              |                              |
| Net assets without donor restrictions       | 141,821,305                  | 115,516,609                  |
| Net assets with donor restrictions          | <u>279,545</u>               | <u>257,971</u>               |
| Total net assets                            | <u>142,100,850</u>           | <u>115,774,580</u>           |
| <b>Total Liabilities and Net Assets</b>     | <b>\$ <u>149,115,787</u></b> | <b>\$ <u>121,215,805</u></b> |

The accompanying notes are an integral part of the financial statements

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

|   | <u>2020</u>           | <u>2019</u>           |
|---|-----------------------|-----------------------|
| <b>Revenue, Support and Other Changes</b>                                   |                       |                       |
| Contributions and gifts, net of agency<br>endowment contributions and gifts | \$ 19,350,329         | \$ 4,751,412          |
| Investment income, gains and losses, net                                    | 14,678,808            | 19,126,085            |
| Miscellaneous income  | 105,272               | 97,123                |
| Royalty income  | 13,335                | 74,044                |
| Change in value of split-interest agreements                                | <u>(1,605)</u>        | <u>(5,045)</u>        |
| Total revenue, support and other changes                                    | <u>34,146,139</u>     | <u>24,043,619</u>     |
| <b>Expenses</b>   |                       |                       |
| Program services:   |                       |                       |
| Grants, net of agency endowment grants                                      | 5,885,703             | 4,892,277             |
| Other program service expenses  | <u>1,103,660</u>      | <u>1,381,179</u>      |
| Total program services  | <u>6,989,363</u>      | <u>6,273,456</u>      |
| Supporting services:  |                       |                       |
| Management and general  | 610,432               | 636,925               |
| Fundraising   | <u>241,648</u>        | <u>259,381</u>        |
| Total supporting services   | <u>852,080</u>        | <u>896,306</u>        |
| Total expenses  | <u>7,841,443</u>      | <u>7,169,762</u>      |
| Change in net assets without donor restrictions                             | 26,304,696            | 16,873,857            |
| <b>Change in Net Assets With Donor Restrictions</b>                         |                       |                       |
| Change in value of split-interest agreements                                | <u>21,574</u>         | <u>22,039</u>         |
| <b>Change in Net Assets</b>   | 26,326,270            | 16,895,896            |
| <b>Net Assets - Beginning of Year</b>                                       | <u>115,774,580</u>    | <u>98,878,684</u>     |
| <b>Net Assets - End of Year</b>   | <u>\$ 142,100,850</u> | <u>\$ 115,774,580</u> |

The accompanying notes are an integral part of the financial statements

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

|  | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
|--|-----------------------------|-----------------------------------|--------------------|---------------------|
| Grants, net of agency endowment grants | \$ 5,885,703                | \$ -                              | \$ -               | \$ 5,885,703        |
| Salaries and wages                     | 693,662                     | 324,319                           | 152,851            | 1,170,832           |
| Employee benefits                      | 68,479                      | 36,215                            | 12,303             | 116,997             |
| Payroll taxes                          | 53,389                      | 24,537                            | 11,632             | 89,558              |
| Pension plan contributions             | 48,453                      | 25,018                            | 11,825             | 85,296              |
| Occupancy                              | 54,739                      | 25,613                            | 12,113             | 92,465              |
| Nonprofit outreach                     | 52,895                      | 24,750                            | 11,705             | 89,350              |
| Professional services                  | -                           | 62,142                            | -                  | 62,142              |
| Information technology                 | 35,903                      | 16,799                            | 7,945              | 60,647              |
| Office expense                         | 25,562                      | 11,960                            | 5,656              | 43,178              |
| Consultants                            | 22,121                      | 10,351                            | 4,895              | 37,367              |
| Conferences, conventions and meetings  | 19,032                      | 8,905                             | 4,212              | 32,149              |
| Marketing and communication expenses   | 16,318                      | 7,635                             | 3,611              | 27,564              |
| Other expenses                         | 13,107                      | 6,133                             | 2,900              | 22,140              |
| Insurance                              | -                           | 18,007                            | -                  | 18,007              |
| Depreciation                           | -                           | 8,048                             | -                  | 8,048               |
| <b>Total</b>                           | <u>\$ 6,989,363</u>         | <u>\$ 610,432</u>                 | <u>\$ 241,648</u>  | <u>\$ 7,841,443</u> |

