

**Community Foundation of
Greater New Britain**

Financial Statements

December 31, 2017 and 2016



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Table of Contents

December 31, 2017 and 2016

Independent Auditors' Report	1 – 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows.....	5
Notes to the Financial Statements	6 – 14
Schedule of Program and Supporting Services Expenses	15

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Foundation of Greater New Britain

We have audited the accompanying financial statements of Community Foundation of Greater New Britain (the "Foundation") which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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 Community Foundation of Greater New Britain as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The schedule of program and supporting services expenses for the year ended December 31, 2017 on page 15 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
May 2, 2018

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,512,153	\$ 1,219,414
Investments held for Community Chest of New Britain and Berlin, Inc.	53,800	90,691
Contributions receivable	404	25,210
Prepaid expenses	16,093	17,398
Total current assets	<u>1,582,450</u>	<u>1,352,713</u>
Other assets:		
Investments	45,607,195	40,010,017
Split-interest agreements	78,433	77,616
Total investments	<u>45,685,628</u>	<u>40,087,633</u>
Property, plant and equipment, net	459,645	475,823
Total other assets	<u>46,145,273</u>	<u>40,563,456</u>
Total assets	<u><u>\$ 47,727,723</u></u>	<u><u>\$ 41,916,169</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 63,474	\$ 49,216
Grants payable	366,395	126,994
Due to Community Chest of New Britain and Berlin, Inc.	53,800	90,691
Total current liabilities	<u>483,669</u>	<u>266,901</u>
Long-term liabilities:		
Liability under charitable gift annuities	29,689	39,586
Agency endowments	6,792,108	5,662,429
Total long-term liabilities	<u>6,821,797</u>	<u>5,702,015</u>
Total liabilities	<u>7,305,466</u>	<u>5,968,916</u>
Net assets:		
Unrestricted	40,329,925	35,856,645
Temporarily restricted	92,332	90,608
Total net assets	<u>40,422,257</u>	<u>35,947,253</u>
Total liabilities and net assets	<u><u>\$ 47,727,723</u></u>	<u><u>\$ 41,916,169</u></u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenues						
Support:						
Gifts and contributions received	\$ 1,055,035	\$ 51,150	\$ 1,106,185	\$ 973,992	\$ 190,862	\$ 1,164,854
Less: agency endowment gifts	(390,550)	-	(390,550)	(2,500)	-	(2,500)
Total gifts and contributions received	664,485	51,150	715,635	971,492	190,862	1,162,354
Revenues:						
Miscellaneous revenue	61,022	-	61,022	70,483	-	70,483
Rent revenue	50,926	-	50,926	49,148	-	49,148
Realized and unrealized gains on investments, net	5,085,438	-	5,085,438	1,204,854	-	1,204,854
Interest and dividends	942,833	-	942,833	768,246	-	768,246
Investment and trustee fees	(219,847)	-	(219,847)	(222,365)	-	(222,365)
Change in split-interest agreements	-	10,714	10,714	-	88	88
Total revenues	5,920,372	10,714	5,931,086	1,870,366	88	1,870,454
Net assets released from restrictions	60,140	(60,140)	-	475,115	(475,115)	-
Total support and revenues	6,644,997	1,724	6,646,721	3,316,973	(284,165)	3,032,808
Program and Supporting Services Expenses						
Program services:						
Grants awarded	923,417	-	923,417	1,006,246	-	1,006,246
Scholarships awarded	197,115	-	197,115	180,811	-	180,811
Program expenses	423,790	-	423,790	428,519	-	428,519
Total grantmaking	1,544,322	-	1,544,322	1,615,576	-	1,615,576
Related program activities administered by the Foundation	49,989	-	49,989	278,075	-	278,075
Total program services	1,594,311	-	1,594,311	1,893,651	-	1,893,651
Supporting services:						
Management & general and development expenses	569,292	-	569,292	478,594	-	478,594
Total program and supporting services expenses	2,163,603	-	2,163,603	2,372,245	-	2,372,245
Transfer of fiscal intermediary assets	(8,114)	-	(8,114)	(137,509)	-	(137,509)
Change in net assets	4,473,280	1,724	4,475,004	807,219	(284,165)	523,054
Net assets, beginning of year	35,856,645	90,608	35,947,253	35,049,426	374,773	35,424,199
Net assets, end of year	\$ 40,329,925	\$ 92,332	\$ 40,422,257	\$ 35,856,645	\$ 90,608	\$ 35,947,253

The accompanying notes are an integral part of the financial statements.