The accompanying notes are an integral part of the financial statements

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
|--|-----------------------------|-----------------------------------|--------------------|---------------------|
| Grants, net of agency endowment grants | \$ 4,892,277                | \$ -                              | \$ -               | \$ 4,892,277        |
| Salaries and wages                     | 770,211                     | 319,931                           | 145,030            | 1,235,172           |
| Employee benefits                      | 73,412                      | 40,578                            | 12,832             | 126,822             |
| Payroll taxes                          | 60,429                      | 24,627                            | 11,582             | 96,638              |
| Pension plan contributions             | 57,860                      | 25,108                            | 11,324             | 94,292              |
| Nonprofit outreach                     | 150,539                     | 62,483                            | 28,226             | 241,248             |
| Consultants                            | 63,613                      | 26,403                            | 11,928             | 101,944             |
| Occupancy                              | 59,048                      | 24,509                            | 11,072             | 94,629              |
| Information technology                 | 54,370                      | 22,567                            | 10,194             | 87,131              |
| Conferences, conventions and meetings  | 27,442                      | 11,390                            | 5,145              | 43,977              |
| Marketing and communication expenses   | 26,698                      | 11,081                            | 5,006              | 42,785              |
| Office expense                         | 20,848                      | 8,654                             | 3,909              | 33,411              |
| Professional services                  | -                           | 28,845                            | -                  | 28,845              |
| Other expenses                         | 16,709                      | 6,936                             | 3,133              | 26,778              |
| Insurance                              | -                           | 14,336                            | -                  | 14,336              |
| Depreciation                           | -                           | 9,477                             | -                  | 9,477               |
|  | <u>          </u>           | <u>          </u>                 | <u>          </u>  | <u>          </u>   |
| <b>Total</b>                           | <b>\$ 6,273,456</b>         | <b>\$ 636,925</b>                 | <b>\$ 259,381</b>  | <b>\$ 7,169,762</b> |

The accompanying notes are an integral part of the financial statements



**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>  |                     |                     |
| Change in net assets   | \$ 26,326,270       | \$ 16,895,896       |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                     |                     |
| Depreciation   | 8,048               | 9,477               |
| Net realized and unrealized gains on investments   | (11,919,898)        | (15,834,806)        |
| Increase in operating assets:  |                     |                     |
| Contributions receivable   | (675,411)           | (42,567)            |
| Increase (decrease) in operating liabilities:  |                     |                     |
| Accounts payable and accrued expenses  | (9,554)             | (37,892)            |
| Grants payable   | 90,000              | (84,900)            |
| Liabilities under split-interest agreements  | (6,022)             | (1,696)             |
| Funds held as agency endowments  | <u>1,499,288</u>    | <u>1,359,420</u>    |
| Net cash provided by operating activities  | <u>15,312,721</u>   | <u>2,262,932</u>    |
| <b>Cash Flows from Investing Activities</b>  |                     |                     |
| Proceeds from sales of investments   | 10,042,381          | 4,627,028           |
| Purchases of investments   | (24,489,738)        | (6,430,718)         |
| Purchases of property and equipment  | (2,430)             | -                   |
| Net cash used in investing activities  | <u>(14,449,787)</u> | <u>(1,803,690)</u>  |
| <b>Net Increase in Cash and Cash Equivalents</b>   | 862,934             | 459,242             |
| <b>Cash and Cash Equivalents - Beginning of Year</b>   | <u>3,797,636</u>    | <u>3,338,394</u>    |
| <b>Cash and Cash Equivalents - End of Year</b>   | <u>\$ 4,660,570</u> | <u>\$ 3,797,636</u> |

The accompanying notes are an integral part of the financial statements

# **CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 1 - ORGANIZATION**

Connecticut Community Foundation, Inc. (the Community Foundation), founded in 1923, is a Connecticut nonprofit, nonstock corporation for public giving that makes grants to charitable organizations and awards individual scholarships primarily in the Greater Waterbury and Litchfield Hills region. The Community Foundation receives contributions from individuals and businesses primarily in the Greater Waterbury and Litchfield Hills region.