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Statements of Cash Flows

December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets:	\$ 4,475,004	\$ 523,054
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	36,779	36,902
Realized gains on investments, net	(644,875)	(97)
Unrealized gains on investments, net	(4,440,563)	(1,204,757)
Loss on disposal of property and equipment	3,061	-
(Increase)/decrease in assets:		
Contributions receivable	24,806	64,755
Prepaid expenses	1,305	3,215
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	14,258	(49,364)
Grants payable	239,401	(200,100)
Liability under charitable gift annuities	(9,897)	(9,378)
Agency endowments	1,129,679	577
Net change in cash from operating activities	<u>828,958</u>	<u>(835,193)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	5,762,830	2,296,133
Purchase of investments	(6,275,387)	(1,860,130)
Purchase of property and equipment	(23,662)	(2,181)
Net change in cash from investing activities	<u>(536,219)</u>	<u>433,822</u>
Net change in cash and cash equivalents	292,739	(401,371)
Cash and cash equivalents, beginning of year	<u>1,219,414</u>	<u>1,620,785</u>
Cash and cash equivalents, end of year	<u>\$ 1,512,153</u>	<u>\$ 1,219,414</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Notes to the Financial Statements

December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Community Foundation of Greater New Britain (the “Foundation”) is a community foundation serving Berlin, New Britain, Plainville and Southington, Connecticut. The Foundation's mission is to improve the quality of life in the communities it serves by addressing community needs with strategic grant-making, initiatives and partnerships, developing and managing permanent endowments and gifts, and promoting informed philanthropy by providing donors convenient, cost-effective ways to improve their communities.

Basis of Accounting and Presentation – The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

The Foundation records its net assets according to the following three classifications:

Unrestricted Net Assets – These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions. The Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as unrestricted net assets.

Temporarily Restricted Net Assets – These net assets include contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation. This classification includes investment income and appreciation, which can be expended but for which restrictions have not yet been met. Included in temporarily restricted net assets are split-interest agreements.

Permanently Restricted Net Assets – These net assets include inflows of assets whose use by the Foundation is limited by explicit donor imposed stipulations that the principal be invested in perpetuity and stipulate the use of income and/or appreciation. The Foundation has no permanently restricted net assets at December 31, 2017 or 2016.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, either when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Variance Power – Accounting principles generally accepted 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 contribution to another beneficiary, such contributions must be classified as unrestricted net assets. 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 endowment funds, as unrestricted net assets, but segregate for internal management and endowment recordkeeping the portion that is held as endowment from the funds that are currently available for grant administration.

Risks and Uncertainties – The Foundation invests in a variety of investment vehicles, including mutual funds, debt and equity securities. These investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is possible that these factors will result in changes in the value of the Foundation's investments in the near term and such changes could materially affect amounts reported in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The Foundation uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash and all highly liquid instruments with an original maturity of three months or less.

The Foundation maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents.

Property, Plant and Equipment – Property, plant and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost, or if donated, at the approximate fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 3 to 30 years. Repairs and maintenance are charged to expense as incurred.

Donated Assets – Donated marketable securities and other assets are recorded as contributions at their estimated fair values as of the date of donation.

Investments – Investments in marketable debt securities, equity securities, money market funds and mutual funds with readily determinable fair values are stated at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets.

The Foundation follows an investment policy to meet its primary investment goals of preserving the long-term purchasing power of Foundation assets for future generations, while providing the maximum funding possible for current community needs. The long-term investment return objective for the Foundation's endowed assets is to earn 5.25% above the rate of inflation as measured by the Urban Consumer Price Index, at a moderate level of risk. This target rate of return is based on a diversified asset allocation model that incorporates investments in domestic and international equities, fixed income, hedge fund of funds, and private equity investments. The investment portfolio is overseen by the Foundation's Finance and Investments Committee, under direction of the Board of Directors. The Committee meets regularly with the Foundation's investment managers to review investment policy, asset selection and allocation, and to monitor performance of the portfolios. The Foundation complies with the current Uniform Prudent Management of Institutional Funds Act ("UPMIFA") regulations in Connecticut.

Investment Pools – The Foundation maintains master investment accounts for endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or withdrawals from those accounts.

Fair Value Measurements – The Foundation follows the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification, (FASB ASC 820) which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Three levels of inputs may be used to measure fair values:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

Split-Interest Agreements – Split-interest agreements consist of assets donated for the benefit of the Foundation and other beneficiaries. Revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when the Foundation is notified of the existence of the agreement. The accounting treatment varies depending upon the type of agreement created and whether the Foundation or a third party is the trustee.

Spending Policy – The Foundation utilizes a spending policy based upon the total return concept, which emphasizes total investment return, consisting of investment income and realized and unrealized gains and losses. Under the spending policy, a distribution of investment return is independent of the cash yield and appreciation of investments in that year. This spending formula is designed specifically to stabilize annual spending levels and to preserve the real value of the fund portfolio over time. The Foundation's spending policy is generally 5.25% of the previous 20 quarters' average market values, subject to a floor of 4.0% and ceiling of 6.0% based on the market value at September 30. For 2017, the Foundation in some instances limited spending to a range of 2.2% to 4.0% depending on an evaluation of a fund's historic gift value compared to its fair market value at September 30, 2016. This calculation is used to protect funds from declines in real value during down markets. The amount available for spending was \$2,075,123 and \$2,101,643 for the years ended December 31, 2017 and 2016, respectively. These amounts are available for grant making and administrative fees to support the operation of the Foundation for that respective year. For the years ending December 31, 2017 and 2016, total expenses for the Foundation amounted to \$2,163,603 and \$2,372,245, respectively. Expenses in excess of spending policy limitations were funded by other revenue sources that were to be used towards the Foundation's operations.

Scholarships – Multi-year scholarship awards are considered conditional grants payable. The financial statements do not reflect the amount of scholarships payable due to their nature, contingency and inability to determine the reasonableness that conditions will be met in the future. The unrecorded scholarships payable are not material to the financial statements.

Income Taxes – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. Accordingly, no provision has been made in the accompanying financial statements for federal or state income taxes.

Subsequent Events Measurement Date – The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year 2017 through May 2, 2018, the date on which the financial statements were available to be issued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements – In 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) that simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The Foundation will adopt these accounting standards for the year beginning January 1, 2018.

The FASB issued an ASU that clarifies and improves the scope of GAAP for contributions received and made. It focuses on distinguishing between exchange transactions and contributions, as well as contributions that are conditional or unconditional. The Foundation will adopt these accounting standards for the year beginning January 1, 2020.

NOTE 2 – AGENCY ENDOWMENTS

The Foundation accepts contributions from donors and agrees to transfer those assets, the return on investments on those assets, or both, to another entity on the donors' behalf. Accounting standards require that if an independent nonprofit organization establishes a component fund at a community foundation with its own resources and specifies itself or its affiliate as the beneficiary of those resources the community foundation must record the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments. The Foundation maintains variance power and legal ownership of these endowment funds managed for others and, as such, reports the funds as assets of the Foundation. The agency endowment balances as of December 31, 2017 and 2016 were \$6,792,108 and \$5,662,429, respectively.

NOTE 3 – SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities – The Board of Directors of the Foundation established a Charitable Gift Annuity program. Under the terms of the program, contributions are received from donors in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to a donor or individuals designated by the donor. Annuities contracts may be established for either one or two lives and provide that fixed payments be made to the annuitants for the remainder of their lives. Upon maturity of the annuity contract, any remaining assets revert back to the Foundation for purposes as specified in the Charitable Gift Annuity contract. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. No annuity contracts matured in 2017 or 2016 and therefore no remaining assets reverted to the Foundation.

NOTE 4 – INVESTMENTS

The following table presents the assets measured at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Fair Value
Short-term investments	\$ 137,551	\$ -	\$ -	\$ 137,551
Mutual funds	33,142,712	-	-	33,142,712
Exchange traded funds	155,476	-	-	155,476
Hedge funds	-	-	2,143,635	2,143,635
Private equity fund	-	-	128,789	128,789
Total leveled investments	33,435,739	-	2,272,424	35,708,163
Investments measured at NAV	-	-	-	9,977,465
Total investments, at fair value	<u>\$33,435,739</u>	<u>\$ -</u>	<u>\$ 2,272,424</u>	<u>\$45,685,628</u>

NOTE 4 – INVESTMENTS (CONTINUED)

The following table presents the assets measured at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Fair Value
Short-term investments	\$ 3,435	\$ -	\$ -	\$ 3,435
Mutual funds	32,132,853	-	-	32,132,853
Exchange traded funds	154,536	-	-	154,536
Total leveled investments	32,290,824	-	-	32,290,824
Investments measured at NAV	-	-	-	7,796,809
Total investments, at fair value	<u>\$32,290,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,087,633</u>

The following is a description of valuation methodologies used for assets measured at fair value:

Short term investments – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and exchange traded funds (ETF's) – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Hedge funds – Valued as of the close of business at the end of each month in accordance with the valuation principles set forth below or as may be determined from time to time pursuant to policies established by the Board. The NAV is used as a practical expedient to estimate fair value is based on the fair value of the underlying investments held by the fund less its liability.