#### **Principles of Consolidation**

The consolidated financial statements present the consolidated financial position, statement of activities and cash flows of the Foundation and the following affiliated supporting organization (collectively the Foundation):

In 2019, the Waterbury Hospital Foundation, Inc. (WHF) was created and the Community Foundation was named the sole member. WHF is a separate legal entity established under the provisions of Section 509(a)(3) of the Internal Revenue Code (the Code) and is a Type I supporting organization. As defined by the Internal Revenue Service, a Type I supporting organization is controlled by the Community Foundation through operation, supervision or control by appointing the majority of the supporting organization's board members.

All material inter-organization balances and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Change in Accounting Principle**

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018 for resource recipients and for annual reporting periods beginning after December 15, 2019 for resource providers. Management has adopted ASU 2018-08 as a resource recipient for the year ended December 31, 2019. Management has adopted ASU 2018-08 as a resource provider for the year ending December 31, 2020. The amendments have been applied using the modified prospective method. There was no cumulative effect of applying ASU 2018-08.

# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **Basis of Accounting and Presentation**

The Foundation prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Foundation are reported in the following categories:

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees. The Board has designated net assets without donor restrictions to function as an endowment.

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

For purposes of the statements of financial position and cash flows, the Foundation considers all cash, cash on hand and certificates of deposit with original maturities of 90 days or less to be cash equivalents. The Foundation maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Foundation's deposits are held by high-quality financial institutions and are not subject to significant credit risk.

### **Investments**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Foundation's gains and losses on investments bought and sold as well as held during the year.

The Foundation maintains master investment accounts for its funds. Interest, dividends, realized and unrealized gains and losses from securities, and related expenses in the pooled investment accounts are calculated and allocated quarterly to all of the donor funds based on the relationship of the market value of each fund to the total market value of the pooled investment accounts, as adjusted for additions to or distributions from those accounts.

# **CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Property and Equipment**

Office equipment is stated at cost or donated value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets: five to seven years for office equipment. Expenditures for major renewals and betterments greater than \$1,500 that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### **Other Assets**

Other assets consist of contributed artwork and copyrights for artwork, which are valued at appraised value, which approximates fair value at year end.

### **Split-Interest Agreements**

The Foundation's split-interest agreements with donors consist of charitable gift annuities and pooled life income funds. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

A charitable gift annuity is a contract between a donor and the Foundation in which the donor contributes assets to the Foundation and in exchange receives a lifetime income stream from the fund. The present value of the actuarially determined payouts to these beneficiaries is presented as a liability in the Foundation's consolidated financial statements. The change in value of the charitable gift annuity is included in revenue, support and other changes without donor restrictions on the statements of activities.

A pooled income fund invests, as a group, contributions from donors' life income gifts. Donors or designated beneficiaries are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the fund. The donor or designated beneficiary is paid the actual income earned on the donor or designated beneficiary's assigned units. Upon the death of a donor or designated beneficiary, the value of the units assigned to that donor or designated beneficiary reverts to the Foundation. The pooled income funds are discounted using an annual rate of return of 7.39% and 7.23% at December 31, 2020 and 2019, respectively, and are based upon the life expectancy of each donor or designated beneficiary, which is determined using actuarial tables. The rate of return used is the risk-free rate of return in existence on the date of the gift. The change in value of the pooled income fund is included in change in net assets with donor restrictions on the statements of activities.

### **Funds Held as Agency Endowment**

The Foundation receives and distributes assets under agency endowment agreements that have been established by a nonprofit from its own resources for the sole purpose of supporting that specific nonprofit's operations. Amounts received under these relationships totaled \$1,232,258 and \$904,153 in 2020 and 2019, respectively. Amounts granted under these relationships totaled \$254,086 and \$325,394 in 2020 and 2019, respectively.

The amounts held as agency endowment funds totaled \$6,687,193 and \$5,187,905 at December 31, 2020 and 2019, respectively, and are included in the statements of financial position in investments at fair value with an offsetting liability.

# **CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Spending Policy**

The Foundation has adopted a spending policy designated specifically to stabilize annual spending levels and give careful consideration of Connecticut's UPMIFA regulations (§45a-535c of the Conn. Gen Statutes) and include such factors as preservation of the fund, general economic conditions, inflation or deflation, the expected total return from income and the appreciation of investments. The policy applies to all endowment funds, unless the donor has expressed a different intent in writing. The Foundation's spending payout rate is 5.25% for 2020 and 2019. This percentage is reviewed and approved annually by the Board of Trustees. Distributions for grants are calculated on the average of the 12 trailing quarters ending one year prior to the beginning of each current year. The spending rate includes distributions for grants to the community, the Foundation's action grants, administrative fee and investment management fee.

### **Contributions**

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Foundation reports contributions and grants of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

The Foundation was notified that they were named as a beneficiary of several estates. As of December 31, 2020, the estates were still in the probate administration process. The amounts to be received cannot be reasonably estimated as of the date of this report, and as a result, the receivable and revenue related to these estates have not been recorded.

### **Grants**

Grants are recorded when approved by the Board of Trustees. Payments are made when all conditions have been satisfied by the recipient. As of December 31, 2020 and 2019, the Foundation was unaware of any material conditions on grants that are unlikely to be satisfied during the approved grant period. Refunds occur when the recipient's needs are less than the appropriated amount or when the grantee does not meet the grant requirements. For the years ended December 31, 2020 and 2019, refunded grants totaled \$52,525 and \$68,000, respectively. They are reported as a reduction of grants in the period in which they are refunded. Grants authorized but unpaid at year end are reported as liabilities.

### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses are allocated based on time and effort and usage.

# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Income Taxes

The Community Foundation and WHF are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; however, the Community Foundation is subject to federal income tax on any unrelated business taxable income.

### Reclassifications

Certain amounts on the financial statements as of December 31, 2019 have been reclassified to conform to the current year presentation.

### Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through May 18, 2021, which represents the date the consolidated financial statements were available to be issued.

## NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

### Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

### Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

### Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2020 and 2019:

### Money Market, Exchange Traded Funds, Mutual Funds and Other Assets

Money market, exchange traded funds, mutual funds and other assets are valued at the quoted price of shares held by the Foundation at year end. Other interests are valued using net asset value as determined by the investment manager.

There have been no changes in the methodologies used at December 31, 2020 and 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020 and 2019:

| Description               | 2020                  |             |             |                     | Investments<br>Measured at<br>Net Asset<br>Value (1) | Total                 |
|---------------------------|-----------------------|-------------|-------------|---------------------|--|-----------------------|
|                           | Level 1               | Level 2     | Level 3     |                     |  |                       |
| Investments:              |                       |             |             |                     |  |                       |
| Money market funds        | \$ 1,441,187          | \$ -        | \$ -        | \$ -                | \$ -   | \$ 1,441,187          |
| Exchange traded funds     | 12,301,950            | -           | -           | -                   | -  | 12,301,950            |
| Mutual funds:             |                       |             |             |                     |  |                       |
| Large blend               | 53,327,256            | -           | -           | -                   | -  | 53,327,256            |
| International large blend | 27,008,091            | -           | -           | -                   | -  | 27,008,091            |
| World allocation          | 1,896,370             | -           | -           | -                   | -  | 1,896,370             |
| Multi-alternative         | 3,349,629             | -           | -           | -                   | -  | 3,349,629             |
| Real estate               | 819,807               | -           | -           | -                   | -  | 819,807               |
| Tactical allocation       | 1,880,434             | -           | -           | -                   | -  | 1,880,434             |
| Large cap                 | 83,233                | -           | -           | -                   | -  | 83,233                |
| Miscellaneous other       | 76,713                | -           | -           | -                   | -  | 76,713                |
| International developed   | 30,591                | -           | -           | -                   | -  | 30,591                |
| Commodities               | 852,610               | -           | -           | -                   | -  | 852,610               |
| Fixed income              | 34,931,733            | -           | -           | -                   | -  | 34,931,733            |
| Other assets              | -                     | -           | -           | 5,210,425           | -  | 5,210,425             |
| <b>Total Investments</b>  | <b>\$ 137,999,604</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 5,210,425</b> | <b>\$ -</b>  | <b>\$ 143,210,029</b> |