Private equity fund – Valued based upon an appraisal. This appraisal was based upon a combination of the market and income valuation techniques.

Investments measured at NAV – Are not included in the leveling hierarchy and include funds for which market values are not readily ascertainable.

The following table sets forth a summary of changes in the fair value of the Foundation’s level 3 assets:

	Private Equity Fund	Hedge Funds	Total
Balance, January 1, 2017	\$ -	\$ -	\$ -
Unrealized gains/(losses)	8,789	(126,365)	(117,576)
Additions	120,000	2,270,000	2,390,000
Balance, December 31, 2017	<u>\$ 128,789</u>	<u>\$ 2,143,635</u>	<u>\$ 2,272,424</u>

NOTE 5 – ENDOWMENT

The Foundation follows the Not-for-Profit Entities topic of the FASB Accounting Standards Codification, (FASB ASC 958) which describes the information that needs to be disclosed regarding its endowment funds. The topic requires certain minimum disclosures comprised of the description of the Foundation’s spending policy, as well as its endowment investment policies. It also requires the following disclosures regarding the composition of the Foundation’s endowment by net asset class and a reconciliation of the beginning and ending balance of the Foundation’s endowment.

The Foundation’s endowment is comprised of investments and split-interest agreements.

NOTE 5 – ENDOWMENT (CONTINUED)

The reconciliation of the Foundation's endowment by net asset category is as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Balance as of January 1, 2016	\$ 39,231,876	\$ 86,906	\$ 39,318,782
Interest and dividends, net of investment fees	540,632	-	540,632
Net appreciation	1,204,854	-	1,204,854
Additions	1,162,354	-	1,162,354
Amounts appropriated for expenditure	(2,129,699)	(12,254)	(2,141,953)
Change in split-interest agreements	-	2,964	2,964
Balance as of December 31, 2016	40,010,017	77,616	40,087,633
Interest and dividends, net of investment fees	716,190	-	716,190
Net appreciation	5,085,438	-	5,085,438
Additions	715,635	-	715,635
Amounts appropriated for expenditure	(920,085)	(12,254)	(932,339)
Change in split-interest agreements	-	13,071	13,071
Balance as of December 31, 2017	<u>\$ 45,607,195</u>	<u>\$ 78,433</u>	<u>\$ 45,685,628</u>

The interest and dividends, net of investment expenses, above, does not include interest on unendowed funds. Interest on unendowed funds were \$6,796 and \$5,249 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The cost and accumulated depreciation of property, plant, and equipment are as follows for the years ended December 31,:

	2017		
	Cost	Accumulated Depreciation	Net Book Value
Land and building	\$ 767,558	\$ 326,521	\$ 441,037
Furniture and equipment	97,895	79,287	18,608
Total	<u>\$ 865,453</u>	<u>\$ 405,808</u>	<u>\$ 459,645</u>
	2016		
	Cost	Accumulated Depreciation	Net Book Value
Land and building	\$ 755,939	\$ 299,441	\$ 456,498
Furniture and equipment	91,974	72,649	19,325
Total	<u>\$ 847,913</u>	<u>\$ 372,090</u>	<u>\$ 475,823</u>

NOTE 7 – NET ASSETS

Unrestricted net assets represent contributions, gifts, management fees and income from investments that can be used for the general purpose of the Foundation. Designations of unrestricted resources by the Board of Directors are recorded as unrestricted funds because such designations can be changed at the will of the Board.

Unrestricted net assets are comprised as follows at December 31,:

	2017	2016
Discretionary funds	\$ 22,572,774	\$ 20,436,504
Field of interest funds	3,601,125	3,062,119
Donor advised funds	1,863,069	1,538,557
Scholarship funds	6,625,741	5,813,375
Donor designated funds	5,667,216	5,006,090
Total unrestricted net assets	<u>\$ 40,329,925</u>	<u>\$ 35,856,645</u>

Temporarily restricted net assets represent contributions, gifts and income from investments that can be used for the purposes specified by the donor.