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

| Description                     | 2019                  |             |             |                     | Investments<br>Measured at<br>Net Asset<br>Value (1) | Total                 |
|---------------------------------|-----------------------|-------------|-------------|---------------------|--|-----------------------|
|                                 | Level 1               | Level 2     | Level 3     |                     |  |                       |
| Investments:                    |                       |             |             |                     |  |                       |
| Money market funds              | \$ 463,015            | \$ -        | \$ -        | \$ -                | \$ -   | 463,015               |
| Exchange traded funds           | 535,691               | -           | -           | -                   | -  | 535,691               |
| Mutual funds:                   |                       |             |             |                     |  |                       |
| Large blend                     | 41,931,764            | -           | -           | -                   | -  | 41,931,764            |
| International large blend       | 27,089,741            | -           | -           | -                   | -  | 27,089,741            |
| World allocation                | 1,781,998             | -           | -           | -                   | -  | 1,781,998             |
| Long/short equity               | 2,621,358             | -           | -           | -                   | -  | 2,621,358             |
| Multi-alternative               | 1,696,982             | -           | -           | -                   | -  | 1,696,982             |
| Real estate Tactical allocation | 4,239,332             | -           | -           | -                   | -  | 4,239,332             |
| Large cap                       | 1,717,264             | -           | -           | -                   | -  | 1,717,264             |
| Miscellaneous other             | 78,910                | -           | -           | -                   | -  | 78,910                |
| International developed         | 63,423                | -           | -           | -                   | -  | 63,423                |
| Commodities                     | 24,851                | -           | -           | -                   | -  | 24,851                |
| Fixed income                    | 868,070               | -           | -           | -                   | -  | 868,070               |
| Other                           | 30,530,375            | -           | -           | -                   | -  | 30,530,375            |
|                                 | -                     | -           | -           | 3,200,000           | -  | 3,200,000             |
| <b>Total Investments</b>        | <b>\$ 113,642,774</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 3,200,000</b> | <b>\$ -</b>  | <b>\$ 116,842,774</b> |

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

There were no transfers between levels of investments during the years ended December 31, 2020 and 2019.



# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table discloses certain additional information as of December 31, 2020 related to the Foundation's investments as described above that use net asset value per share and are not traded in an active market:

| <u>Description</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Terms</u> | <u>Redemption Restrictions</u> |
|--------------------|-------------------|-----------------------------|-------------------------|--------------------------------|
| Other              | 5,210,425         | -                           | Monthly/Quarterly       | 5- 65 days' notice             |

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2020 and 2019:

|                               | <u>2020</u>      | <u>2019</u>      |
|-------------------------------|------------------|------------------|
| Office equipment              | \$ 57,528        | \$ 55,099        |
| Less accumulated depreciation | <u>41,563</u>    | <u>33,516</u>    |
| Property and Equipment, Net   | <u>\$ 15,965</u> | <u>\$ 21,583</u> |

Depreciation expense was \$8,048 and \$9,477 for the years ended December 31, 2020 and 2019, respectively.

### NOTE 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

|   | <u>2020</u>           | <u>2019</u>           |
|---|-----------------------|-----------------------|
| Cash and cash equivalents   | \$ 4,660,570          | \$ 3,797,636          |
| Investments   | 136,243,290           | 111,396,898           |
| Contributions receivable  | <u>717,978</u>        | <u>42,567</u>         |
| Total Financial Assets Available to Management for<br>General Expenditure Within One Year | <u>\$ 141,621,838</u> | <u>\$ 115,237,101</u> |

# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Liquidity Management

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. Under the Foundation's spending policy and in conjunction with the annual budget approval process, \$3,914,896 has been approved for appropriation from the endowment for general expenditures in the subsequent year. This amount is included within the investments balance of \$136,243,290 reported above.

### NOTE 6 - ENDOWMENT AND VARIANCE POWER

The Foundation's endowment consists of approximately 500 individual funds established for a variety of purposes. Its endowment includes donor-advised funds, donor-designated funds and funds designated by the Board of Trustees to function as endowments. The Board of Trustees of the Foundation has the power to redirect the use of a donor's contribution to another beneficiary. Such endowment funds are subject to variance power pursuant to Sections 1.170A-9(e)(11)(v)(B), (C) and (D) of the Code.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) and concluded that the impact of such adoption was negligible on the presentation of the Foundation's financial statements given the existing governing documents' inclusion of variance power, the unilateral power to redirect the use of a contribution for another charitable purpose and ability to modify any restriction on distribution of funds. The criteria and circumstances under which the Board of Trustees of the Foundation would exercise the powers are prescribed in the by-laws of the Foundation.

As a result of this responsibility under the by-laws, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes. Net assets with donor restrictions consist of pooled income funds, which are classified as split-interest agreements. Accordingly, the Foundation's financial statements classify substantially all net assets as without donor restrictions; however, all recordkeeping for internal management and external reporting retains the original donor intent and historical gift value for every charitable asset within the Foundation.

The spending policy and philosophy contained in the Foundation's Investment Committee Policies and Procedures, including the long-term investment management policies and procedures constructed based on the by-laws, were designed to function as integrated processes and are administered to reflect the following factors, as described in CTUPMIFA, for prudent stewards of charitable assets, including:

1. The duration and preservation of a fund;
2. The purpose of the organization and the donor designations thereto;
3. General economic conditions;
4. The possible effects of inflation and deflation;
5. The expected total return of the charitable assets;
6. Other resources of the organization; and
7. The investment policies.

# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Changes in endowment net assets without donor restrictions for the years ended December 31, 2020 and 2019, are as follows:

|  |                              |
|--|------------------------------|
| Endowment net assets - January 1, 2019       | \$ <u>97,277,892</u>         |
| Investment return:                           |                              |
| Investment income                            | 3,327,073                    |
| Investment management fees                   | (36,035)                     |
| Unrealized losses                            | 13,799,209                   |
| Realized gains                               | <u>2,028,740</u>             |
| Total investment loss                        | <u>19,118,987</u>            |
| Contributions                                | <u>4,403,732</u>             |
| Expenditure of discretionary endowment funds | <u>(6,666,084)</u>           |
| Endowment net assets - December 31, 2019     | <u>114,134,527</u>           |
| Investment return:                           |                              |
| Investment income                            | 2,797,992                    |
| Investment management fees                   | (39,082)                     |
| Unrealized gains                             | 10,321,358                   |
| Realized gains                               | <u>1,596,935</u>             |
| Total investment return                      | <u>14,677,203</u>            |
| Contributions                                | <u>17,685,539</u>            |
| Expenditure of discretionary endowment funds | <u>(6,664,304)</u>           |
| Endowment Net Assets - December 31, 2020     | \$ <u><u>139,832,965</u></u> |

### NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020 and 2019, net assets with donor restrictions consist of pooled income funds with time restrictions in the amount of \$279,545 and \$257,971, respectively.

# CONNECTICUT COMMUNITY FOUNDATION, INC., AND AFFILIATED SUPPORTING ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 8 - OPERATING LEASE

The Foundation leases office space in Waterbury, Connecticut, under a lease that expires September 30, 2025, with monthly payments of \$4,984. Rental expense for 2020 and 2019 was \$56,208. At December 31, 2020, aggregate future minimum rental payments due under noncancelable operating leases consisted of the following:

| <u>Year Ending December 31</u> |                   |
|--------------------------------|-------------------|
| 2021                           | \$ 59,808         |
| 2022                           | 59,808            |
| 2023                           | 59,808            |
| 2024                           | 59,808            |
| 2025                           | <u>44,856</u>     |
| Total Minimum Lease Payments   | \$ <u>284,088</u> |

During 2020 and 2019, the Foundation subleased a portion of its office space for \$300 per month under a sublease agreement with optional annual renewal. The lease was renewed for one year and expires on September 30, 2021. The lease may be renewed for successive one-year periods. Sublease income was \$3,600 for each of the years ended December 31, 2020 and 2019.

### NOTE 9 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Foundation has a defined contribution retirement plan as defined under Section 403(b) of the Code. The plan provides for elective employee salary reduction contributions subject to Code limits and for discretionary employer match and nonelective contributions. Any eligible employee may participate in salary reduction contributions as of the date of employment. All eligible employees who have completed one year of service and have reached the age of 21 are eligible to participate in nonsalary reduction employer contributions. Employees are fully vested upon entry into the plan. Employer contributions to the plan totaled \$85,296 and \$94,292 in 2020 and 2019, respectively.