Temporarily restricted net assets are comprised as follows at December 31,:

	2017			
	Beginning	Additions	Release	Ending
Related program activities	\$ 52,578	\$ 51,150	\$ (60,140)	\$ 43,588
Charitable gift annuities	38,030	10,714	-	48,744
Total	<u>\$ 90,608</u>	<u>\$ 61,864</u>	<u>\$ (60,140)</u>	<u>\$ 92,332</u>

	2016			
	Beginning	Additions	Release	Ending
Related program activities	\$ 336,831	\$ 190,862	\$ (475,115)	\$ 52,578
Charitable gift annuities	37,942	88	-	38,030
Total	<u>\$ 374,773</u>	<u>\$ 190,950</u>	<u>\$ (475,115)</u>	<u>\$ 90,608</u>

NOTE 8 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Supporting services include development and management and general expenses. These functions are necessary to maintain and ensure an adequate working environment, to provide coordination and articulation of the Foundation's program mission, ensure proper administrative functioning of the Board of Directors and management of the financial and budgetary responsibilities of the Foundation. Included in these expenses are development expenses, which provide the structure necessary to encourage and secure financial support from individuals, businesses and foundations. Development expenses were \$45,455 and \$20,947 for the years ended December 31, 2017 and 2016, respectively.

NOTE 8 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

The following program services are included in the accompanying financial statements:

Grants

The Foundation distributes grants from discretionary, donor advised, designated and field of interest funds to organizations and projects that benefit the communities of New Britain, Berlin, Plainville and Southington. The Foundation's grant-making strategy is intended to strengthen the capacity of the organizations and the community as a whole. Grants are awarded across a broad range of fields focusing on four areas of priority. The areas of priority are youth development, leadership development, education from early childhood to adulthood, and creating a greater awareness of the area's strengths and assets. These priorities are achieved through a range of programs including arts and culture, community and economic development, civic affairs, education, health, the environment and social services.

Scholarships

The Foundation distributes scholarship awards from managed scholarship funds according to the criteria established by the donors. The Foundation distributes scholarship awards from its own discretionary funds by committee. Recipients are primarily students from Berlin, New Britain, Plainville and Southington graduating from high school and planning to further their education.

Program Expenses

These expenses reflect staff costs and other expenses directly associated with administering the grants, scholarships, community meetings and activities relating to the program area of the Foundation's mission.

Related Program Activities Administered by the Foundation

The Foundation is the fiscal agent for the Early Childhood Collaborative of Southington. The Foundation held a contract with the William Caspar Graustein Memorial Fund, whereby the Foundation had oversight of the work of the Coalition for New Britain's Youth, which ended on November 1, 2016. The Foundation was also the fiscal agent for the Family Resource Center of Southington through July 1, 2016.

As of December 31, 2017 and 2016, net assets of these funds totaled \$43,588 and \$52,578, respectively. Contributions recognized on behalf of these organizations were \$51,150 and \$190,862 for the years ended December 31, 2017 and 2016, respectively, which includes contributions made from the Foundation of \$10,000 and \$54,999, for the years ended December 31, 2017 and 2016, respectively. Expenses recognized on behalf of the organizations were \$60,140 and \$475,115 which includes a reclassification for amounts transferred to other organizations of \$137,049 for the year ended December 31, 2016.

NOTE 9 – SUPPORTING ORGANIZATIONS

The Foundation entered into a Supporting Organization Agreement with the Community Chest of New Britain and Berlin, Inc. ("CCNBB"), a related party. CCNBB is a separate nonprofit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. IRS regulations require that the Foundation nominate a majority of all CCNBB Directors. However, CCNBB retains its ability to unilaterally act to make grants without oversight or approval by the Foundation; to adopt its own asset allocation strategy for CCNBB investments; and to adopt its own annual spending policy. The Supporting Organization Agreement outlines a broad set of services which CCNBB will receive from the Foundation and the fees to be charged for those services. CCNBB's total assets as of December 31, 2017 and 2016, respectively, were \$7,702,471 and \$6,732,743, of which \$5,386,369 and \$4,564,128 as of December 31, 2017 and 2016, respectively, is in the name of the Foundation. However, CCNBB has the right to request \$53,800 and \$90,691 from these funds, as of December 31, 2017 and 2016, respectively, in accordance with the fund agreement. As such, this portion of the assets under management is reflected in the statements of financial position.

The Foundation appoints "one-half plus one" members of the CCNBB Board of Directors. This group is referred to as the "CFGNB class" of the CCNBB's Board of Directors. Some members of the Foundation's Board of Directors are also part of this "CFGNB class." The Foundation received management fees from CCNBB of \$44,864 and \$49,050 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Foundation maintains a tax-deferred retirement plan qualified under Internal Revenue Code Section 403(b). The plan covers all eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation contributed 10% of gross wages of each eligible employee hired before January 1, 2014 and 8% of gross wages of each eligible employee hired after such date. Foundation contributions totaled \$45,551 and \$49,307 for the years ended December 31, 2017 and 2016, respectively.

NOTE 11 – COMMITMENTS

Operating Lease

The Foundation entered into various leases that expired in 2017 as well as one that expires in 2022. Operating lease expense was \$3,487 and \$3,983 for the years ended December 31, 2017 and 2016, respectively. The future minimum rental expense payments under the leases are as follows for the years ended December 31,:

2018	\$	2,620
2019		2,620
2020		2,620
2021		2,620
2022		1,965

Rental Income

The Foundation has various real estate operating leases for different portions of the building that expire in 2019.

The future minimum rental income payments under the leases are as follows for the years ended December 31,:

2018	\$	36,248
2019		6,071

Unfunded Commitment

The Foundation invested in a private equity fund during 2017. As of December 31, 2017, the unfunded capital commitment for the fund is \$880,000.

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Schedule of Program and Supporting Services Expenses

For the year ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017									2016
	Related Program Activities					Supporting Services				
		Early Childhood Collaboratives	Special Programs	Total Related Program	Total Program	Management & General	Development	Total Supporting Services	Total	Total
	Grantmaking									
Grants awarded	\$ 902,885	\$ -	\$ 213,072	\$ 213,072	\$ 1,115,957	\$ -	\$ -	\$ -	\$ 1,115,957	\$ 1,205,896
Less: agency endowments	(192,540)	-	-	-	(192,540)	-	-	-	(192,540)	(199,650)
Net grants awarded	710,345	-	213,072	213,072	923,417	-	-	-	923,417	1,006,246
Scholarships awarded	197,115	-	-	-	197,115	-	-	-	197,115	180,811
Total grants and scholarships	907,460	-	213,072	213,072	1,120,532	-	-	-	1,120,532	1,187,057
Other expenses:										
Salaries and wages	243,655	-	-	-	243,655	257,124	18,255	275,379	519,034	503,207
Employee benefits	50,106	-	-	-	50,106	62,904	1,582	64,486	114,592	111,796
Consulting	27,000	40,082	-	40,082	67,082	-	12,000	12,000	79,082	237,821
Building-related costs	18,489	-	-	-	18,489	58,895	1,385	60,280	78,769	74,507
Payroll taxes	21,017	-	-	-	21,017	22,540	1,423	23,963	44,980	39,041
Program expense	391	3,677	-	3,677	4,068	-	-	-	4,068	6,997
Legal, accounting and professional fees	46,258	-	-	-	46,258	25,500	-	25,500	71,758	76,401
Miscellaneous	904	-	-	-	904	2,231	-	2,231	3,135	13,827
Printing and publications	3,322	1,126	-	1,126	4,448	1,150	7,139	8,289	12,737	13,366
Conferences, conventions and meetings	8,617	600	-	600	9,217	5,457	376	5,833	15,050	29,500
Depreciation	-	-	-	-	-	6,638	-	6,638	6,638	7,095
Computer software and support	-	432	-	432	432	35,054	-	35,054	35,486	29,600
Office expense	2,348	398	-	398	2,746	21,915	968	22,883	25,629	25,579
Travel	1,278	776	-	776	2,054	234	75	309	2,363	2,790
Insurance	-	1,300	-	1,300	1,300	4,254	-	4,254	5,554	5,272
Membership dues and subscriptions	405	418	-	418	823	1,565	-	1,565	2,388	5,144
Events	-	-	-	-	-	17,008	2,252	19,260	19,260	-
Website	-	1,180	-	1,180	1,180	1,368	-	1,368	2,548	3,245
Total other expenses	423,790	49,989	-	49,989	473,779	523,837	45,455	569,292	1,043,071	1,185,188
Total expenses	\$ 1,331,250	\$ 49,989	\$ 213,072	\$ 263,061	\$ 1,594,311	\$ 523,837	\$ 45,455	\$ 569,292	\$ 2,163,603	\$ 2,372,245

Headquarters

280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com