### NOTE 10 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

|   | <u>Connecticut<br/>Community<br/>Foundation</u> | <u>Waterbury<br/>Hospital<br/>Foundation</u> | <u>Total</u>          |
|---|---|--|-----------------------|
| <b>ASSETS</b>                               |   |  |                       |
| Cash and cash equivalents                   | \$ 4,603,256                                    | \$ 57,314                                    | \$ 4,660,570          |
| Investments                                 | 130,845,044                                     | 12,364,985                                   | 143,210,029           |
| Contributions receivable                    | 717,978   | -  | 717,978               |
| Property and equipment, net                 | 15,965  | -  | 15,965                |
| Other assets                                | <u>511,245</u>                                  | <u>-</u>                                     | <u>511,245</u>        |
|   |   |  | -                     |
| <b>Total Assets</b>                         | <u>\$ 136,693,488</u>                           | <u>\$ 12,422,299</u>                         | <u>\$ 149,115,787</u> |
| <b>LIABILITIES AND NET ASSETS</b>           |   |  |                       |
| <b>Liabilities</b>                          |   |  |                       |
| Accounts payable and accrued expenses       | \$ 46,392                                       | \$ -   | \$ 46,392             |
| Grants payable                              | 114,500   | -  | 114,500               |
| Liabilities under split-interest agreements | 166,852   | -  | 166,852               |
| Funds held as agency endowments             | <u>6,687,193</u>                                | <u>-</u>                                     | <u>6,687,193</u>      |
| Total liabilities                           | <u>7,014,937</u>                                | <u>-</u>                                     | <u>7,014,937</u>      |
| <b>Net Assets</b>                           |   |  |                       |
| Net assets without donor restrictions       | 129,399,006                                     | 12,422,299                                   | 141,821,305           |
| Net assets with donor restrictions          | <u>279,545</u>                                  | <u>-</u>                                     | <u>279,545</u>        |
| Total net assets                            | <u>129,678,551</u>                              | <u>12,422,299</u>                            | <u>142,100,850</u>    |
| <b>Total Liabilities and Net Assets</b>     | <u>\$ 136,693,488</u>                           | <u>\$ 12,422,299</u>                         | <u>\$ 149,115,787</u> |

**CONNECTICUT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED SUPPORTING ORGANIZATION**

**CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPLEMENTAL DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

|   | <u>Connecticut<br/>Community<br/>Foundation</u> | <u>Waterbury<br/>Hospital<br/>Foundation</u> | <u>Total</u>          |
|---|---|--|-----------------------|
| <b>Revenue, Support and Other Changes</b>                                   |   |  |                       |
| Contributions and gifts, net of agency<br>endowment contributions and gifts | \$ 7,186,050                                    | \$ 12,164,279                                | \$ 19,350,329         |
| Investment income, gains and losses, net                                    | 14,400,969                                      | 277,839                                      | 14,678,808            |
| Miscellaneous income  | 105,272   | -  | 105,272               |
| Royalty income  | 13,335  | -  | 13,335                |
| Change in value of split-interest agreements                                | (1,605)   | -  | (1,605)               |
| Total revenue, support and other changes                                    | <u>21,704,021</u>                               | <u>12,442,118</u>                            | <u>34,146,139</u>     |
| <b>Expenses</b>   |   |  |                       |
| Program services:   |   |  |                       |
| Grants, net of agency endowment grants                                      | 5,885,703                                       | -  | 5,885,703             |
| Other program service expenses  | 1,103,660                                       | -  | 1,103,660             |
| Total program services  | <u>6,989,363</u>                                | <u>-</u>                                     | <u>6,989,363</u>      |
| Supporting services:  |   |  |                       |
| Management and general  | 590,613   | 19,819                                       | 610,432               |
| Fundraising   | 241,648   | -  | 241,648               |
| Total supporting services   | <u>832,261</u>                                  | <u>19,819</u>                                | <u>852,080</u>        |
| Total expenses  | <u>7,821,624</u>                                | <u>19,819</u>                                | <u>7,841,443</u>      |
| Change in net assets without donor restrictions                             | 13,882,397                                      | 12,422,299                                   | 26,304,696            |
| <b>Change in Net Assets With Donor Restrictions</b>                         |   |  |                       |
| Change in value of split-interest agreements                                | <u>21,574</u>                                   | <u>-</u>                                     | <u>21,574</u>         |
| <b>Change in Net Assets</b>   | 13,903,971                                      | 12,422,299                                   | 26,326,270            |
| <b>Net Assets - Beginning of Year</b>                                       | <u>115,774,580</u>                              | <u>-</u>                                     | <u>115,774,580</u>    |
| <b>Net Assets - End of Year</b>   | <u>\$ 129,678,551</u>                           | <u>\$ 12,422,299</u>                         | <u>\$ 142,100,850</u> |

